10 February 2015
LSE: VER

Unaudited interim results for the periods ended 31 December 2014

A Year Of Significant Progress

Vernalis plc (LSE: VER) today announces its results for the six month and twelve month periods ended 31 December 2014.

Following on from the change to the Group's year end date from 31 December to 30 June, the Group's audited results for the 18 month period to 30 June 2015 will be announced by the end of September 2015.

Financial Highlights for six months ended 31 December 2014

- Continued strong financial performance ahead of market expectations:
  - Revenue was £5.7 million (H2 2013: £6.5 million)
    - Frovatriptan royalty income at £1.7 million (H2 2013: £4.1 million) was in line with market expectations, with one 12.5 kg batch of API delivered to Menarini
    - Research collaboration income was £3.8 million (H2 2013: £2.3 million) comprising £0.6 million of milestone income (H2 2013; £nil) and £3.2 million derived from FTE income (H2 2013: £2.3 million)
  - Operating costs (including R&D) before exceptional items were marginally lower at £9.9 million (H2 2013: £10.3 million)
  - Operating loss before exceptional items was £4.3 million (H2 2013: £4.7 million)
  - Profit for the period was £1.7 million (H2 2013: loss of £8.2 million) including a £4.5 million unrealised foreign exchange gain (H2 2013: £5.3 million loss) due to the weakening of sterling against the US dollar
  - Underlying cash burn decreased to £2.0 million (H2 2013: £3.7 million) resulting from an increase in FTE research collaboration income and a reduction in operating costs

Financial Highlights for twelve months ended 31 December 2014

  - Revenue was £11.9 million (2013: £14.1 million)
    - Frovatriptan royalty income at £3.5 million (2013: £6.7 million) was in line with market expectations, with two 12.5 kg batches of API delivered to Menarini (2013: 3 batches)
    - Research collaboration income was £8.1 million (2013: £7.1 million) comprising £1.7 million of milestone income (2013: £2.5 million) and £6.4 million of FTE income (2013: £4.6 million), resulting in our research business remaining self-funded
  - Operating costs (including R&D) before exceptional items were flat at £19.4 million (2013: £19.3 million)
  - Operating loss before exceptional items was £8.1 million (H2 2013: £7.3 million)
  - Loss for the period was £2.9 million (2013: £4.0 million) including a £2.8 million unrealised foreign exchange gain (2013: £0.9 million loss) due to the weakening of sterling against the US dollar
- Balance sheet remains strong with £70.6 million of cash resources (including cash, cash equivalents and held-to-maturity financial assets) and debt free (2013: £76.9 million)
  - Net increase in cash resources of £0.3 million for the six months to 31 December 2014 driven by sterling weakening against the US dollar
  - Proof-of-Concept (POC) payments on CCP-07 and CCP-08 of £1.8 million were paid to Tris in April 2014 and July 2014 respectively and the NDA filing milestone of £1.8 million for Tuzistra XR was paid in August 2014
  - Underlying cash burn decreased marginally to £5.8 million (2013: £6.3 million)

Operational Highlights for the 12 months to 31 December 2014

Cough Cold Commercial Pipeline:

- NDA for Tuzistra™ XR (CCP-01) was filed with the FDA at the end of June 2014 and accepted for full review in September 2014, with a PDUFA target action date of 30 April 2015

- CCP-07 and CCP-08 achieved POC triggering milestone payments to Tris in April and July 2014 respectively
- Continued progress on both CCP-05 and CCP-06 with POC now targeted during 2015

NCE Development Pipeline:
Frovatriptan (marketed) (Migraine):

- 2014 Menarini frovatriptan sales were in line with the same period in 2013 (€26.4 million vs €26.4 million)

V81444 (CNS diseases):

- Phase Ib/II POC study in Attention Deficit Hyperactivity Disorder (ADHD) completed (April 2014) and a partnering process initiated

V158866 (Pain):

- Phase II POC study in spinal cord injury neuropathic pain continues, with data expected in 2015

AUY922 (Cancer):

- Novartis ceased all development work on AUY922 in December 2014. The process to return the programme started in early January 2015. Vernalis will review the data to determine whether there is potential for re-partnering

Tosedostat - CHR2797 (Cancer):

- CTI BioPharma replaced Chroma Therapeutics as worldwide licensee (October 2014)
- CTI Biopharma is awaiting data from investigator led trials in acute myeloid leukaemia (AML) and myelodysplastic syndrome (MDS) to inform the appropriate design of a Phase III study

Servier 1 (Cancer):

- Servier signed a global strategic agreement with Novartis to develop and commercialise drug candidates from this collaboration (May 2014)
- Lead molecule from this collaboration with Servier, a selective BCL-2 inhibitor, has progressed into Phase I (June 2014) triggering a £0.8 million (€1 million) milestone receipt

Research Collaborations:

- Milestone achieved in collaboration with Asahi Kasei Pharma triggering a £0.3 million payment to Vernalis (March 2014)
- Two milestones achieved in collaborations with Servier triggering, in total, a €0.75 million (£0.6 million) payment to Vernalis (August 2014)
- Vernalis Research received a Queen's Award for Enterprise (April 2014)

Potential Newsflow

- Tuzistra™ XR NDA action date at FDA (30 April 2015)
- Tris completion of submission stability batches for CCP-07 and CCP-08 (undisclosed)
- Potential Tuzistra™ XR launch (Start 2015/16 cough cold season)
- Achieve POC for CCP-05 and CCP06 (2015)
- V158866 (Pain) - Completion of Phase II POC study (2015)
- Achieve further milestones under existing research collaborations which will trigger further payments
- Secure new research collaborations

Ian Garland, Chief Executive Officer, commented, "Vernalis continues to make progress across all aspects of its business during 2014. Our lead cough cold candidate Tuzistra™ XR has a PDUFA date of 30 April 2015. Proofs-of-concept were achieved for two other cough cold products in 2014 and we aim to achieve proof-of-concept for the remaining two cough cold products in 2015.

We announced promising results from a Phase Ib/II study in ADHD, and the BCL-2 collaborative programme entered Phase I.

Research continues to perform well and remains self-funded with five active collaborations during the period. Our financial results remain strong, whilst we continue to prepare for the potential launch of our first

cough cold product into the US market this summer. And our balance sheet is strong, with considerable cash reserves and no debt."

Presentation & Conference Call

Vernalis management will host a presentation at **09.00 am** (UK) today (10 February 2015) at Brunswick's offices, 16 Lincoln's Inn Fields, London WC2A 3ED. It will also be available via webcast at http://www.vernalis.com/investor-centre/presentations-and-webcasts and www.cantos.com**.** Please contact Valerie Mugridge at Brunswick on +44 (0) 207 396 5325 for details.

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Notes to Editors

About Vernalis
Vernalis is a revenue generating development stage pharmaceutical company with significant expertise in drug development. The Group has one marketed product, frovatriptan for the acute treatment of migraine, an exclusive licensing agreement to develop and commercialise multiple novel products focussed on the US prescription cough cold market as well as seven programmes in its NCE development pipeline. Vernalis has also significant expertise in fragment and structure based drug discovery which it leverages to enter into collaborations with larger pharmaceutical companies. The Company's technologies, capabilities and products have been endorsed over the last five years by collaborations with leading pharmaceutical companies, including AKP, Biogen Idec, Endo, GSK, Genentech, Lundbeck, Menarini, Novartis, Servier and Tris.

For further information about Vernalis, please visit www.vernalis.com

Vernalis Forward-Looking Statement
This news release may contain forward-looking statements that reflect the Company's current expectations regarding future events including the clinical development and regulatory clearance of the Company's products, the Company's ability to find partners for the development and commercialisation of its products, as well as the Company's future capital raising activities. Forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein and depend on a number of factors including the success of the Company's research strategies, the applicability of the discoveries made therein, the successful and timely completion of clinical studies, the uncertainties related to the regulatory process, the ability of the Company to identify and agree beneficial terms with suitable partners for the commercialisation and/or development of its products, as well as the achievement of expected synergies from such transactions, the acceptance of frovatriptan and other products by consumers and medical professionals, the successful integration of completed mergers and acquisitions and achievement of expected synergies from such transactions, and the ability of the Company to identify and consummate suitable strategic and business combination transactions.

Strategic and operational review

During 2014, Vernalis has continued to make strong and rapid progress towards becoming a self-sustaining cash generative pharmaceutical company. Our late-stage, low-risk pipeline of differentiated prescription cough cold candidates has seen multiple positive advances since the end of 2013. The Company continues with its reduced-risk partnering model for higher risk novel potential treatments in the oncology, CNS and respiratory fields as well as in its drug discovery operation. Our key priority remains to advance the Tris commercial pipeline and steer the Company to sustainable profitability, whilst continuing to exploit the potential in our novel drug pipeline and research capabilities, with only modest investment, and at reduced risk.

Late stage low-risk development and commercialisation

The licensing deal with Tris combines Tris' extended release liquid technology with the Vernalis management team's substantial experience in the US cough cold sector to produce an exciting, high potential value but low-risk commercial pipeline.

We have prioritised development of five products under the Tris collaboration following feedback from the FDA that confirmed a regulatory path based on comparative bio-availability requiring a shortened development time for these products. All five are extended release formulations of existing immediate release prescription cough cold products.

The first candidate, Tuzistra™ XR (formerly CCP-01), has progressed rapidly since achieving proof-of-concept (POC) in March 2013. Following production of three stability batches in mid-2013 and positive pivotal study results in November 2013 and February 2014, an NDA for Tuzistra™ XR was submitted on schedule to the FDA at the end of June 2014. Since submission, the FDA confirmed acceptance to file in September 2014 and set a target date for a complete response letter and potential approval at the end of April 2015. This timeline allows for launch in the US this summer, ahead of the 2015-16 cough cold season.

The remaining four cough cold programmes under active development are also progressing well with CCP-07 and CCP-08 achieving POC in April and July 2014 respectively. The next step for both of these programmes is the scale-up and manufacture of three submission batches that will provide product for the 12-month stability programme and pivotal bio-availability studies. We plan to announce when stability batches for each of the two programmes have been manufactured as this will provide a guide to when NDAs will be submitted. The remaining two active programmes, CCP-05 and CCP-06 are now targeted to achieve POC in 2015.

The latest full US cough cold season (2013-14) prescription data became available in July and showed that the market continues to be large and attractive, with significant potential for extended release formulations of current immediate release products. The total market fluctuates with the severity of the cough cold season and the IMS prescription data indicates that 31.5 million prescriptions were written for cough cold products in the US in the year to June 2014, representing a moderate season. By way of comparison 34.2 million prescriptions were written in the US in the year to June 2013 (also a moderate season) and 29.4 million in the same period to June 2012 (a very mild season). We estimate the potential US market size for extended release cough cold products to be around $2 billion annually.

During the current 2014-15 season, new regulations came into effect in the United States that changed the scheduling of hydrocodone containing combination cough products, changing them from Schedule III to Schedule II which places greater regulation and restriction on their distribution and prescribing requirements. We will continue to monitor the impact of this change over the remainder of the current cough cold season, which is trending in-line with the 2013-14 season, and we plan to provide an update with our year-end results in September.

During 2014 we have continued to prepare for commercialisation of our cough cold products, with the initial focus on the potential launch of Tuzistra™ XR which could be just 6-months away. We have selected class leading service providers for the critical aspects of our US commercial strategy; we will use Cardinal SPS as our third party logistics provider, inVentiv as our contract sales provider and Ashfield Market Access as our national accounts manager. In addition to selecting these external strategic partners, we have hired a US based SVP Medical Affairs, to complement our two existing executive US employees, and a VP Sales & Marketing who has recently gone through a successful first product launch at a US company. Our US staff are based in our Berwyn, PA office in the Philadelphia area which we opened in October 2014.

Frovatriptan

Underlying frovatriptan sales made by Menarini in 2014 continue to perform broadly in line with the sales for 2013 (€26.4 million compared to €26.4 million). The core composition of matter patent SPCs expire in December 2015 and Menarini is targeting stable sales for 2015, prior to that expiry. Vernalis received a Notice of Allowance for a patent covering the method of manufacture for frovatriptan from the EPO in December 2014. This patent expires in April 2019 and provides for ongoing payment of royalties from Menarini.

Royalties on these underlying sales are based on shipment of active pharmaceutical product (API) to Menarini and are paid in Euros. During 2014, as expected, two batches of API were shipped to Menarini, one in each half year period. We have firm orders from Menarini for two further batches to be shipped in the remaining six month period to our 30 June 2015 period end.

Our reported Menarini frovatriptan royalty revenue will continue to fluctuate depending on the number of batches of API shipped and changes in foreign exchange rates. Royalties included in revenue for the twelve months to 31 December 2014 were £3.5 million (2013: £6.7 million) with £1.7 million in the six months to 31 December 2014 (H2 2013: £3.9 million). The decrease was driven primarily by a reduction in volume but also due to some foreign exchange movement and pricing.

Realising value from the NCE pipeline

The NCE pipeline at 31 December 2014 comprised seven development programmes focusing on central nervous disorders, cancer and inflammation. Four of these programmes are partnered, one each with CTI Biopharma, Verona Pharma, Servier and RedoxTherapies. We are actively seeking partners for two of our NCE programmes, V81444 and V158411, and continue to invest in the remaining programme, V158866.

In April 2014 we announced results of a POC study for V81444, an A_{2A} receptor antagonist which is being investigated as a treatment for diseases of the central nervous system. This POC study, which was in adult subjects with a confirmed diagnosis of ADHD, did not achieve statistical significance in its primary ADHD rating scale endpoint but did achieve a statistically significant improvement in the PERM-P secondary endpoint. This concluded our in-house investment in this programme and we are now seeking a partner to continue its development.

The lead molecule from the Servier 1 collaboration, a selective BCL-2 inhibitor, progressed into Phase I in June 2014, triggering a €1 million (£0.8 million) milestone payment. Servier signed a global strategic agreement with Novartis to commercialise drug candidates from this collaboration in May 2014.

CTI BioPharma Corp. became our worldwide partner for tosedostat in October 2014, when it took over rights previously held by Chroma Therapeutics. Tosedostat completed an investigator led study in June 2014 when CTI BioPharma also announced initiation of an international co-operation group-sponsored Phase II study in combination with low dose cytarabine in older patients with AML or MDS.

Also in October 2014 we announced that vipadenant (V2006), an A_{2A} receptor antagonist, was partnered with RedoxTherapies for use in immuno-oncology.

In December 2014, we announced that rights to AUY922 will be returned to Vernalis following Novartis discontinuing development, due to lack of efficacy. We will review the Novartis data for this Hsp90 inhibitor, which was being evaluated in multiple Phase Ib and Phase II cancer studies, to determine whether there is potential for re-partnering.

We continue to invest in V158866, a FAAH inhibitor being investigated as a treatment for neuropathic pain as a result of spinal cord injury. As previously announced, we aim to complete recruitment into this study and report data during 2015.

Maintaining a balanced approach to research
Research has continued to perform strongly in 2014. Income from the five active collaborations, including four milestones, was £8.1 million (2013: £7.1 million). We continue to follow a lower risk collaborative research strategy, leveraging our expertise and strong track record in fragment and structure-based drug design.

We maintain a robust debt free financial position
At 31 December 2014 the Company had £70.6 million of cash resources and no debt. We continue to hold the majority of cash in US dollars to match the currency in which our future cough cold obligations in the US will be paid. As a consequence of holding these foreign currency deposits, we report exchange exposure on the retranslation of the US dollar cash deposits into sterling at each reporting date and on that basis a £2.9 million gain on our US dollar deposits has been recorded for the year to 31 December 2014 (2013: £0.9 million loss). The changes in foreign exchange rates between sterling and US dollar do not impact our ability to execute our US commercial strategy, but reported cash and held to maturity financial assets in sterling will be affected. The company remains in a very strong financial position.

Board Changes

As announced on 21 January, Allan Baxter resigned owing to ill health. The Board has been informed that subsequent to that announcement Allan has died. The Board would like to place on record the enormous contribution Allan has made to Vernalis over the last 11 years. He will be sadly missed.

The Board is now seeking to appoint additional non-executive directors in 2015.

Financial Review

Income statement

Total revenues of £11.9 million for the year
Revenue for the twelve months ended 31 December 2014 was £11.9 million (2013: £14.1 million) and comprised income of £3.5 million from the supply of frovatriptan active pharmaceutical ingredient (API) to Menarini (2013: £6.7 million) and collaboration income of £8.4 million (2013: £7.4 million).

Revenue for the six months ended 31 December 2014 was £5.7 million (H2 2013: £6.5 million) including £1.7 million from the supply of frovatriptan API to Menarini (H2 2013: £3.9 million) and £4.0 million from collaborations (H2 2013: £2.4 million).

Research again performs strongly with £8.1 million of revenue for the year
Research collaboration income for the twelve months ended 31 December 2014 increased by £1.0 million due to an increase in FTE income which more than offset a decrease in milestone income. In 2014 we earned £1.7 million from milestones in total with £0.3 million from AKP and £1.4 million from Servier. In 2013 we received £2.5 million of milestone income from the Genentech collaboration which concluded early in 2013. This fall in milestone income has been offset by an increase in FTE income (2014: £6.4 million) with five active collaborations active for the majority of 2014 compared to four during 2013 (2013: £4.6 million).

Research collaboration income for the six months to 31 December 2014 increased by £1.5 million due to an increase in both FTE income and milestone income. FTE income was £3.2 million an increase of £0.9 million as a result of one more active collaboration for the majority of this period compared to 2013 (H2 2013: £2.3 million). In addition, £0.6 million of milestone payments was received from Servier (H2 2013: nil).

Frovatriptan underlying sales remain flat
Underlying sales of frovatriptan by Menarini in Europe and Central America were €26.4 million for the twelve months ended 31 December 2014; flat compared with 2013 (2013: €26.4 million). Underlying volumes of tablet sales in 2014 were also broadly flat compared with 2013 at 9.9 million (2013: 9.7 million). Vernalis receives 25.25 per cent of Menarini sales via a royalty linked to the supply of API so the reported royalties do not necessarily track the underlying sales of frovatriptan.

The reported £3.5 million of frovatriptan royalties for the twelve months ended 31 December 2014 was in line with our expectations but decreased by £3.2 million in the year (2013: £6.7 million). This decrease was largely driven by volume as well as some foreign exchange and pricing. In 2014, we delivered two 12.5Kg batches of API to Menarini. This compares with 2013 when we delivered 2.5kg of API to Menarini for non-EU territories, one batch of tablets for the Central American market and three 12.5kg batches. API shipments are invoiced in Euros and translated into sterling for financial reporting purposes. In 2014 there was a negative foreign exchange impact of 6 per cent due to the weakening of the Euro against sterling when compared to 2013.

Frovatriptan royalties for the six months ended 31 December 2014 were £1.7 million (H2: 2013 £4.1 million), with one 12.5Kg batch of API delivered to Menarini compared to H2 2013 when two 12.5Kg batches of API were delivered in addition to a batch of tablets for the Central American market.

External R&D marginally lower
Research and development expenditure for the twelve months ended 31 December 2014 was marginally lower compared with 2013, at £14.0 million (2013: £14.4 million). External R&D expenditure decreased to £2.2 million (2013: £3.7 million); these costs were focused on both V81444 and V158866 as well as activity on Tris related projects. The phase Ib/II study for V81444 completed during the first half of 2014 with data announced in April. The phase II study for V158866 has been actively recruiting throughout 2014. External R&D costs also included £0.3 million related to AUY922 which has been written off following Novartis' decision to cease further development in December 2014. Expenditure on internal R&D activities increased to £11.8 million (2013: £10.7 million) due to US preparatory costs incurred in advance of the potential 2015 launch of Tuzistra™ XR.

Research and development expenditure for the 6 months to 31 December 2014 was £7.1 million (H2 2013: £7.9 million). External R&D expenditure decreased to £0.8 million (H2 2013: £2.9 million) due to the completion of the V81444 phase Ib/II study in April 2014. Expenditure on internal R&D activities increased to £6.3 million (H2 2013: £5.2 million) due to these US preparatory costs.

General and Administrative costs in line with expectation
General and administrative expenses before exceptional items for the twelve months ended 31 December 2014 increased to £5.4 million (2013: £4.9 million). G&A costs have increased by £0.5 million primarily due to an increase in the share option charge. The exceptional gain of £1.6 million recognised in 2013 related to a reassessment of assumptions used to calculate the property provision recognising an improvement in market rentals. There have been no exceptional items in 2014.

General and administrative expenses before exceptional items for the six months ended 31 December 2014 increased to £2.8 million (H2 2103: £2.3 million), again, primarily due to the share option charge. The exceptional gain of £1.1 million recognised in H2 2013 related to the property provision and as noted above there have been no exceptional items in 2014.

Operating loss increases due to reduction in revenues
The operating loss for the twelve months ended 31 December 2014 before exceptional items was £8.1 million (2013: £7.3 million) and increased due to a reduction in frovatriptan revenues, with costs flat year on year. There were no exceptional items for 2014 but the operating loss after exceptional items for the year ended 31 December 2013 was £5.7 million.

The operating loss for the six months ended 31 December 2014 before exceptional items was £4.3 million (2013: £4.7 million). There were no exceptional items for H2 2014 but the operating loss after exceptional items for the six months ended 31 December 2013 was £3.6 million.

Foreign exchange gain impacts half year performance
Finance income increased to £3.0 million for the twelve months ended 31 December 2014 (2013: £0.4 million) and comprised interest received on cash, cash equivalents and held-to-maturity financial assets as well as a significant unrealised foreign exchange gain of £2.8 million on the retranslation of cash and held-to-maturity financial assets into sterling for financial reporting. With a large proportion of our cash remaining in US dollars we will continue to recognise foreign exchange gains and losses at the end of each reporting period, based on the prevailing exchange rates. Finance expense decreased to £0.1 million (2013: £1.0 million). In 2013 there was a £0.9 million unrealised foreign exchange loss on the retranslation of cash and held-to-maturity financial assets into sterling.

For the six months to 31 December 2014 finance income was £4.6 million (2013: £0.2 million) including an unrealised foreign exchange gain of £4.5 million. Finance expense for this six month period was £0.1m (H2 2013 £5.4 million). The foreign exchange loss in H2 2013 was £5.3 million.

R&D tax credit on qualifying payments made to Tris
The R&D tax credit of £2.3 million for the twelve months ended 31 December 2014 (2013: £2.3 million) represents amounts recoverable under current legislation relating to research and development expenditure. Payments made to Tris that relate to development work performed on our behalf, qualify for R&D tax credits and for 2014 include the tax credits on the POC payments for CCP-07 and CCP-08 as well as on the Tuzistra™ XR filing milestone.

The R&D tax credit of £1.4 million for the six months ended 31 December 2014 (H2 2013: £0.7 million) includes the tax credit on the POC payment for CCP 08 and the filing milestone for Tuzistra™ XR.

Reported loss for the year

The group reported a loss before exceptional items for the twelve month period to 31 December 2014 of £2.9 million (2013: £5.6 million). The decrease in the loss is largely due to movements in US dollar and sterling exchange rates between the two reporting periods, gain of £3.7 million offset by a decrease in revenues. The loss after exceptional items for the twelve month period to 31 December 2013 was £4.0 million. There were no exceptional items in 2014.

The group reported a profit of £1.7 million for the six months ended 31 December 2014 (H2 2013: loss of £9.3 million). Movements in US dollar and sterling exchange rates between the two reporting periods totalled £9.8 million of the £11.0 million difference in reported result. The loss after exceptional items for the six month period to 31 December 2013 was £8.2 million. There were no exceptional items for the six month period ended 31 December 2014.

Balance Sheet

Remain well positioned for commercial success
Non-current assets at 31 December 2014 were £12.6 million (31 December 2013: £7.7 million). The increase reflects the POC payments to Tris for CCP-07 and CCP-08 announced in April and July 2014 respectively, together with the filing milestone for Tuzistra™ XR, which have been capitalised within intangible assets. This increase has been offset by the amortisation of the frovatriptan intellectual property and the £0.3 million write off of AUY922 following Novartis's decision in December 2014 to cease further development work.

Current assets at 31 December 2014 amounted to £76.5 million (31 December 2013: £83.3 million). The decrease in current assets is due to a £6.3 million reduction in cash resources to £70.6 million (2013: £76.9 million).

Total liabilities at 31 December 2014 were £8.9 million (31 December 2013: £8.8 million) and we remain debt free.

At 31 December 2014 the Group had net assets of £80.2 million (31 December 2013: £82.2 million).

Cash flow

Cash management a key focus with sufficient cash to fully execute the commercial strategy
Cash resources comprising held-to-maturity financial assets and cash and cash equivalents, at 31 December 2014 totalled £70.6 million (31 December 2013: £76.9 million). A significant proportion of these cash resources are denominated in non-sterling currencies with most of the cash denominated in US dollars.

The decrease in cash resources over the twelve months to 31 December 2014 was £6.3 million which included a £2.8 million unrealised gain on the retranslation of foreign currencies into sterling for financial reporting purposes. The underlying cash burn was £5.8 million (underlying cash burn represents the movement in cash resources during the year excluding one off items including Tris milestones as well as milestone income received and foreign exchange on US dollar denominated cash) a decrease of £0.5 million when compared with 2013 (2013: £6.3 million). This decrease was primarily due to an increase in FTE research collaboration income. During the period we paid £3.6 million ($6 million) to Tris for the CCP-07 and CCP-08 POC milestones and £1.8 million ($3 million) for the Tuzistra™ XR filing milestone, and received £1.7 million in research milestones.

For the six month period ended 31 December 2014 the underlying cash burn was £2.0 million (H2 2013: £3.7 million) due to an increase in FTE research collaboration income and a reduction in operating costs.

Outlook
Vernalis continues to be well positioned to execute our commercial plans for Tuzistra XR with a robust balance sheet, no debt and sufficient cash to attain profitability. We anticipate annual cash flows will increase as the Tris pipeline matures and development and approval milestones are paid, but we will not invest in the sales infrastructure before approval. Our results will continue to be impacted by movements in the US dollar and sterling exchange rates but this has no impact on our ability to execute our US commercial strategy.

Principal Risks

Vernalis considers strategic, operational and financial risks and identifies actions to mitigate risks. The principal risks and uncertainties for the remaining six months of the financial period ending 30 June 2015 can be found in the Annual Report for the year ended 31 December 2013, available on the website www.vernalis.com. There are no changes to these principal risks. No additional risks are anticipated for the remaining six months of the year.

Vernalis is a revenue generating development stage pharmaceutical company with one marketed product and a portfolio of development and research programmes. Across the pharmaceutical industry as a whole, competition is intense in the selling of approved products and more product candidates fail in clinical studies than produce successful marketed products. Success or failure with Vernalis' approved products and product candidates will have a significant impact on the Company's prospects including the ability to secure licensing agreements on existing products and to secure further finance in the future should this be required.

Independent review report to Vernalis plc

Introduction

We have been engaged by the company to review the condensed consolidated sets of financial statements in the interim financial report for the six month and twelve month periods ended 31 December 2014, which comprises the unaudited consolidated income statements, unaudited consolidated statements of comprehensive income, unaudited consolidated balance sheet, unaudited consolidated statement of changes in equity, unaudited consolidated statements of cash flows and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed sets of financial statements in the interim financial report for the six month and twelve month periods ended 31 December 2014 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

PricewaterhouseCoopers LLP
Chartered Accountants
9 February 2015
Reading

Unaudited consolidated income statement
for the twelve months ended 31 December 2014

	Note	**Twelve months ended 31 December 2014 £000**	Twelve months ended 31 December 2013 Pre-exceptional items £000	Exceptional items (note 3) £000	Total £000
Revenue	2	**11,874**	14,084	-	14,084
Other income		**394**	180	-	180
Cost of sales		**(960)**	(2,244)	-	(2,244)
Research and development expenditure		**(14,023)**	(14,416)	-	(14,416)
General and administrative expenditure		**(5,416)**	(4,907)	1,608	(3,299)
Operating (loss)/profit		**(8,131)**	(7,303)	1,608	(5,695)
Finance income	4	**3,002**	420	-	420
Finance expense	4	**(108)**	(999)	-	(999)
(Loss)/profit before income tax		**(5,237)**	(7,882)	1,608	(6,274)
Income tax credit	5	**2,297**	2,273	-	2,273
(Loss)/profit for the period		**(2,940)**	(5,609)	1,608	(4,001)
(Loss)/profit per share - basic and diluted	6	**(0.7)p**	(1.3)p	0.4p	(0.9)p

The notes form part of this condensed financial information.

Unaudited consolidated statement of comprehensive income
for the twelve months ended 31 December 2014

	Twelve months ended 31 December 2014 £000	Twelve months ended 31 December 2013 Pre-exceptional items £000	Exceptional items (note 3) £000	Total £000
(Loss)/profit for the period	**(2,940)**	(5,609)	1,608	(4,001)
Other comprehensive income:				
Items that may subsequently be reclassified to the income statement:				
Exchange gain on translation of overseas subsidiaries	**2**	2	-	2
Total comprehensive (expense)/income for the period	**(2,938)**	(5,607)	1,608	(3,999)

The notes form part of this condensed financial information.

Unaudited consolidated income statement
for the six months ended 31 December 2014

	Note	**Six months ended 31 December 2014 £000**	Six months ended 31 December 2013 Pre-exceptional items £000	Exceptional items (note 3) £000	Total £000
Revenue	2	**5,704**	6,523	-	6,523
Other income		**204**	180	-	180
Cost of sales		**(238)**	(1,188)	-	(1,188)
Research and development expenditure		**(7,147)**	(7,929)	-	(7,929)
General and administrative expenditure		**(2,800)**	(2,334)	1,103	(1,231)
Operating (loss)/profit		**(4,277)**	(4,748)	1,103	(3,645)
Finance income	4	**4,625**	172	-	172
Finance expense	4	**(55)**	(5,372)	-	(5,372)
Profit/(loss) before income tax		**293**	(9,948)	1,103	(8,845)
Income tax credit	5	**1,385**	694	-	694
Profit/(loss)for the period		**1,678**	(9,254)	1,103	(8,151)
Profit/(loss) per share - basic	6	**0.4p**	(2.1)p	0.3p	(1.8)p
Profit/(loss) per share - diluted	6	**0.4p**	(2.1)p	0.3p	(1.8)p

The notes form part of this condensed financial information.

Unaudited consolidated statement of comprehensive income
for the six months ended 31 December 2014

	Six months ended 31 December 2014 £000	Six months ended 31 December 2013 Pre-exceptional items £000	Exceptional items (note 3) £000	Total £000
Profit/(loss) for the period	**1,678**	(9,254)	1,103	(8,151)
Other comprehensive income:				
Items that may subsequently be reclassified to the income statement:				
Exchange gain on translation of overseas subsidiaries	**1**	2	-	2
Total comprehensive income/(expense) for the period	**1,679**	(9,252)	1,103	(8,149)

The notes form part of this condensed financial information.

Unaudited consolidated balance sheet
as at 31 December 2014

	Note	**31 December 2014 £000**	31 December 2013 £000
Assets			
Property, plant and equipment	7	**1,625**	1,438
Intangible assets	8	**10,940**	6,292
Non-current assets		**12,565**	7,730
Inventories		**130**	130
Trade and other receivables		**3,315**	4,443
Tax receivable		**2,306**	1,785
Derivative financial instruments	10	**182**	22
Held-to-maturity financial assets		**44,902**	48,597
Cash and cash equivalents		**25,666**	28,321
Current assets		**76,501**	83,298
Total assets		**89,066**	91,028
Liabilities and shareholders' equity			
Liabilities			
Trade and other liabilities		**360**	156
Provisions	9	**3,404**	4,127
Non-current liabilities		**3,764**	4,283
Trade and other liabilities		**2,625**	3,384
Tax payable		**15**	-
Deferred income		**1,646**	962
Provisions	9	**837**	155
Current liabilities		**5,123**	4,501
Total liabilities		**8,887**	8,784
Equity attributable to owners of the parent			
Share capital	11	**4,423**	4,421
Share premium		**476,466**	476,392
Other reserves	12	**253,215**	252,416
Retained deficit		**(653,925)**	(650,985)
Total equity		**80,179**	82,244
Total liabilities and equity		**89,066**	91,028

The notes form part of this condensed financial information.

Unaudited consolidated statement of changes in equity
for the twelve months ended 31 December 2014

	Share capital £000	Share premium £000	Other reserves £000	Retained deficit £000	Total £000
Balance at 1 January 2013	4,421	476,389	251,629	(646,984)	85,455
Loss for the period	-	-	-	(4,001)	(4,001)
Other comprehensive income for the period	-	-	2	-	2
Total comprehensive income/expense for the period	-	-	2	(4,001)	(3,999)
Transactions with owners:					
Exercise of share options	-	3	(3)	-	-
Share-based payments charge	-	-	788	-	788
	-	3	785	-	788
Balance at 31 December 2013	4,421	476,392	252,416	(650,985)	82,244

Balance at 1 January 2014	**4,421**	**476,392**	**252,416**	**(650,985)**	**82,244**
Loss for the period	**-**	**-**	-	(2,940)	(2,940)
Other comprehensive income for the period	**-**	**-**	2	-	2
Total comprehensive income/(expense) for the period	**-**	**-**	**2**	**(2,940)**	**(2,938)**
Transactions with owners:					
Exercise of share options	2	74	(74)	-	2
Share-based payments charge	-	-	871	-	871
	2	**74**	**797**	**-**	**873**
Balance at 31 December 2014	**4,423**	**476,466**	**253,215**	**(653,925)**	**80,179**

Unaudited consolidated statement of cash flows
for the twelve months ended 31 December 2014

	Twelve months to 31 December 2014 £000	Twelve months to 31 December 2013 £000
Cash flows from operating activities		
Loss for the period	**(2,940)**	(4,001)
Taxation	**(2,297)**	(2,273)
Depreciation	**504**	426
Amortisation and impairment charge of intangible fixed assets	**862**	1,349
Movement in provisions	**(149)**	(1,767)
Movement in deferred income	**684**	56
Share-based payments charge	**871**	876
Movement in derivative financial instruments	**(160)**	(29)
Finance income	**(3,002)**	(420)
Finance expense	**108**	999
Exchange gain	**(5)**	(229)
	(5,524)	(5,013)
Changes in working capital		
Inventories	**-**	120
Receivables	**928**	1,143
Liabilities	**(542)**	264
Cash used in operations	**(5,138)**	(3,486)
Taxation received	**1,887**	1,929
Taxation paid	**(56)**	-
Net cash used in operating activities	**(3,307)**	(1,557)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(683)**	(646)
Purchase of intangible fixed assets	**(5,494)**	(1,976)
Interest received on cash and cash equivalents	**58**	88
Interest received on held-to-maturity financial assets	**188**	358
Net cash used in investing activities	**(5,931)**	(2,176)
Cash flows from financing activities		
Movement in held-to-maturity financial assets	**5,822**	5,913
Issue of shares	**2**	-
Net cash generated from financing activities	**5,824**	5,913
Foreign exchange gain/(loss) on cash and cash equivalents	**759**	(904)
Movements in cash and cash equivalents in the period	**(2,655)**	1,276
Cash and cash equivalents at the beginning of the period	**28,321**	27,045
Cash and cash equivalents at the end of the period	**25,666**	28,321
Held-to-maturity financial assets at the end of the period	**44,902**	48,597

Total cash, cash equivalents and held-to-maturity financial assets at the end of the period	**70,568**	76,918

Unaudited consolidated statement of cash flows
for the six months ended 31 December 2014

	Six months to 31 December 2014 £000	Six months to 31 December 2013 £000
Cash flows from operating activities		
Profit/(loss) for the period	**1,678**	(8,151)
Taxation	**(1,385)**	(694)
Depreciation	**263**	223
Amortisation and impairment charge of intangible fixed assets	**300**	675
Movement in provisions	**(68)**	(1,183)
Movement in deferred income	**102**	73
Share-based payments charge	**452**	484
Movement in derivative financial instruments	**(58)**	(251)
Finance income	**(4,625)**	(172)
Finance expense	**55**	5,372
Exchange gain	**(73)**	(12)
	(3,359)	(3,636)
Changes in working capital		
Inventories	**66**	9
Receivables	**2,493**	(551)
Liabilities	**495**	1,025
Cash used in operations	**(305)**	(3,153)
Taxation paid	**(8)**	**-**
Net cash used in operating activities	**(313)**	(3,153)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(553)**	(558)
		-
Purchase of intangible fixed assets	**(3,637)**	
Interest received on cash and cash equivalents	**21**	55
Interest received on held-to-maturity financial assets	**88**	243
Net cash used in investing activities	**(4,081)**	(260)
Cash flows from financing activities		
Movement in held-to-maturity financial assets	**3,177**	(4,449)
Net cash generated from/(used in) financing activities	**3,177**	(4,449)
Foreign exchange gain/(loss) on cash and cash equivalents	**1,449**	(2,651)
Movements in cash and cash equivalents in the period	**232**	(10,513)
Cash and cash equivalents at the beginning of the period	**25,434**	38,834
Cash and cash equivalents at the end of the period	**25,666**	28,321
Held-to-maturity financial assets at the end of the period	**44,902**	48,597

Total cash, cash equivalents and held-to-maturity financial assets at the end of the period	**70,568**	76,918

1 Accounting policies and basis of preparation

Vernalis plc ('the Company') and its subsidiaries (together 'the Group') are a revenue generating research and development stage pharmaceutical business with significant experience in drug development and discovery.

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is 100 Berkshire Place, Wharfedale Road, Winnersh, Berkshire, RG41 5RD and its primary listing is on the Alternative Investments Market (AIM).

This condensed consolidated financial information has been reviewed but not audited and was approved for issue on 9 February 2015.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2013 were approved by the Board of directors on 31 March 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. This condensed consolidated financial information for the six months and twelve months ended 31 December 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union as if the company were listed on a market regulated under EU law. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Accruals made in respect of incentive schemes are accrued throughout the incentive scheme period using management's best estimate of the expected outcome as at the date of the interim report.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

There are no new IFRSs or IFRICs that are effective for the first time for this interim period that would be expected to have a material impact on this Group.

Going concern

At 31 December 2014, the Group had cash resources (being cash and cash equivalents and held-to-maturity financial assets) of £70.6 million.

After making enquiries and taking into account management's estimate of future revenues and expenditure, the directors have a reasonable expectation that the Group will have adequate financial resources to continue in operation for the foreseeable future.

2 Segmental information

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 Executive Committee.

The Group has only one segment, being the research, development and commercialisation of pharmaceutical products for a range of medical disorders. All costs to acquire property, plant, equipment and intangible assets as well as all related depreciation, impairment and amortisation expense borne by the Group relate to this one segment. In addition, all other non-cash expenses incurred by the Group relate to this one segment.

3 Exceptional items

Exceptional items represent significant items of income and expense, which, due to their size, nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to shareholders of the elements of financial performance in the period, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items in the prior period related to changes in estimates associated with property provisions in respect of onerous leases and other related lease terminations costs. There have been no exceptional items in the period.

	Twelve months ended 31 December 2014 £000	Twelve months ended 31 December 2013 £000	**Six months ended 31 December 2014 £000**	Six months ended 31 December 2013 £000
Credit - release of provision for vacant leases	**-**	1,608	**-**	1,103

4 Finance income/expense

	Twelve months ended 31 December 2014 £000	Twelve months ended 31 December 2013 £000	**Six months ended 31 December 2014 £000**	Six months ended 31 December 2013 £000
Finance income				
Interest on cash, cash equivalents and held-to-maturity assets	**232**	420	**115**	172
Exchange gains on cash, cash equivalents and held-to-maturity assets	**2,770**	**-**	**4,510**	**-**
	3,002	420	**4,625**	172
Finance expense				
Exchange loss on cash, cash equivalents and held-to-maturity assets	-	904	-	5,327
Unwinding of discount on provision	**108**	95	**55**	45
	108	999	**55**	5,372

5 Income tax credit

Analysis of current tax credit:

	Twelve months ended 31 December 2014 £000	Twelve months ended 31 December 2013 £000	**Six months ended 31 December 2014 £000**	Six months ended 31 December 2013 £000
Research and development tax credits	**2,306**	1,785	**1,448**	735

Corporation tax on Research and Development

Expenditure Credit	**(82)**	(41)	**(41)**	(41)
Overseas corporation tax	**(26)**	**-**	**(22)**	**-**
Adjustments in respect of prior year	**99**	529	-	**-**
	2,297	2,273	**1,385**	694

6 (Loss)/profit per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

For diluted loss per share, the weighted average number of ordinary share in issue is adjusted to assume conversion for all dilutive potential ordinary shares unless their effect is antidilutive.

	Twelve months ended 31 December 2014	Twelve months ended 31 December 2013	**Six months ended 31 December 2014**	Six months ended 31 December 2013
Attributable (loss)/profit before exceptional items (£000)	**(2,940)**	(5,609)	**1,678**	(9,254)
Exceptional items (£000)	**-**	1,608	**-**	1,103
Attributable (loss)/profit (£000)	**(2,940)**	(4,001)	**1,678**	(8,151)
Weighted average number of shares (basic) in issue (000)	**442,225**	442,115	**442,282**	442,116
(Loss)/profit per ordinary share before exceptional items (basic)	**(0.7)p**	(1.3)p	**0.4p**	(2.1)p
Exceptional items (basic)	**0.0p**	0.4p	**0.0p**	0.3p
(Loss)/profit per share (basic)	**(0.7)p**	(0.9)p	**0.4p**	(1.8)p

	Twelve months ended 31 December 2014	Twelve months ended 31 December 2013	**Six months ended 31 December 2014**	Six months ended 31 December 2013
Weighted average number of shares (basic) in issue (000)	**442,225**	442,115	**442,282**	442,116
Adjustment for dilutive potential ordinary shares:				
Vernalis plc shares under employee share plans (000)	**-**	**-**	**11,117**	**-**
Weighted average number of shares (diluted) (000)	**442,225**	442,115	**453,339**	442,116
(Loss)/profit per ordinary share before exceptional items (diluted)	**(0.7)p**	(1.3)p	**0.4p**	(2.1)p
Exceptional items (diluted)	**0.0p**	0.4p	**0.0p**	0.3p
(Loss)/profit per share (diluted)	**(0.7)p**	(0.9)p	**0.4p**	(1.8)p

7 Property, plant and equipment

Additions of £0.7m were made during the twelve months ended 31 December 2014 (£0.6m in the twelve months ended 31 December 2013).

Assets with a cost of £0.4m (twelve months ended 31 December 2013: £0.1m) and net book value of £nil (twelve months ended 31 December 2013: £nil) were disposed of during the twelve months ended 31 December 2014. There were capital commitments of £0.2m at 31 December 2014 (at 31 December 2013: £0.4m).

8 Intangible assets

	Goodwill £000	Assets in use £000	Assets not yet in use £000	Total £000
Cost				
At 1 January 2014	8,954	37,408	5,730	52,092
Additions	-	-	5,510	5,510
At 31 December 2014	8,954	37,408	11,240	57,602
Accumulated amortisation and impairment				
At 1 January 2014	(8,954)	(36,846)	-	(45,800)
Write off in the period	-	-	(300)	(300)
Amortisation charge in the period	-	(562)	-	(562)
At 31 December 2014	(8,954)	(37,408)	(300)	(46,662)
Net book value at 31 December 2014	**-**	**-**	**10,940**	**10,940**
Cost				
At 1 January 2013	8,954	37,408	3,754	50,116
Additions	-	-	1,976	1,976
At 31 December 2013	8,954	37,408	5,730	52,092
Accumulated amortisation and impairment				
At 1 January 2013	(8,954)	(35,497)	-	(44,451)
Amortisation charge in the period	-	(1,349)	-	(1,349)
At 31 December 2013	(8,954)	(36,846)	-	(45,800)
Net book value at 31 December 2013	**-**	**562**	**5,730**	**6,292**

Additions of £5.5m were made during the twelve months ended 31 December 2014. £5.4m of the additions relates to collaboration payments to Tris Pharma. This is made up of £1.8m ($3.0m) in relation to POC for the second collaboration programme CCP-07, £1.8m ($3.0m) in relation to POC for the third collaboration programme CCP-08 and £1.8m ($3.0m) in for FDA acceptance of the NDA filing for CCP-01. The remaining £0.1m relates to the capitalisation of software under construction. Additions of £2.0m were made during the twelve months ended 31 December 2013 and related to a $3.0m milestone paid to Tris Pharma, for POC for the first collaboration programme, CCP-01.

During the 12 months ended 31 December 2014 an impairment charge of £0.3m was made in relation to AUY922. This programme was out licenced in 2004 to Novartis. In December 2014 Novartis ceased all development work on AUY922 and rights will revert back to Vernalis. An impairment charge of £0.3m was made to reflect the current fair value of nil.

9 Provisions

	Property £000
At 1 January 2014	4,282
Utilised during the year	(149)
Unwinding of discount (note 4)	108
At 31 December 2014	**4,241**

10 Derivative financial instruments

	2014 £000	2013 £000
Financial assets carried at fair value through profit or loss		
Held for trading derivatives that are not designated in hedge accounting relationships		
Foreign currency forward contracts	**182**	22

The fair value of all option contracts are based on year-end prices in an active market.

11 Share capital

	Number issued '000	Number authorised '000	Price	Issued £000	Authorised £000
Ordinary					
1 January 2014	442,126	Unlimited	£0.01	4,421	Unlimited
Issue of shares	191	-	£0.01	2	-
31 December 2014	**442,317**	**Unlimited**	**£0.01**	**4,423**	**Unlimited**
Ordinary					
1 January 2013	442,113	Unlimited	£0.01	4,421	Unlimited
Issue of shares	13	-	£0.01	-	-
31 December 2013	**442,126**	**Unlimited**	**£0.01**	**4,421**	**Unlimited**

Issue of shares - 2014
During the twelve months ended 31 December 2014, 191,194 shares were issued following the exercise of options under the Long Term Incentive Plan and Sharesave schemes.

12 Other reserves

	Merger reserve £000	Other reserve £000	Options reserve £000	Warrant reserve £000	Translation reserve £000	Capital redemption reserve £000	Total £000
At 1 January 2014	101,985	78,125	9,929	1,155	3,556	57,666	252,416
Share-based payments charge	-	-	871	-	-	-	871
Exercise of share option	-	-	(74)	-	-	-	(74)
Exchange gain on translation of overseas subsidiaries	-	-	-	-	2	-	2
At 31 December 2014	**101,985**	**78,125**	**10,726**	**1,155**	**3,558**	**57,666**	**253,215**

	Merger reserve £000	Other reserve £000	Options reserve £000	Warrant reserve £000	Translation reserve £000	Capital redemption reserve £000	Total £000
At 1 January 2013	101,985	78,125	9,144	1,155	3,554	57,666	251,629
Share-based payments charge	-	-	788	-	-	-	788
Exercise of share option	-	-	(3)	-	-	-	(3)
Exchange gain on translation of overseas subsidiaries	-	-	-	-	2	-	2
At 31 December 2013	**101,985**	**78,125**	**9,929**	**1,155**	**3,556**	**57,666**	**252,416**

13 Related party transactions

Key management compensation amounted to £1,218,000 for six months ended 31 December 2014 (six months ended 31 December 2013: £892,000) and £2,278,000 for the twelve months ended 31 December 2014 (twelve months ended 31 December 2013: £1,895,000). Key management includes only executive and non-executive directors.

14 Seasonality

The Group's financial results have not historically been subject to significant seasonal trends. However the revenue recognised in relation to royalties received for the supply of product to Menarini is dependent upon the timing of shipments made. In addition milestone revenue is dependent upon progression of the related clinical trial and research collaborations.

Statement of directors' responsibilities

The directors have voluntarily complied with the requirements of the Disclosure and Transparency Rules 4.2.7 and 4.2.8 as if the company were listed on a regulated market under EU law.

The directors confirm, to the best of their knowledge, that these condensed interim consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the six month and twelve month periods ended 31 December 2014 and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial period; and

- Material related party transactions in the six month and twelve month periods ended 31 December 2014 of the financial period and any material changes in the related party transactions described in the last annual report.

The directors of Vernalis plc are listed in the Vernalis plc annual report for 31 December 2013. A list of current directors is maintained on the Vernalis plc website: www.vernalis.com.

The directors are responsible for the maintenance and the integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

David Mackney
Chief Financial Officer
9 February 2015