ImmuPharma

ImmuPharma plc

Report and Accounts December 2006

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We are delighted to report on the company's achievements during the period under review and are proud to have delivered on our key milestones ahead of time. By all measures, 2006 has been a record year in our corporate history. During our first year as a public company we have enjoyed strong share price performance and continued success in the development of our key asset.

Following the successful completion of phase I clinical trials in healthy volunteers, where our lead drug candidate for the treatment of Lupus (IPP-201101) showed an attractive safety profile, we have successfully completed a phase II study in patients suffering from Lupus. Most importantly, this study showed statistically significant clinical improvement in the overall symptoms of the patients.

During our phase II study we held discussions with the Food and Drug Administration in the United States relating to the development activities required for the approval of our Lupus drug candidate IPP-201101. As a result of the feedback from the FDA, we have initiated the work for a phase II/III multicentre study to take place in the US and Europe. Analysts estimate that IPP-201101 for the treatment of Lupus has blockbuster sales potential.

We believe that ImmuPharma has an attractive business model. Our focus is on innovative drugs for niche therapeutic areas with large sales potential but importantly without the need for a large sales force. This is characterised by relatively low cost of development and shorter timelines than the norm. Our progress so far with IPP-201101 for the treatment of Lupus is confirmation that this can be achieved.

We are particularly pleased to report on the milestone funding for the company in December 2006. In excess of €7 million was raised from prestigious institutions including Jupiter, ING Bank and Martin Currie. This has strengthened our cash reserves and provided the funds to begin the phase II/III trial for our Lupus drug candidate. During 2006, we have held discussions with big pharma and biotech companies which are ongoing.

Finally, we have strengthened our management team with two industry executives. Dr Franco Di Muzio joined our Board as Non-Executive Director. He has 40 years experience in companies including Bristol-Myers Squibb, Glaxo Wellcome and Alza Corporation. Ms Tracy Weimar joined as Vice-President of Operations. She was most recently at GlaxoSmithKline as Director, Worldwide Business Development, which involved numerous corporate licensing transactions.

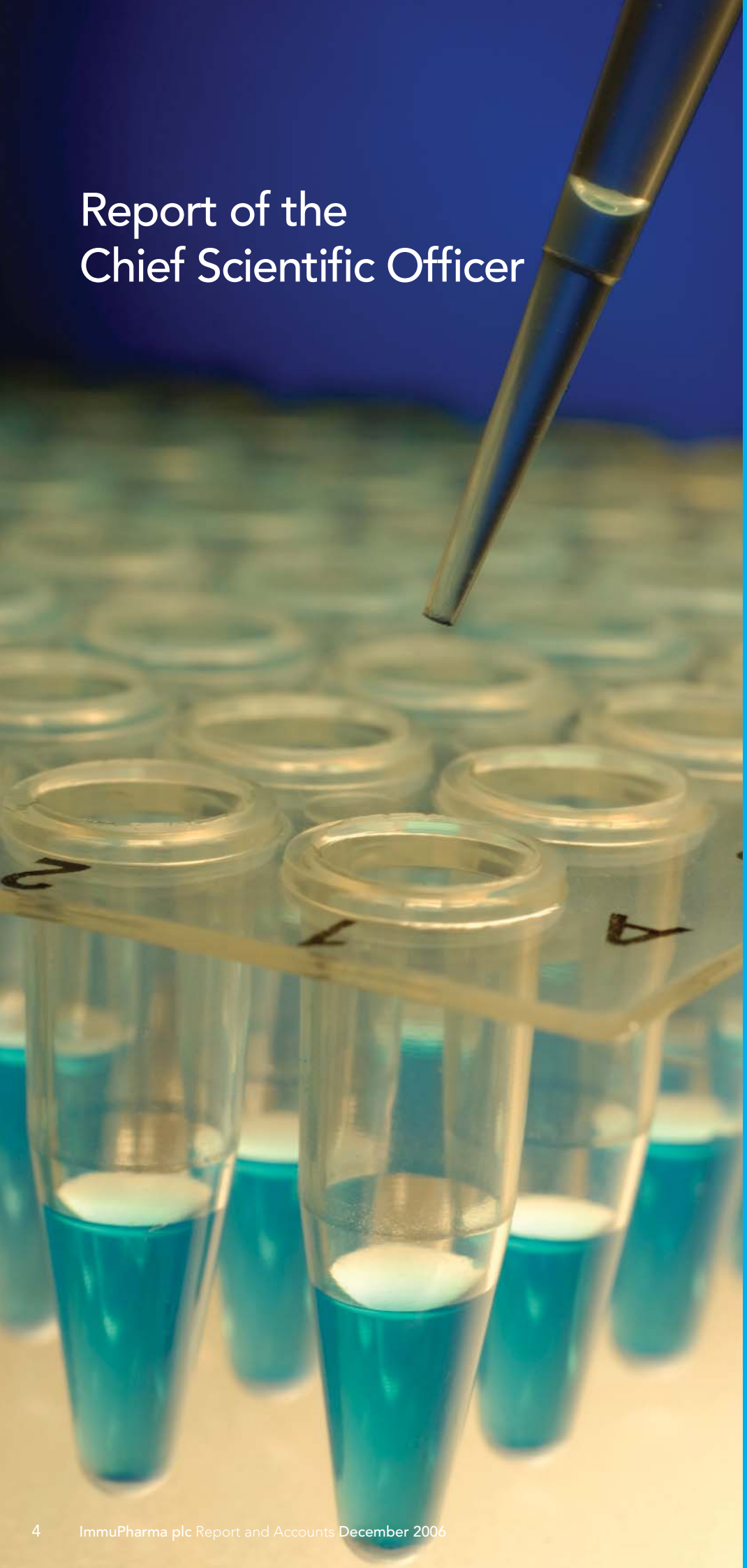
With an experienced management team and a strong financial position, ImmuPharma is well placed to deliver value from our lead drug candidates and promising pipeline.

On behalf of the Board we should like to thank all our shareholders for their continued support.

Richard Warr, MA
Chairman

Dimitri F Dimitriou, MSc
Chief Executive Officer

Report of the Chief Scientific Officer



Report of the Chief Scientific Officer

2006 has been a year of great progress for ImmuPharma with several exciting developments. Our lead compound for the treatment of Lupus, IPP-201101 successfully completed Phase I in May 2006 and a Phase II study in October 2006. A meeting was held with the US FDA confirming our approach and the potential for 'fast track' status. We finished the year with a successful fund raising round thereby ensuring the continued development of ImmuPharma's promising portfolio of compounds and technologies.

In April, ImmuPharma began the draw down of independent grants to assist with the development of the lead drug candidates. The grants were approved in principle at the time of ImmuPharma's AIM admission in February 2006 and were awarded by ANVAR and ANR, two French state organisations that support innovative and promising R&D programmes.

In May, ImmuPharma announced the successful completion of the placebo-controlled phase I study involving 24 healthy volunteers of the company's lead compound for Lupus, IPP-201101. This study, which took place in France, was the first administration in humans for IPP-201101 and was designed to assess its safety and tolerability. The preliminary safety report confirmed that the drug was safe and well-tolerated.

During the summer a meeting was held with the US FDA to discuss technical and scientific information and the proposed clinical development activities to obtain approval in the United States. The FDA stated their interest in IPP-201101 and their belief that the existing data could support the proposed clinical development programme. The FDA also provided useful advice on the construction of the remaining development activities. IPP-201101 may be launched sooner than originally anticipated with a Phase II/III trial in 150-200 patients if a correlation is shown between the Phase II biomarker end-points and clinical benefit. If development is completed successfully, marketing approval could be granted through FDA "fast track mechanisms". This will require only a 6 month review period.

In October, ImmuPharma announced the successful completion of a Phase II study of IPP-201101. This study in Lupus patients was a proof of concept, dose ranging, safety, multi-centre European study. It met all of its primary endpoints ($p<0.0001$) and demonstrated an excellent safety and tolerability profile. Importantly, these results pave the way for the Phase II/III study in Europe and the US as discussed with the FDA. ImmuPharma is planning to start a pivotal Phase II/III trial in the US and Europe in 2007 subject to approval by the FDA.

These studies have highlighted IPP-201101's promising mechanism of action. IPP-201101 modulates the signalling of CD4+ cells and may also interact with the T-reg pathway. The key element is that IPP-201101 has been designed to interact only with the CD4+ cells linked to Lupus and leaves intact the remaining immune system, allowing Lupus patients to be protected by a fully operational immune system unlike the currently used therapies such as high dose corticoids and immunosuppressants.

In December, ImmuPharma successfully raised €7 million through the issue of new shares and an interest-free unsecured Bond with warrants. This will ensure that ImmuPharma can maintain the momentum on all of our promising development programmes.

While our core strategy is to progress our Lupus compound into Phase III, we are also progressing the other lead drug candidates. Our two other lead drug candidates each represent a breakthrough approach and are very exciting compounds that fit perfectly with the company's model of niche diseases.

ImmuPharma remains focused on the continued development and progress of all the company's assets. Nonetheless, ImmuPharma is open to attractive potential corporate deals in consideration of the trend in big pharma companies being increasingly keen to license high margin niche compounds with blockbuster potential.

With a coherent strategy in place and a strong team to execute it we believe we are strategically positioned to take ImmuPharma to its next stage of development.

On behalf of the Board we would also like to extend our particular thanks to the team at the CNRS [Centre National de la Recherche Scientifique], France's scientific research institution in Strasbourg with whom ImmuPharma has key collaborations.

Robert Zimmer, MD, PhD
President and
Chief Scientific Officer

Financial Review

Financial Review

The current accounting period for the Group is the nine months ended 31st December 2006. The previous accounting reference date of the parent company was 31st March, but a change was needed since the operating subsidiaries in France and Switzerland both had December year-ends. As a result of the change, all period-ends in the Group are now co-terminus, which simplifies the accounting.

The Group continues to adopt International Financial Reporting Standards (IFRS) as its primary accounting basis.

It is important to note that one of these standards, IFRS2, relating to share-based payments, has had a significant impact on the results for the Group for this nine month period. The Group loss before tax would have been £1.2m, consisting of cash and accrued expenditure on the normal running of the company and research costs, but has increased to £1.9m as a result of charging the majority of the assessed 'fair value' to the recipients of the share options agreed at the time the parent company was floated (16th February 2006), including a provision for employers' National Insurance.

It should be stressed that this charge of £0.7m does not represent additional cash expenditure, and is purely a notional amount stipulated by IFRS2 (and calculated using a statistical model) – which is debited to the Income Statement and credited to equity - as a measure of the dilution suffered by shareholders, and hence benefit received by the recipients, as a result of granting the options.

A further £0.1m is due to be charged in next year's accounts under IFRS2, being the remainder of the fair value charge.

Results

Including the IFRS2 charge noted above, the loss of the Group for the period before taxation was £1.9m (prior period loss £2,483,000). Basic and diluted loss per share was 2.72p (prior period 4.16p). No dividend is proposed.

The fact that losses have continued to be made is, at this point of the Group's development, to be expected, since there is minimal revenue and business activity is still concerned with clinical trial expenditure and maintaining the infrastructure of the Group.

In the previous period, the loss of £2,483,000 included an exceptional item of £970,000, being mainly a write-off of goodwill resulting from the treatment of the acquisition of the ImmuPharma business as being a 'reverse takeover' under the Financial Reporting rules. It represented the difference between the market value of the acquirer company's shares in issue at the date of the acquisition and its underlying net asset value (principally cash) at that time. The Directors believed that this 'premium to cash' was justified at the time in order to enable the acquisition and subsequent fund-raising and that it was appropriate to write it off.

Operating Loss

The Operating loss of £1.97m (£1.26m excluding the notional IFRS2 charge noted above) represents principally the employment cost and overheads of maintaining the Group together with expenditure on research carried out by Contract Research Organisations. The timing and extent of the research and development programme continues to be well controlled - and below original expectations forecast at the time of float.

Net Funds

At 31st December 2006, the Group had Cash and cash equivalents of £6,460,000 (31st March 2006 £2,693,000).

Cash levels have benefited from additional funds raised in December 2006 when equity and debt of €7m was raised. These additional funds have enabled the Group to contemplate the final phases of the Lupus drug development with confidence, and at the same time to make progress with development of the other main drug candidates.

Treasury Policy

The policy continues to be that surplus funds of the Group are held in interest-bearing bank accounts on short or medium maturities, until commitments to future expenditure are made, when adequate funds are released to enable future expenditure to be incurred. The Group's Treasury policy and controls are straightforward and approved by the Board. The Group does not engage in speculative transactions.

Financial Strategy

The overall strategy has not changed – it is to maintain a tight central control over cash resources whilst enabling controlled development of the potential product portfolio within the parameters agreed at the time of the original float. These mainly concerned the Lupus drug development. However, the Board is keen to see that the other assets of the company are exploited as well, and is therefore alert to opportunities for raising further finance to achieve this, when feasible. We believe this is to the benefit of shareholders.

Paddy Walker-Taylor, FCA, MCT
Chief Financial Officer

Business Overview and Prospects

Business Overview and Prospects

ImmuPharma PLC is a drug discovery and development company headquartered in London, UK and listed on the AiM of the London Stock Exchange (LSE:IMM) and has it's research operations in France (ImmuPharma (France) SA) and Switzerland (ImmuPharma AG). ImmuPharma is dedicated to the development of novel drugs, to treat serious medical conditions characterised by:

- blockbuster potential in niche markets;
- high unmet medical need;
- ability to command high pricing;
- low marketing costs; and
- relatively lower development costs.

ImmuPharma has important collaboration arrangements with the Centre National de la Recherche Scientifique (CNRS), the French National Council for Scientific Research and has also links with the Institut National de la Santé et de la Recherche Médicale (INSERM), France's national institute for health and medical research.

As part of the collaboration arrangements, ImmuPharma has entered into a research agreement with CNRS which relates to the therapeutic use of peptides and peptide derivatives. ImmuPharma has been granted the worldwide exclusive rights to exploit all discoveries made pursuant to this agreement and will co-own the relevant intellectual property with the CNRS.

CNRS has granted additional exclusive worldwide licences to ImmuPharma France covering the rights to discoveries made prior to this agreement but related to it. Applications for additional patents, to be jointly owned by CNRS and ImmuPharma, have already been and are being filed. CNRS is entitled to a share of the revenue generated by ImmuPharma from the exploitation of CNRS's licensed and co-owned rights.

ImmuPharma intends to continue its research in collaboration with CNRS and sub-contract labour intensive and non-core development activities to CROs. ImmuPharma intends to either develop its own assets up to commercialisation or to seek collaborative agreements with larger pharmaceutical companies at an earlier stage.

Product portfolio and pipeline

ImmuPharma currently has 3 lead drug candidates to treat, respectively:

- Lupus
- moderate to severe pain such as cancer and post-operative pain; and
- severe resistant hospital acquired infections such as MRSA.

Each of these drug candidates are proprietary and represent a novel approach to therapy. The Company believes each has significant sales potential if successfully developed. In addition to its 3 lead drug candidates, ImmuPharma has its own proprietary drug discovery engine which, ImmuPharma believes, will continue generating a strong potential drug candidate pipeline and patent portfolio.


IPP-201101: Treatment of Lupus

IPP-201101

Lupus (frequently manifested as Systemic Lupus Erythematosus or SLE) is a chronic, life-threatening autoimmune, inflammatory disease with a pattern of flares and remission. Lupus can affect multiple organs such as skin, joints, kidneys, blood cells, heart and lungs. It can appear in a multitude of forms, making diagnosis difficult with patients presenting to several different specialists (mainly dermatologists, rheumatologists and nephrologists).

Awareness of the disease has steadily increased in the past five years and should continue to do so due to well-organised patient groups (particularly in the US and to a lesser extent in the UK). New diagnostic tools are now in place and are increasingly used by physicians, which coupled with greater awareness, should lead to an increase in diagnosis rates.

Virtually all patients currently receive some form of drug treatment such as corticosteroids, NSAIDS (non-steroidal anti-inflammatory drugs), immuno-suppressants and anti-malarials although these address the symptoms, not the cause. While aggressive treatment is used during flares, physicians prefer to limit long-term treatment with immuno-suppressants and corticosteroids due to their severe side effects, which include diabetes, hypertension, sterility and the need for hip replacement.

ImmuPharma believes that IPP-201101, which was developed through its collaboration with CNRS, has the potential to be a novel specific first-line drug therapy for the treatment of Lupus by specifically modulating the immune system and halting disease progression in a substantial proportion of patients. IPP-201101, taken over the long term, is intended to prevent the progression of Lupus rather than just treating its symptoms.

IPP-201101 has a unique mechanism of action that modulates the activity of CD4 T cells which are involved in the cell-mediated immune response which leads to the Lupus disease. The company believes that IPP-201101 could leave the rest of the immune system working normally.

Product development plans and status

IPP-201101 made significant progress during 2006. In May, IPP-201101 successfully completed a placebo-controlled Phase I study in 24 healthy volunteers. This study, which took place in France, was the first administration in humans for IPP-201101 and was designed to assess its safety and tolerability. The preliminary safety report confirmed that the drug was safe and well-tolerated.

In October, ImmuPharma announced the successful completion of a Phase II study in Lupus patients. This study of IPP-201101 was a proof of concept, dose ranging, safety, multi-centre European study. It met all of its primary endpoints ($p<0.0001$) and demonstrated an excellent safety and tolerability profile. In addition, IPP-201101 significantly improved the clinical status of a number of the patients treated. The profile of other biomarkers supported the validation of the proof of concept. The anti dsDNA antibodies decreased dose dependently and reductions of 47% were achieved. In one of the two dose groups, 80% of the patients were responders. Fifty percent of the patients in one of the two dose groups showed a reduction of at least 50% of their SLEDAI score, a specific scale used to measure the condition of Lupus patients. Crucially, these results pave the way for the Phase II/III study in Europe and the US. ImmuPharma is planning to start a pivotal Phase II/III trial in the US and Europe in 2007 subject to approval by the FDA.

During the summer, a meeting was held with the US FDA to discuss technical and scientific information and the proposed clinical development activities to obtain approval in the US. The FDA stated their interest in IPP-201101 and their belief that the existing data could support the proposed clinical development programme. IP-201101 may therefore be launched sooner than originally anticipated with a Phase II/III trial in 150-200 patients if a correlation is shown between the Phase II biomarker end-points and clinical benefit. If development is completed successfully, marketing approval could be granted through FDA "fast track mechanisms". This will require only a 6 month review period.

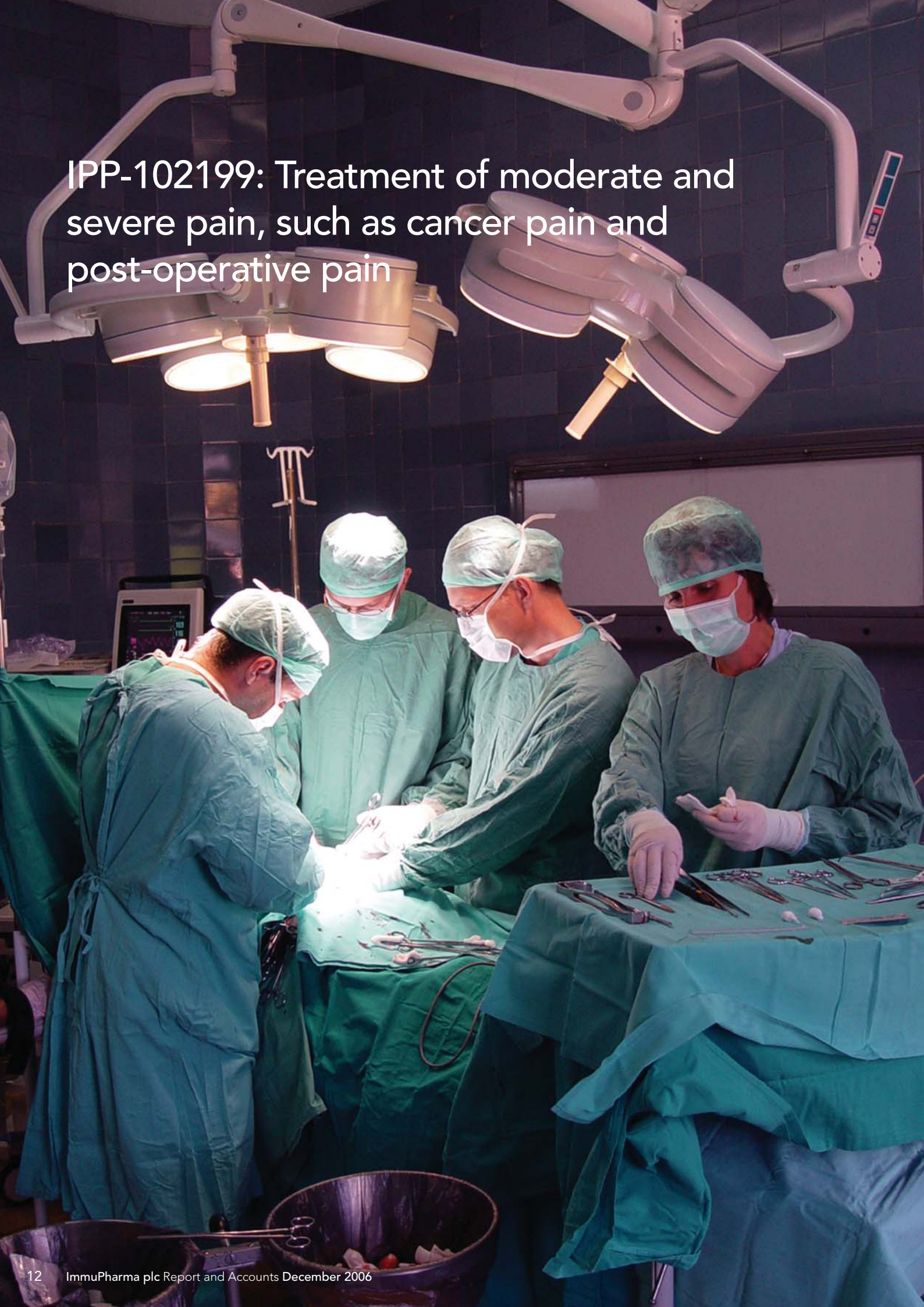
These studies have highlighted IPP-201101's promising mechanism of action. IPP-201101 modulates the signalling of CD4+ cells and may also interact with the T-reg pathway. The key element is that IPP-201101 has been designed to interact only with the CD4+ cells linked to Lupus and leaves intact the remaining immune system, allowing Lupus patients to be protected by a fully operational immune system unlike the currently used therapies such as high dose corticoids and immunosuppressants.

Market opportunity

Estimates of the size of the market for treatment of Lupus vary. Datamonitor estimates between 1.5 million and 1.7 million Lupus sufferers in the top 7 markets (US, Japan, Germany, France, Italy, UK and Spain).

IPP-201101's potential revenue will depend on its share of the market and the potential selling price per patient. Analysts estimate that, assuming launch in 2010, it could generate peak annual sales of between $1 billion and $6 billion.

IPP-102199: Treatment of moderate and severe pain, such as cancer pain and post-operative pain



IPP-102199

Currently, the most commonly used analgesics for the treatment of post-surgical and cancer pain are morphine and its derivatives. However, morphine-derived compounds have notable side effects such as constipation, respiratory depression and dependency. In the search for improved treatment options, there has been growing interest in the body's own internal analgesics such as enkephalin and similar peptides. Recently, cellular therapy experiments have been conducted in cancer patients to induce a powerful analgesia. The purpose was to inject cells designed to release enkephalin or similar peptides. Preliminary results have demonstrated a successful analgesic effect in these patients. This approach supports the very recent interest for the use of met-enkephalin in the treatment of chronic pain in cancer patients.

Met-enkephalin is a naturally occurring small peptide which is secreted by the brain and the adrenal glands but which is quickly processed by the body. Met-enkephalin has a different spectrum of effects at the opioid receptor level compared to morphine.

ImmuPharma's focus is on the effective utilisation of met-enkephalin to provide a powerful, lasting analgesia with minimal side effects. The ImmuPharma approach consists of a novel chemical concept, which should allow met-enkephalin to be delivered in patients for up to 24 hours in both oral and intravenous routes. This offers the prospect of an easier to use, better tolerated and less expensive method of delivering met-enkephalin to the body than the cellular approach. ImmuPharma believes that an analgesic product at least as potent as morphine, administered once daily orally with reduced addictive liability has a promising chance to become the treatment of choice for moderate to severe pain.

ImmuPharma's lead drug candidate for pain relief is IPP-102199 which is being developed as a morphine replacement, with major advantages such as longer pain relief and reduced opioid side effects such as respiratory depression and dependency. IPP-102199 is based on one of the body's internal analgesics, met-enkephalin. As well as being based on one of the body's own pain relief mechanisms, met-enkephalin has a different spectrum of effects at the opioid receptor level compared to morphine which ImmuPharma believe should also result in fewer negative side effects. ImmuPharma has developed IPP-102199 using its proprietary Peptide-to-Drug Converting Technology (PDCT), a key novel approach that allows peptides to be delivered orally and retain their efficacy, applied to met-enkephalin.

In pre-clinical studies, IPP-102199 has demonstrated efficacy over 24 hours when administered orally as a single dose. When given intravenously, IPP-102199 also shows activity for 24 hours and therefore may have the potential to be given just once a day. In this respect it would be superior to morphine. Given intravenously, morphine shows activity for 2-3 hours. To demonstrate the potential of ImmuPharma's Peptide-to-Drug Converting Technology, when met-enkephalin on its own is administered by the intravenous route, it shows some efficacy but is broken down quickly and is inferior to intravenous morphine. These pre-clinical studies demonstrate IPP-102199's potential to effectively deliver met-enkephalin in a form that the human body can effectively access and utilise over an extended period.

Product development plans and status

IPP-102199 is in pre-clinical development. Phase I study to assess safety, dose ranging and duration of pain relief in healthy volunteers is planned to commence assuming the successful completion of the preclinical development programme subject to the availability of funds. Data are expected 9 months after the start of the study. IPP-102199 is expected to undergo a limited Phase II & III program. As met-enkephalin occurs naturally in the body, it is hoped that IPP-102199 will have a lower risk of development failure compared to standard new chemical entities.

Market opportunity

Moderate and severe pain caused by conditions such as cancer and surgical procedures is treated primarily by opioids (e.g. morphine). The market for chronic opioids in the United States currently exceeds $3.5 billion and is growing in excess of 10-20 per cent. per year (source: Pharma Genomics).

The leading products are OxyContin (an oral extended release oxycodone), with annual US sales of approximately $2 billion prior to the launch of generic products in 2004, and Duragesic (a transdermal patch formulation of fentanyl), with annual US sales of over $500 million and worldwide sales of over $1 billion. However, the standard comparator against which other analgesics are measured is morphine, which is available from a number of companies, both as generic as well as in different branded formulations.

A number of compounds are in late clinical phase development for the treatment of moderate to severe pain but most are based on opioid mechanistic approaches and many continue to incorporate controlled release formulations of known compounds (source: Datamonitor). Some companies are developing analgesics based on other mechanisms but the efficacy and safety profiles of these compounds have not yet been fully established.

IPP-203101: Treatment of MRSA and other hospital-acquired infections

IPP – 203101

The 1950s-1970s saw the discovery of multiple classes of antibiotics, and their development into drugs changed a simple bacterial infection from life threatening to trivial. This golden age of antibiotics engendered such optimism that it was commonly thought bacterial infections would be rapidly eliminated as a cause of mortality. Unfortunately, bacterial resistance to all classes of antibiotics soon appeared. Now, drug-resistant bacteria are ubiquitous in hospital settings. According to the US Centres for Disease Control and Prevention (CDC), 2 million people annually become ill from hospital-acquired infections, of whom about 90,000 die. Further, between 1 percent and 5 percent of surgical operations result in hospital-acquired infections. These infections add $5 billion a year to the health-care costs in the US, and the CDC has made reducing the number and severity of such infections a top priority.

The problem of bacterial resistance to antibiotics is exacerbated by the downward trend in antibacterial discovery and development. There has been a 56% decrease over the last two decades in the annual number of antibiotics approved by the FDA. In fact, only six antibiotics produced by large pharmaceutical companies are currently in late stage clinical trials, and all are derivatives of known antibiotics.

ImmuPharma, in conjunction with CNRS, has discovered a novel class of antibiotics based on the fact that bacteria (and other microorganisms) have electrically charged cell membranes whereas human cells do not. IPP – 203101 is a peptide-based antibiotic with a stable helical structure that can carry electrical charges which may interact with those of bacterial cell membranes. Bacteria are very efficient in mutating, thus inducing resistance to known antibiotics. It is however believed to be very unlikely that a bacterium can modify the fundamental properties of its membrane structure in such a way that IPP-203101 would not interact with it. The potential is for IPP-203101 to be able to effect cell death in a manner that the bacteria cannot circumvent through mutation.

Product development plans and status

IPP-203101 is expected to be an intravenous, once a day treatment (potentially once a week). In vitro data shows stability in plasma of over 5 days, so it may be able to be used as a single injection. Even though the current molecule is potent against FDA-recommended standardised bacterial strains in vitro, ImmuPharma believes that improvements in the antibacterial profile of IPP-203101 are possible by further changes in its chemical structure. Assuming the successful completion of its ongoing preclinical programme, IPP-203101 is expected to enter Phase I to assess safety and pharmacokinetics. Phase I data should be available within 6 – 9 months of the commencement of the study. Fast track status may be granted by the FDA.

Market opportunity

The antibiotic drug development pipeline against MRSA and other multi-resistant infections features 3rd generation cephalosporins in late stage development and novel approaches that are in earlier stages. However ImmuPharma believes that, due to the mechanism of action of these cephalosporins, resistance may continue to occur but this may not be the case with the other novel approaches in development.

The Discovery Pipeline

The discovery pipeline

In addition to these 3 lead drug candidates, ImmuPharma has a promising proprietary discovery engine that should be able to sustain the generation of further novel compounds that either fit with ImmuPharma's strategic focus for internal development or allow substantial out-licensing opportunities. There are currently two sources of proprietary molecules as described below.

Heterocyclic ureas scaffolds

ImmuPharma is co-owner with CNRS of a series of patents protecting a virtual library of heterocyclic urea molecules out of which 70 per cent are considered as "drug-like" based on their physiochemical characteristics. In comparison, commercially available libraries are generally considered to be 35-40 per cent. "drug-like". Currently, it is estimated that up to 300,000 molecules may be able to be synthesized based on this core heterocyclic urea structure.

ImmuPharma intends to use drug modelling and "in silico" screening to first select the appropriate scaffolds and then parallel chemistry to allow the rapid manufacturing of a large number of new molecules in small quantities which will be subject to state of the art SSP screening processes. It is intended that drug modelling and screening capabilities will first be sub-contracted to research institutions (CNRS and/or CROs) before being developed "in house". The manufacturing capabilities can be kept sub-contracted or internalised without jeopardizing the development process or the intellectual property.

Peptide to drug converting technology (PDCT)

This technology increases the stability of peptides in plasma and therefore improves their activity. It may also facilitate the oral absorption of small peptides (like met-enkephalin). Improving the oral absorption of small peptides in humans would be a major advance in the development of effective medicines. ImmuPharma believes that many small peptides present in the human body, once modified by PDCT could be then considered as promising drug candidates, with the fundamental advantage of being (1) safe as being produced by the human body and (2) effective due to their physiological role. The inherent development risk, as seen with standard molecules, should therefore be significantly reduced. The potent analgesic lead compound IPP-102199 described earlier is the first drug candidate to be developed using this technology.

Combining the ImmuPharma technologies and resulting libraries, ImmuPharma believes that, subject to appropriate funding, it will be able to generate optimised lead compounds at a rate of one per year, increasing to two per year once its own facilities are fully operational. The decision as to whether to develop lead compounds fully in-house or to license them out to industry partners at various stages of their development will be based on the financial and other resources available to ImmuPharma at the time.

Board of Directors

Board of Directors

Richard Warr, MA

Chairman

Mr. Warr has more than 20 years' experience in investment banking and the capital markets having held a number of senior positions. He was a director at ABN Amro Equities and a member of the ABN Amro team rated number one in the 2001 Reuters UK smaller companies survey. He is former Head of European Equity Sales and Marketing at Credit Lyonnais, a former executive director of Dresdner Kleinwort Benson and former Head of European Equity Distribution at Swiss Bank Corporation. He is a graduate of Oxford University.

Dimitri Dimitriou, MSc

Chief Executive Officer

Mr. Dimitriou has more than 20 years' experience in the pharmaceutical and biotech industry. He was Senior Director, Worldwide Business Development at GlaxoSmithKline, where his responsibilities included corporate deals with pharmaceutical and biotech companies on a worldwide basis. He is also the founder and CEO of DyoDelta Biosciences Ltd, a company specialising in transactions between pharma and biotech companies. His other past positions included Senior Director of Business Development in Europe for Bristol-Myers Squibb, and a number of managerial positions in the pharmaceutical division of Procter & Gamble and marketing at Novartis. He received his first degree in Biochemistry from King's College prior to graduating in Pathology & Toxicology from the Royal Postgraduate Medical School (now Imperial College Medical School) in London in 1984.

Dr. Robert Zimmer, MD, PhD

President and Chief Scientific Officer

Dr. Robert Zimmer was the CEO and founder of ImmuPharma's operations in Switzerland and France. He is a physician and obtained his MD at Strasbourg Medical School and his PhD at the University of Aix-Marseille. He became a department director at the "Fondation de Recherche en Hormonologie" in Paris. He began his career in the industry in 1985 in Roche's headquarters in Basle, Switzerland responsible for numerous clinical studies. He was a director and head of R&D at SkyePharma plc. He was instrumental in the development of a substantial number of products for companies including Roche, GlaxoSmithKline, Abbott, Searle, Sanofi-Aventis and Lilly; some of which reached the market, such as Paxil CR (GSK), Xatral LP (Sanofi) and Madopar CR (Roche).

Paddy Walker-Taylor, FCA, MCT

Chief Financial Officer

Mr Walker-Taylor spent twenty years in finance in senior positions including Finance Director of Woolworths plc, Director of Financial Control at Kingfisher plc and Treasurer of Marks and Spencer plc and Vice President of Finance in the US and Finance Director of the holding company of Sir Robert McAlpine, the privately owned UK construction and property group. For part of his nine years with the McAlpine Group, he represented their minority shareholding in ISG Group plc and involved in ISG's AIM float. Prior to that, whilst at M&S, he was part of the team involved in the acquisition of Brooks Brothers and Kings Supermarkets and their subsequent integration into the M&S Group.

Dr. Franco Di Muzio

Non-Executive Director

Dr. Di Muzio has 40 years experience in the pharmaceutical and other industries, encompassing international management experience in business development, strategic marketing, international finance, M&A and re-engineering businesses. After graduating in Economics and Business in 1963, Dr Di Muzio worked for Colgate Palmolive and Nestle before joining Squibb (now Bristol Myers Squibb) for 18 years. He then became Executive Vice President of BMS' medical equipment and products division, Weck International Inc., in charge of Europe, Asia, Middle East and Africa. In 1990, he joined Glaxo Wellcome plc (now GlaxoSmithkline plc) in London as Area Managing Director and Head of all GW's business in the Middle East, Africa and Turkey. Following early retirement from GW, in the beginning of 1998, he joined Alza International, the then world leader in drug delivery systems, as Managing Director, based in London, in charge of the company's business expansion in all markets outside of the US and remained there until the end of 2000.

Dr Ajay Agrawal

Non-Executive Director

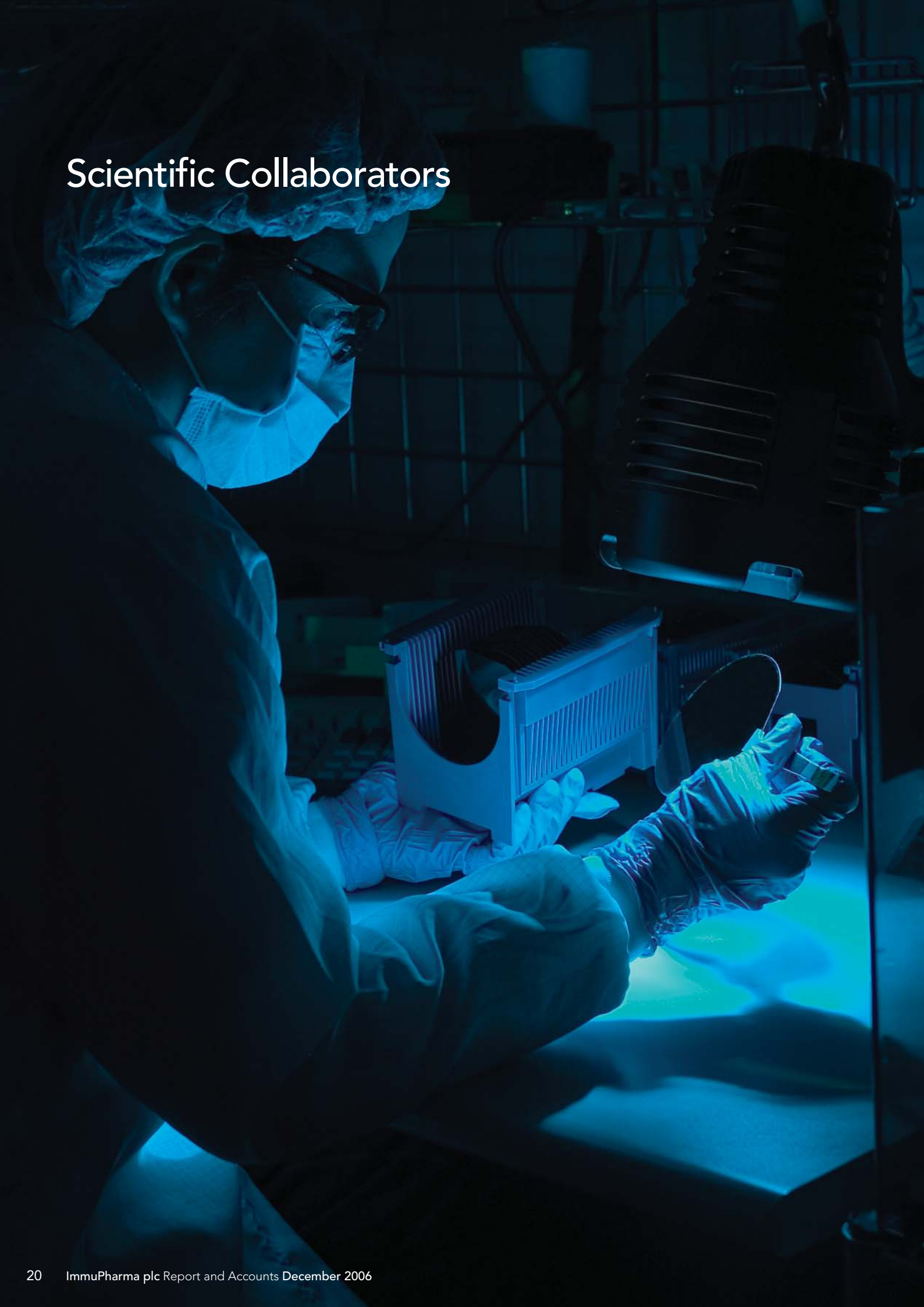
Dr Agrawal has almost 20 years' experience in the biotech and pharmaceutical industry worldwide. He was a founder of polyMASC Pharmaceuticals plc, London in 1995, the first UK biotech company, derived from a university that was directly listed on AIM, raising approximately $40 million in 1995, and subsequently merged with a NASDAQ-listed company, Valentis Inc (USA) in 1999 to become one of the biggest companies in the delivery of biologics at that time. He currently sits on the editorial advisory board of three prestigious international journals, Current Drug Delivery, Infectious Disorders- Drug Targets, and Recent Patents on Drug Delivery and Formulation, Bentham Press, California, USA. Dr Agrawal has been a consultant to a number of companies in the sector, including Genovac GmbH (Germany), Qiagen (Germany), Aldevron (USA), PHT Pharma (Italy) and Karo Bio (Sweden). He holds a PhD in Chemistry and has conducted his post-doctoral research in the faculty of Medicine, University of Alberta, Canada and at the Royal Free Hospital in London.

Tracy Weimar, BA, MBA

Vice President, Operations and Company Secretary

Ms Weimar has over 8 years of experience in the pharmaceutical industry with GlaxoSmithKline. Her most recent position was Director of Worldwide Business Development where she was involved in a number of corporate licensing deals. She also held a number of positions in health economics, strategy development, sales and marketing. Prior to joining GlaxoSmithKline, she spent five years at Arthur Andersen in San Francisco and London where she was responsible for a range of consulting and compliance projects. Ms Weimar holds an MBA from London Business School and a BA in Economics from the University of California, Berkeley.

Scientific Collaborators



Scientific Collaborators

Dr Jean-Marie Geiger, PharmD, MD
Head of Clinical Development

Dr Geiger is semi-retired after spending 20 years at Roche as an international clinical leader. He successfully developed three products now on the market and has extensive experience in drug safety and drug regulatory affairs. His expertise is in dermatology, endocrinology and pharmacology. He is a lecturer at the School of Pharmacy, University of Strasbourg (France), a reviewer for several scientific journals and a widely published author.

Dr Jean-Gérard Guillet, PhD
Co-founder ImmuPharma France SA

Dr Guillet is the director of chimie et immunologie des peptides-medicaments unit of the Centre National de la Recherche Scientifique (CNRS), France's scientific research institution. Among other roles, he was previously director of the immunology department of INSERM, France's national institute for health and medical research and of the COCHIN Institute in Paris. He is a co-founder of two start-ups in the immunology field: Immunogenics in the US and Peptide Immune Ligand in France. His expertise covers protein/protein interaction, receptor/ligand interaction, immune-chemistry, immunology, oncology and immune-modulation. He has made more than 10 patented discoveries and is widely published.

Dr Sylviane Muller, PhD
Co-founder of ImmuPharma France SA

Dr Muller is senior research director and head of the immunologie et chimie thérapeutiques unit of the Centre National de la Recherche Scientifique (CNRS), France's scientific research institution. Her field of expertise covers auto-immunity, immuno-peptides and synthetic vaccines. She has made 13 patented discoveries and is widely published. She was also founder of NeoMPS, a leading peptide development and manufacturing company. She is the key inventor of ImmuPharma's lead drug candidate for Lupus, IPP-201101, and has been working in this field for more than five years.

Dr Gilles Guichard, PhD
Co-founder of ImmuPharma France SA

Dr Guichard is senior researcher in the chimie et immunologie des peptides-medicaments unit of the Centre National de la Recherche Scientifique (CNRS), France's scientific research institution and is co-inventor of the heterocyclic ureas and oligoureas chemistry. He leads various research groups in the field of chemistry and peptide mimicry including one dedicated to the development and process improvement of the heterocyclic urea library. He received the CNRS bronze award for the excellence of his research activities and made eight patented discoveries.

Dr Jean-Paul Briand, PhD
Co-founder of ImmuPharma France SA

Dr Briand is research director of the immunologie et chimie therapeutiques unit of the Centre National de la Recherche Scientifique (CNRS), France's scientific research institution, and co-inventor of the heterocyclic ureas and oligoureas chemistry. He has extensive industry experience in peptide chemistry and synthesis in Peninsula, USA and was also a founder of NeoMPS, a leading peptide development and manufacturing company.

Anthony Johnson, B.Pharm, MSc
Scientific Advisor

Mr Johnson has over 30 years experience in the pharmaceutical industry. He was senior director, Scientific Licensing, at GlaxoSmithKline at his retirement in 2001. His responsibilities and expertise included the identification, targeting and initial evaluation of potential in-licensing opportunities, input on competitors to senior R&D management, assessment and selection of potential licensing partners for out-licensing compounds, coordination of in-house R&D evaluations and due diligence, management of assessment through and decision making by senior R&D committees. He stepped down as Non-Executive Director in February 2007 to focus on his role as scientific advisor to the company.

Financial and Corporate Information

Officers and Advisers

Directors
Richard Leonard Warr – Chairman
Dimitri Dimitriou – Chief Executive Officer
Dr Robert Henri Zimmer – President and Chief Scientific Officer
Patrick Hugh Walker-Taylor – Chief Financial Officer
Dr Franco Di Muzio, Non-Executive Director (appointed February 2007)
Dr Ajay Agrawal, Non-Executive Director (appointed April 2007)

Secretary
Tracy Weimar

Registered Office
50 Broadway
London SW1H 0BL

Nominated Advisers and Broker
Teather & Greenwood
Beaufort House
15 St. Botolph Street
London
EC3A 7QR

Financial Adviser
Dawnay, Day Corporate Finance Limited
17 Grosvenor Gardens
London
SW1W 0BD

Auditors
Nexia Smith & Williamson
Chartered Accountants
25 Moorgate
London EC2R 6AY

Solicitors
Bircham Dyson Bell LLP
50 Broadway
London
EC4A 2JB

Principal Bankers
Royal Bank of Scotland plc
62/63 Threadneedle Street
London EC2R 8LA

Registrars
Computershare Investor Services PLC
PO Box 82,
The Pavilions
Bridgwater Road
Bristol
BS99 7NH
0870 707 1014

Directors' Report

The directors present their report and the audited financial statements of ImmuPharma plc (the "Company", and collectively with the subsidiary companies, the "Group") for the period ended 31 December 2006.

The accounting reference date ('year-end') of ImmuPharma plc has been changed from 31st March to 31st December to coincide with the subsidiaries of the Group.

Principal activities

The principal activity of the Group and Company in the period under review was that of investing in pharmaceutical research and development companies.

Results and dividends

The consolidated income statement is set out on page 28.

The directors do not recommend the payment of a dividend.

Business review, research and development and future developments

The reports on pages 3 to 17 cover the Business Review, as well as commentary regarding research and development, and future developments.

Key performance indicators

ImmuPharma plc is a drug discovery and development company at a relatively early stage in its development. In keeping with organisations at a similar stage of development in the pharmaceutical and biotechnology sector, ImmuPharma's main activity involves incurring research and development expenditure with little revenue. The overall strategy is to maintain a tight central control over cash resources whilst enabling controlled development of the potential product portfolio.

Key objectives and performance

Objective	Key progress during the period
Progress potential product portfolio	• IPP 201101, lead candidate for Lupus: ✓ Successfully completed Phase I in May 2006 ✓ Meeting held with the US FDA ✓ Successful completion of a Phase II study in October 2006 • A number of discussions held with potential partners • Continued progress on IPP 102199 and IPP 203101
Maintain strong cash position	• Began draw down of ANVAR and ANR grants • Successfully raised €7 million • Continued tight financial control to ensure effective overall expenditure

Post balance sheet events

There have been no significant post balance sheet events since 31 December 2006.

Directors and their interests

The following directors of the Company have held office of the Company since 1 April 2006:

Richard Leonard Warr
Dimitri Dimitriou
Dr Robert Henri Zimmer
Patrick Hugh Walker-Taylor
Douglas Gordon James Paterson – Resigned 7 February 2007
Anthony Michael Johnson – Resigned 7 February 2007
Dr Franco Di Muzio – Appointed 7 February 2007
Dr Ajay Agrawal – Appointed 27 April 2007

Directors' Report (continued)

The Directors who held office at the end of the financial period had the following interests in the ordinary shares of the Company according to the register of Directors' interests:

Board Member	Number of ordinary 10p shares 31 December 2006 No.	1 April 2006 No.
Richard Leonard Warr	14,417,468	14,417,468
Dimitri Dimitriou	14,417,469	14,417,469
Dr Robert Zimmer	23,056,602	23,056,602
Patrick Hugh Walker-Taylor	100,922	100,922
Douglas Gordon James Paterson[1]	47,058	47,058
Anthony Michael Johnson[1]	11,762	11,762

(1) Resigned 7 February 2007.

Details of share options granted to the above directors are shown in Notes 4 and 20 of the accounts.

Substantial shareholdings

Up to 30 April 2007, the Directors are not aware of any interest of 3% or more in the share capital of the Company other than the persons noted below.

	Number of ordinary 10p shares	% of issued share capital	Options to acquire ordinary shares
Richard Leonard Warr	14,417,468	19.81%	750,000
Dimitri Dimitriou	14,417,469	19.81%	750,000
Dr Robert Zimmer	23,056,602	31.68%	750,000
Vidacos Nominees	3,300,000	4.53%	-
Modulus Europe Limited	2,268,127	3.12%	-

Financial instruments

Information regarding the use of financial instruments is detailed in Notes 1 and 2 of the financial statements.

Supplier payment policy and practice

The Company's policy, which is also applied by the Group, is to settle the terms of payment with suppliers when agreeing the terms of each transaction. This ensures that suppliers are made aware of the terms of payment and abide by them. Trade creditors of the Group at 31 December 2006 were equivalent to 22 days purchases, based on the amount invoiced by suppliers during the period. Trade creditors of the Group at 31 March 2006 were equivalent to 42 days purchases based on the amount invoiced by suppliers during the period.

Disclosure of information to the auditors

In the case of each person who was a director at the time this report was approved they have:

- taken all the necessary steps in rules to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

Auditor

A resolution to reappoint the auditors, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting.

On behalf of the Board

Tracy Weimar
Secretary

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company and the Group have complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group 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.

The Directors confirm that they have complied with these requirements and, having a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

Independent auditors' report
To the shareholders of ImmuPharma plc

We have audited the Group and Company financial statements (the 'financial statements') for the period ended 31 December 2006 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statement of Recognised Income and Expenses and the related Notes 1 to 25. 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 auditors' 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross-referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, 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 the information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Chairman and Chief Executive Officer, the Report of the Chief Scientific Officer, the Financial Review, the Business Overview and Prospects, the other shareholder information on pages 11 to 17, Corporate Governance, Risk Factors 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 judgements 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985, of the state of the Group's and Company's affairs as at 31 December 2006 and of the group's loss for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements.

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

25 Moorgate
London
EC2R 6AY

30 April 2007

Consolidated Income Statement

for the period ended 31 December 2006

	Notes	1 April 2006 to 31 December 2006 £	13 January 2005 to 31 March 2006 £
Continuing operations			
Revenue	1	**44,818**	25,409
Research and development expenses	5	**(568,139)**	(679,091)
Administrative expenses		**(1,447,998)**	(880,074)
Operating loss	5	**(1,971,319)**	(1,533,756)
Exceptional costs arising from reverse acquisition		**-**	(970,524)
Finance costs	6	**(7,739)**	(8,045)
Investment revenues	7	**64,307**	28,759
Loss before taxation		**(1,914,751)**	(2,483,566)
Tax	8	**54,713**	788
Loss for the period	22a	**(1,860,038)**	(2,482,778)
(Loss) per ordinary share			
Basic and diluted	9	**(2.72)p**	(4.16)p

Consolidated Statement of Recognised Income and Expense

for the period ended 31 December 2006

	1 April 2006 to 31 December 2006 £	13 January 2005 to 31 March 2006 £
Exchange differences on translation of foreign operations	**(4,143)**	8
(Loss) for the financial period	**(1,860,038)**	(2,482,778)
Total recognised income and expense for the period	**(1,864,181)**	(2,482,770)
Attributable to:		
Equity holders of the parent company	**(1,864,181)**	(2,482,770)

Consolidated Balance Sheet

as at 31 December 2006

	Notes	31 December 2006 £	31 March 2006 £
Non-current assets			
Property, plant and equipment	10	11,503	12,020
Intangible assets - goodwill	11	-	-
Intangible assets - other	12	748,878	765,004
Total non-current assets		760,381	777,024
Current assets			
Trade and other receivables	14	103,801	157,572
Cash and cash equivalents	15	6,459,918	2,692,900
Total current assets		6,563,719	2,850,472
Current liabilities			
Financial liabilities - borrowings	16	192,987	277,898
Trade and other payables	17	747,615	845,618
Provisions	18	94,218	-
Total current liabilities		1,034,820	1,123,516
Net current assets		5,528,899	1,726,956
Non-current liabilities			
Financial liabilities - borrowings	16	403,634	-
Net assets		5,885,646	2,503,980
Equity			
Ordinary shares	19	7,277,615	6,813,815
Share premium	22a	3,558,340	1,607,990
Merger reserve	22a	106,148	106,148
Other reserves	22a	(713,641)	(3,541,195)
Retained earnings	22a	(4,342,816)	(2,482,778)
Total equity		5,885,646	2,503,980

The financial statements were approved by the Board of Directors and authorised for issue on 30 April 2007.
They were signed on its behalf by:

Richard Warr
Director

Patrick Walker-Taylor
Director

30 April 2007

Consolidated Cash Flow Statement

for the period ended 31 December 2006

	Notes	31 December 2006 £	31 March 2006 £
Cash flows used in operating activities			
Cash used in operations	23	(1,236,598)	(871,552)
Interest paid		(7,739)	(8,045)
Net cash used in operating activities		(1,244,337)	(879,597)
Investing activities			
Purchase of property, plant and equipment		(2,389)	(17,130)
Acquisition of intangibles assets		-	(337,274)
Cash on reverse acquisition		-	975,961
Cash on acquisition of subsidiaries		-	17,773
Reverse acquisition expense		-	(59,561)
Subsidiary acquisition expense		-	(2,342)
Interest received		64,307	28,759
Tax received		-	788
Net cash generated from investing activities		61,918	606,974
Financing activities			
Net proceeds from share issues – ImmuPharma (UK) Limited		-	1,397,976
Net proceeds from share issue – Company		2,609,150	1,569,802
Increase in bank overdraft		2,556	12
New loans		384,754	-
Loan repayments		(68,586)	(2,267)
Equity shares to be issued		2,021,563	-
Net cash generated from financing activities		4,949,437	2,965,523
Net increase in cash and cash equivalents		3,767,018	2,692,900
Cash and cash equivalents at beginning of period		2,692,900	-
Cash and cash equivalents at end of period		6,459,918	2,692,900

Company Balance Sheet

as at 31 December 2006

	Notes	31 December 2006 £	31 March 2006 £
Non-current assets			
Fixed asset investments	13	**24,968,750**	24,968,750
Total non-current assets		**24,968,750**	24,968,750
Current assets			
Trade and other receivables	14	**2,700,958**	2,441,846
Cash and cash equivalents	15	**3,871,809**	-
Total current assets		**6,572,767**	2,441,846
Current liabilities			
Trade and other payables	17	**289,987**	46,547
Provisions	18	**94,218**	-
Total current liabilities		**384,205**	46,547
Net current assets		**6,188,562**	2,395,299
Net assets		**31,157,312**	27,364,049
Equity			
Ordinary shares	19	**7,277,615**	6,813,815
Share premium	22b	**3,558,340**	1,607,990
Merger reserve	22b	**19,093,750**	19,093,750
Other reserves	22b	**2,831,697**	-
Retained earnings	22b	**(1,604,090)**	(151,506)
Total equity		**31,157,312**	27,364,049

The financial statements were approved by the Board of Directors and authorised for issue on 30 April 2007. They were signed on its behalf by:

Richard Warr
Director

Patrick Walker-Taylor
Director

30 April 2007

Company Statement of Recognised Income and Expense

for the period ended 31 December 2006

	31 December 2006 £	31 March 2006 £
(Loss) for the period	(1,452,584)	(167,944)
Total recognised income and expense for the period	(1,452,584)	(167,944)
Attributable to:		
Equity holders of the parent company	(1,452,584)	(167,944)

Company Cash Flow Statement

for the period ended 31 December 2006

	Notes	31 December 2006 £	31 March 2006 £
Cash flows used in operating activities			
Cash used in operations	23	(499,995)	(221,942)
Tax		-	(4,415)
Interest paid		(36)	-
Net cash used in operating activities		(500,031)	(226,357)
Investing activities			
Interest received		33,208	41,514
Net cash generated from investing activities		33,208	41,514
Financing activities			
Loans to subsidiary		(292,081)	(2,390,271)
Net proceeds from issue of share capital		2,609,150	1,569,802
Equity shares to be issued		2,021,563	-
Net cash generated from financing activities		4,338,632	(820,469)
Net increase/(decrease) in cash and cash equivalents		3,871,809	(1,005,312)
Cash and cash equivalents at beginning of period		-	1,005,312
Cash and cash equivalents at end of period		3,871,809	-

Notes to the Consolidated Financial Statements

for the period ended 31 December 2006

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period contained in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985.

The financial statements have been prepared under the historical cost convention.

The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances.

In determining the fair value of equity settled share based payments and the related charge to the Income Statement, the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the group's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Assumptions about these factors which are different to those made by the group could materially affect the reported value of share based payments.

New standards and interpretations

At the date of authorisation of these financial statements, IFRS7, which has been issued but is not yet effective, has not been applied in these financial statements. IFRS7 requires additional disclosures over and above those disclosed in relation to credit risk and market risk.

Basis of consolidation

The Company's financial statements are for the period from 1 April 2006 to 31 December 2006 and present comparative information for the year ended 31 March 2006. The consolidated financial statements are for the period from 1 April 2006 to 31 December 2006 and the comparatives are for the period from 13 January 2005 to 31 March 2006.

The comparative information within the consolidated financial statements was prepared using reverse acquisition accounting (see below) and therefore represent a continuation of the financial statements of ImmuPharma (UK) Limited, the legal subsidiary acquired.

The Group's financial statements therefore incorporate the financial statements of ImmuPharma plc, ImmuPharma (UK) Limited and other entities controlled by the company ('the subsidiaries') comprising ImmuPharma AG and ImmuPharma (France) SA. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Certain acquisitions whereby the substance of the acquisition is that the acquirer is the entity whose equity interests have been acquired, and the issuing entity is the acquiree, are considered to represent a reverse acquisition. The legal subsidiary being acquired is the acquirer if it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

Reverse acquisitions are treated as a business combination whereby the consolidated financial statements

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

prepared following the acquisition represent a continuation of the financial statements of the legal subsidiary acquired.

For the purpose of these financial statements, the acquisition of ImmuPharma (UK) Limited by ImmuPharma Plc on 16 February 2006, is accounted as a reverse acquisition by ImmuPharma (UK) Limited.

Under the requirements of the Companies Act 1985 it would normally be necessary for the Company's consolidated financial statements to follow the legal form of the business combination. In that case, the pre-combination results would be those of ImmuPharma plc (formerly General Industries plc). The results of ImmuPharma (UK) Limited would then be brought into the Group from 16 February 2006. However, this would portray the combination as an acquisition of ImmuPharma (UK) Limited by ImmuPharma plc and would, in the opinion of the directors, fail to give a true and fair view of the substance of the business combination. Accordingly, in the comparative information within the consolidated financial statements, the directors adopted reverse acquisition accounting as the basis of consolidation in order to give a true and fair review. In invoking the true and fair override, the directors note that reverse acquisition accounting is allowed under International Financial Reporting Standard 3. The directors also consider the cost of providing comparable information regarding the alternative basis of consolidation following the legal form to be disproportionate to the benefit provided. The Company's own accounts are unchanged.

Business combinations

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

The results of subsidiaries acquired during the comparative period are included in the group income statement from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Revenue

Revenue principally relates to grants and other contributions matched to the cost of respective research staff and certain other operating expenditure.

Foreign currency

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included with finance costs. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to operating profit.

On consolidation, the assets and liabilities of the group's overseas operations are translated at exchange rates prevailing on the balance sheet date. income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

1 Accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement as it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

Intangible assets

Research is recognised as an expense in the period in which it is incurred.

An internally generated asset arising from the group's development activities is only recognised if all of the following conditions are met:

- an asset is created that can be identified
- it is probable that the asset created will generate future economic benefits; and
- the development cost of an asset can be measured reliably.

In the case of development projects undertaken by the group, regulatory and other uncertainties generally mean that such criteria are not met. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

In process research and development acquired as part of a business combination is recognised separately from goodwill where the associated project meets the definition of an intangible asset and its fair value can be measured reliably.

Intangible assets arising as a consequence of a business combination are amortised on a straight-line basis over their useful lives from the point in time at which the asset is available for use.

Patents are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives of 15 years from the date of patent registration.

Property, plant and equipment

Tangible fixed assets are stated at cost, net of depreciation and provision for any impairment. Depreciation is calculated to write off the cost of all tangible fixed assets to estimated residual value by equal annual instalments over their expected useful lives as follows:

Fixtures, fittings and equipment: 2 – 5 years

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is immediately recognised as an expense.

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

1 Accounting policies (continued)

Financial liabilities, equity and borrowings

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Interest bearing loans are recorded at the proceeds received net of direct issue costs. Finance costs are accounted for on an accruals basis in the income statements using the effective interest method.

Provision for liabilities and charges

In respect of National Insurance contributions on share options gains, the Company provides in full for the employer's National Insurance liability estimated to arise on the future exercise of the unapproved share options granted. The amount of National Insurance payable will depend on the number of employees who remain with the Company and exercise their options, the market price of the Company's Ordinary shares at the time of exercise and the prevailing National Insurance rate at that time.

The Group has applied the requirements of IFRS2 share based payments to all grants of equity instruments after 7 November 2002 that were unvested as at 1 January 2005.

The Group issues equity-settled share based payments to certain employees. These are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Operating loss

Operating loss is stated before investment revenue receivable and finance costs payable.

2 Financial risk management

The Group uses a limited number of financial instruments, comprising cash, short-term deposits, loans and overdrafts and various items such as trade receivables and payables, which arise directly from operations. The Group does not trade in financial instruments.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

2 Financial risk management (continued)

a) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK pound and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign exchange risks.

b) Credit risk
The Group has no significant concentrations of credit risk and has policies in place to ensure that sales are made to customers with an appropriate credit history.

c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and available funding through an adequate amount of committed facilities. The Group ensures it has adequate cover through the availability of funding and facilities.

d) Cash flow and interest rate
The Group finances its operations through a mix of equity finance and borrowings. Borrowings are generally at fixed rates of interest and no use of interest rate swaps has been made.

3 Segment information

- Group

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

No analysis of the Group's turnover and contribution to profit from operations by geographical segment or business segment has been presented as all of the Group's operating activities are in respect of the development of pharmaceutical products and all are carried out within Europe.

4 Staff costs

- Group

The average monthly number of employees of the Group (including executive directors) were:

	Period ended 31 December 2006 No.	Period ended 31 March 2006 No.
Drug research and development, and commercial operations	2	2
Administration and management	2	2
	4	4

Their aggregate remuneration comprised:

	Period ended 31 December 2006 £	Period ended 31 March 2006 £
Wages and salaries	506,571	710,449
Social security costs	132,798	51,084
Share-based payment	615,134	-
	1,254,503	761,533

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

4 Staff costs (continued)

Directors' emoluments

The following disclosures are in respect of emoluments payable across the group to the directors of ImmuPharma Plc for the period from 1 April 2006 to 31 December 2006 and in respect of the comparative period, for emoluments payable to the former directors of ImmuPharma plc (formerly General Industries plc) for the period 1 April 2005 to 15 February 2006, including compensation for loss of office, and emoluments payable across the Group to the current directors of ImmuPharma plc in respect of the period from 16 February 2006 to 31 March 2006:

	Period ended 31 December 2006 £	Year ended 31 March 2006 £
Fees	-	8,750
Salaries and benefits	427,062	58,706
Compensation for loss of office	-	13,000
	427,062	80,456

The emoluments of the highest paid director, amounts included above:

	Period ended 31 December 2006 £	Year ended 31 March 2006 £
Salaries and benefits	120,750	19,408
	120,750	19,408

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. In the opinion of the Board, the Group's key management comprises the Executive and Non-executive Directors of ImmuPharma plc. Information regarding their emoluments is set out below.

The following disclosures are in respect of employee benefits payable to the directors of ImmuPharma Plc across the Group and are stated in accordance with IFRS:

	Period ended 31 December 2006 £	Period ended 31 March 2006 £
Short-term employee benefits (salaries and benefits)	427,062	603,179
Share based payments	615,134	-
	1,042,196	603,179

The Company has adopted a HM Revenue & Customs approved share ownership plan ("CSOP") and an unapproved share option scheme ("the Unapproved scheme"). The following share options were executed and granted to the executive directors:

	No. of options
Director	
Richard Warr	750,000
Dimitri Dimitriou	750,000
Robert Zimmer	750,000
Patrick Walker-Taylor	365,000

None of the options are exercisable before 16 February 2007 (the vesting date) or if the closing middle market price of an ImmuPharma plc Ordinary share in the ten days prior to exercise is less than 85p. See Note 20 for further details.

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

5 Operating loss

- Group

	Period ended 31 December 2006 £	Period ended 31 March 2006 £
Operating loss is stated after charging /(crediting):		
Foreign exchange gains	(25,167)	-
Research and development costs - current period expenditure	568,139	679,091
Share based payments charge	615,134	-
Employers National Insurance provision in respect of share based payments charge	94,218	-
Depreciation of property, plant and equipment - owned	2,906	10,081
Amortisation of intangible assets - patents	16,126	5,140
Impairment of goodwill (see note 11)	-	970,524
Services provided by Company auditors - Audit services*	55,538	15,000
- Other services (split between):		
- The auditing of accounts of associates of the company pursuant to legislation	-	10,000
- Other services relating to taxation	12,584	5,000
- Services relating to recruitment and remuneration	13,630	-
- All other services*	29,871	17,025
- Audit services provided by other auditors	11,860	9,000

* Included within the 'Audit services' figure of £55,538 is £14,413 relating to the period ended 31 March 2006 and included within 'All other services' of £29,871 is £19,425 relating to the period ended 31 March 2006.

6 Finance costs

- Group

	Period ended 31 December 2006 £	Period ended 31 March 2006 £
Interest payable on loans and overdraft	7,739	8,045

7 Investment revenues

- Group

	Period ended 31 December 2006 £	Period ended 31 March 2006 £
Bank interest receivable	64,307	28,759

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

8 Taxation

- Group

	Period ended 31 December 2006 £	Period ended 31 March 2006 £
Current tax:		
Corporation tax	(54,713)	(788)
Deferred tax	-	-
Total current tax credit for the period	(54,713)	(788)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	Period ended 31 December 2006 £	Period ended 31 March 2006 £
	(1,914,751)	(2,483,566)
Tax on loss on ordinary activities (at the average rate 30%)	(574,425)	(745,070)
Effects of:		
Expenses not allowable for tax purposes	21,272	33,011
Other permanent differences	5,315	264,197
Capital allowances in excess of depreciation	23	(403)
Other timing differences	(4,988)	4,163
Rate differences	(19,710)	(15,357)
Other taxes	88	(788)
Research and development tax credit	(54,801)	-
Utilisation of losses brought forward	(3,205)	-
Current period losses carried forward	575,718	459,459
Current tax credit for period	(54,713)	(788)

As at 31 December 2006 the Group has unused tax losses of £3,800,000 available for offset against future profits in the jurisdiction in which the loss arises. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

9 Earnings per share

- Group

	Period ended 31 December 2006 £	Period ended 31 March 2006 £
Earnings		
Earnings for the purposes of basic earnings per share being net loss attributable to equity shareholders	(1,860,038)	(2,482,778)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	68,388,353	59,663,827
Basic and diluted loss per share	(2.72)p	(4.16)p

The Group has granted share options and warrants in respect of equity shares to be issued, the details of which are disclosed in Notes 20 and 21. As a result of the net loss for the period, there is no dilutive effects of these options and warrants.

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

10 Property, plant and equipment

- Group

	Fixtures, fittings and equipment £
Cost	
On acquisition of subsidiaries	4,971
Additions	17,130
At 1 April 2006	22,101
Additions	2,389
At 31 December 2006	24,490
Depreciation	
Charge for the period	10,081
At 1 April 2006	10,081
Charge for the period	2,906
At 31 December 2006	12,987
Net book amount	
At 31 December 2006	11,503
At 31 March 2006	12,020

11 Intangible assets – Goodwill

- Group

	£
Cost	
On reverse acquisition of the Company (see below)	970,524
At 1 April 2006	970,524
At 31 December 2006	970,524
Impairment loss	
Impairment loss for the period - exceptional cost arising from reverse acquisition	970,524
At 1 April 2006	970,524
At 31 December 2006	970,524
Net book amount	
At 31 December 2006	-
At 31 March 2006	-

The goodwill arose on the reverse acquisition of the Company by ImmuPharma (UK) Limited.

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

12 Intangible assets - other

- Group

	In process research and development £	Patents £	Total £
Cost			
On acquisition of subsidiaries	404,095	28,775	432,870
Additions	-	337,274	337,274
At 1 April 2006	404,095	366,049	770,144
At 31 December 2006	404,095	366,049	770,144
Amortisation			
Charge for the period	-	5,140	5,140
At 1 April 2006	-	5,140	5,140
Charge for the period	-	16,126	16,126
At 31 December 2006	-	21,266	21,266
Net book amount			
At 31 December 2006	404,095	344,783	748,878
At 31 March 2006	404,095	360,909	765,004

13 Fixed asset investments

- Company

	Shares in subsidiary undertakings £
Cost and net book amount	
Additions (see below)	24,968,750
At 1 April 2006 and 31 December 2006	24,968,750

Details of the Company's subsidiaries are as follows:

Name of company	Holding	% voting rights and shares held	Nature of business
ImmuPharma (UK) Limited	Ordinary	100	Holding company
ImmuPharma (France) SA (*)	Ordinary	100	Pharmaceutical research and development
ImmuPharma AG (*)	Ordinary	100	Pharmaceutical research and development

(*) held by a subsidiary undertaking

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

14 Trade and other receivables

	Group 31 December 2006 £	Group 31 March 2006 £	Company 31 December 2006 £	Company 31 March 2006 £
Amounts owed by group undertakings	-	-	2,682,352	2,390,271
Other debtors	85,195	141,361	-	50,000
Prepayments and accrued income	18,606	16,211	18,606	1,575
At 31 December 2006	103,801	157,572	2,700,958	2,441,846

The Group's and the Company's credit risk is primarily attributable to its other debtors. Based on prior experience and an assessment of the current economic environment, the Company's management did not consider any provision for irrecoverable amounts was required. The directors consider that the carrying value of these assets approximates to their fair value.

15 Cash and cash equivalents

	Group 31 December 2006 £	Group 31 March 2006 £	Company 31 December 2006 £	Company 31 March 2006 £
Cash at bank and in hand	6,459,918	2,692,900	3,871,809	-
At 31 December 2006	6,459,918	2,692,900	3,871,809	-

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at varying rates over the period between 3.5% and 5%.

The directors consider that the carrying value of these assets approximates to their fair value.

The credit risk on liquid funds is limited because the counter-party is a bank with a high credit rating.

16 Financial liabilities – borrowings

- Group

	31 December 2006 £	31 March 2006 £
Total borrowings within one year comprises:		
Bank overdraft	3,395	839
Loans	189,592	277,059
	192,987	277,898
Total borrowings after more than one year comprises:		
Loans	403,634	-
	403,634	-

Terms and debt repayment schedule

	1 Year or less	1-2 Years	2-5 Years	Total
Bank overdraft	3,395	-	-	3,395
Loans	189,592	155,576	248,058	593,226
	192,987	155,576	248,058	596,621

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

16 Financial liabilities – borrowings (continued)

Included within loans repayable within one year is an amount of £103,825 due to R Zimmer, a director and shareholder of the company. The loan is repayable on demand. Interest is payable at 3.5% per annum.

Also included within loans repayable within one year is an amount of £65,551 on which interest is payable at 3.681% per annum and an amount of £20,216 on which interest is payable at 4% per annum.

Included within loans repayable between 1-2 years is an amount of £20,216 on which interest is payable at 4% per annum, an amount of £67,975 on which interest is payable at 3.681% per annum and a non-interest bearing amount of £67,385.

Included within loans repayable between 2-5 years is an amount of £52,641 on which interest is payable at 3.681% per annum, an amount of £60,647 on which interest is payable at 3.681% per annum and a non-interest bearing amount of £134,770.

Under the terms of the agreement of the non-interest bearing loan the amount ultimately repayable is dependant upon the success of the development programme to which the loan relates.

17 Trade and other payables

	Group 31 December 2006 £	Group 31 March 2006 £	Company 31 December 2006 £	Company 31 March 2006 £
Trade payables	**120,837**	263,987	**-**	-
Other taxes and social security	**7,092**	41,188	**-**	-
Other creditors	**3,831**	10,961	**-**	-
Accruals and deferred income	**615,855**	529,482	**289,987**	46,547
At 31 December 2006	**747,615**	845,618	**289,987**	46,547

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

18 Provisions

	Group 31 December 2006 £	Group 31 March 2006 £	Company 31 December 2006 £	Company 31 March 2006 £
Other provisions	**94,218**	-	**94,218**	-
At 31 December 2006	**94,218**	-	**94,218**	-

Other provisions relate to a provision for national insurance on directors share options.

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

19 Share capital

	Group and Company Authorised 31 December 2006 Number of shares	£	Group and Company Authorised 31 March 2006 Number of shares	£
Ordinary shares of 10p each	124,000,000	12,400,000	124,000,000	12,400,000

	Group and Company Called up, issued and fully paid 31 December 2006 Number of shares	£	Group and Company Called up, issued and fully paid 31 March 2006 Number of shares	£
Ordinary shares of 10p each	72,776,149	7,277,615	68,138,149	6,813,815

On 5 October 2006, 288,000 ordinary 10p shares were issued for cash consideration of £72,000.

On 21 December 2006, 4,350,000 ordinary 10p shares were issued for cash consideration of £2,697,000.

Please refer to notes 20 and 21 for details of share based payments granted by the company and equity shares to be issued.

20 Share-based payments

Equity-settled share option scheme

The company has two share option schemes in place; an HM Revenue and Customs approved share ownership plan ("CSOP") and an unapproved scheme ("the Unapproved scheme"). Options granted under these Schemes will entitle the participant to acquire shares at a price determined in accordance with the rules of the Schemes. The exercise price of all of the options is £0.425 and subject to the performance condition below, all are exercisable at any time between 16 February 2007 (the vesting date) and 10 years from the date of grant (15 February 2006 - see further note below), provided that the participant remains a director or employee of the company during this period. The vesting period is therefore 1 year from the date of grant. In addition to the director or employee condition described above, the options are only exercisable if in each of the 10 days prior to exercise, the share price of the company is at least £0.75 ("hurdle price"). This was subsequently revised to £0.85 on 29 March 2006.

Details of the share options outstanding during the period are as follows:

	Number of share options	Weighted average excercise price (£)
Granted on 16 February 2006	2,615,000	0.425
Outstanding as at 31 December 2006	2,615,000	0.425
Exercisable as at 31 December 2006	-	0.425

The options outstanding as at 31 December 2006 had a weighted average remaining contractual life of 9 years.

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

20 Share-based payments (continued)

The value of the options has been derived by the use of a Binomial pricing model. The inputs into the binomial model were as follows:

Share price at grant date	£0.425
Exercise price	£0.425
Volatility	46 - 55%
Expected life	7 years
Risk free rate	4.17%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of proxy companies' share prices to the date of grant over a 5 year period. As there is limited exercise history, the directors have assumed that the option holders will exercise their option when the growth in share price, measured against the hurdle price, reaches a certain level. The Binomial model was used to value the options assuming a gain dependent exercise pattern.

During the period, the directors determined that the effective date of grant of the options was the date of the Extraordinary General Meeting whereby approval of the transactions relating to the company's admission to AIM was given by the directors (15 February 2006), rather than the subsequent dates that the option agreements themselves were signed.

The total value of the options as calculated above is £706,050. Of this amount, £615,134 has been charged in the accounts for the period ended 31 December 2006 and the remaining £90,916 will be charged in the accounts for the year ended 31 December 2007.

On the assumption that 15 February 2006 was the date of grant, a charge of £87,047 accruing between 16 February 2006 and 31 March 2006 which relates to the prior year has been charged in the Income Statement for the period ended 31 December 2006. Comparative figures have not been adjusted.

21 Equity shares to be issued

On 20 December 2006, ImmuPharma (France) SA, a subsidiary of the Company, issued 187,500 €16 unsecured bonds for a total consideration of €3,000,000 (£2,021,563) to ING Belgium SA ('ING').

On the same date, ImmuPharma Plc granted to ING warrants to subscribe in cash for 3,245,280 Ordinary Shares of 10p each in the Company at a price per share equivalent to a total exercise price for all the shares of €3,000,000.

Ordinarily, the warrants granted may be exercised, in whole or in part, at any time from 20 December 2006 to three business days before 31 December 2009. On the date of exercise, ING will remit €3,000,000 to the Company.

On the third business day before the exercise of the warrants, ING will sell the bonds to the Company for €3,000,000. This amount will be paid over by the Company to ING within three business days after the sale of the bonds.

The Directors of the Company and Group consider the arrangements outlined above to constitute one transaction and have accounted for the issue of the bonds and the grant of the warrants as an advance in respect of equity shares to be issued in the future (see Note 22).

Options to subscribe for 672,000 Ordinary shares of the Company were issued in consideration for services supplied to the Company in preparing for admission to AIM. The total market value of these services was £195,000. Within these financial statements, this amount has been treated as a further expense in respect of the issue of shares by the Company and has therefore been debited to the share premium account. See Note 22.

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

22 Statement of changes in shareholders' equity

a) Group

	Share capital £	Share premium £	Merger reserve £	Other reserves* £	Retained earnings £	Total equity £
At incorporation	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	8	-	8
Loss for the period ended 31 March 2006	-	-	-	-	(2,482,778)	(2,482,778)
Total recognised income and expense for the period	-	-	-	8	(2,482,778)	(2,482,770)
Equity share capital of the Company prior to reverse acquisition	420,000	557,003	-	-	-	977,003
Reverse acquisition of the Company	5,875,000	-	-	(3,541,203)	-	2,333,797
New issue of equity share capital	518,815	1,686,148	-	-	-	2,204,963
Less: expenses of new share issue	-	(635,161)	-	-	-	(635,161)
Acquisition of subsidiaries	-	-	106,148	-	-	106,148
At 1 April 2006	6,813,815	1,607,990	106,148	(3,541,195)	(2,482,778)	2,503,980
Exchange differences on translating foreign operations	-	-	-	(4,143)	-	(4,143)
Loss for the period ended 31 December 2006	-	-	-	-	(1,860,038)	(1,860,038)
Total recognised income and expense for the period	-	-	-	(4,143)	(1,860,038)	(1,864,181)
Equity shares to be issued	-	-	-	2,021,563	-	2,021,563
Share based payments	-	(195,000)	-	810,134	-	615,134
New issue of equity share capital	463,800	2,305,200	-	-	-	2,769,000
Less: expenses of new share issue	-	(159,850)	-	-	-	(159,850)
At 31 December 2006	7,277,615	3,558,340	106,148	(713,641)	(4,342,816)	5,885,646

* Other reserves as at 31 December 2006 comprises a reverse acquisition reserve £(3,541,203), a translation reserve £(4,135) and equity shares to be issued of £2,831,697 (see Notes 20 and 21).

Attributable to:-

Equity holders of the parent company	7,277,615	3,558,340	106,148	(713,641)	(4,342,816)	5,885,646

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

22 Statement of changes in shareholders' equity (continued)

b) Company

	Share capital £	Share premium £	Merger reserve £	Other reserves £	Retained earnings £	Total equity £
At 1 April 2005	420,000	557,003	-	-	16,438	993,441
Loss for the year ended 31 March 2006	-	-	-	-	(167,944)	(167,944)
Total recognised income and expense for the year	-	-	-	-	(167,944)	(167,944)
Issue of equity share capital	6,393,815	1,686,148	19,093,750	-	-	27,173,713
Less: expenses of share issue	-	(635,161)	-	-	-	(635,161)
At 1 April 2006	6,813,815	1,607,990	19,093,750	-	(151,506)	27,364,049
Loss for the period ended 31 December 2006	-	-	-	-	(1,452,584)	(1,452,584)
Total recognised income and expense for the period	-	-	-	-	(1,452,584)	(1,452,584)
Equity shares to be issued	-	-	-	2,021,563	-	2,021,563
Share based payments	-	(195,000)	-	810,134	-	615,134
Issue of equity share capital	463,800	2,305,200	-	-	-	2,769,000
Less: expenses of share issue	-	(159,850)	-	-	-	(159,850)
At 31 December 2006	7,277,615	3,558,340	19,093,750	2,831,697	(1,604,090)	31,157,312
Attributable to:-						
Equity holders of the parent company	7,277,615	3,558,340	19,093,750	2,831,697	(1,604,090)	31,157,312

* Other reserves as at 31 December 2006 comprises of equity shares to be issued of £2,831,697 (see Notes 20 and 21).

23 Cash used in operations

	Group 31 December 2006 £	Group 31 March 2006 £	Company 31 December 2006 £	Company 31 March 2006 £
Operating loss	(1,971,319)	(1,533,756)	(1,485,756)	(207,642)
Depreciation and amortisation	19,032	15,221	-	-
Share-based payments	615,134	-	615,134	-
Decrease/(Increase) in debtors	108,483	(118,280)	32,969	(49,769)
(Decrease)/increase in creditors	(102,146)	765,263	243,440	35,469
Increase in provisions	94,218	-	94,218	-
Cash used in operations	(1,236,598)	(871,552)	(499,995)	(221,942)

Notes to the Consolidated Financial Statements (continued)

for the period ended 31 December 2006

24 Related party transactions

a) Group

Included within Group other creditors (Note 17) is an amount of £3,791 (31 March 2006: £3,632) due to R Zimmer, and an amount of £40 (31 March 2006: £560) due to D Dimitriou. No interest or formal repayment terms apply to these loans.

Included within Group financial liabilities (Note 16) is an amount of £103,825 due to R Zimmer. The loan is repayable on demand. Interest is payable at 3.5% per annum.

During the period, an amount of £13,187 was paid to the wife of R Zimmer in respect of services provided to ImmuPharma AG.

R Zimmer and D Dimitriou are both directors and shareholders of this company.

b) Company

The balance due to the company from ImmuPharma UK Limited at 31 December 2006 was £635,789 (31 March 2006: £2,390,271). During the period ImmuPharma UK Limited repaid £1,755,185 of money previously borrowed from the company. Certain expenses were recharged at cost by ImmuPharma (UK) Limited to the Company during the period. No interest is receivable.

The balance due to the company from ImmuPharma (France) SA at 31 December 2006 was £2,021,563 (31 March 2006: nil). Please refer to Note 21 for an explanation for how this balance arose.

The balance due to the company from ImmuPharma AG at 31 December 2006 was £25,000 (31 March 2006: nil).

25 Post balance sheet events

There have been no post balance sheet events since 31 December 2006.

Corporate Governance

The Directors continue to recognise the importance of sound corporate governance. At this stage of the Company's development the Directors consider that full compliance with the Combined Code would be too onerous, but nevertheless, the company complies with its main provisions as far as is practicable and appropriate for a public company of its size.

The Board of Directors consists of:

Richard Warr, Executive Chairman

Dimitri Dimitriou, Chief Executive Officer

Dr Robert Zimmer, President and Chief Scientific Officer

Paddy Walker-Taylor, Chief Financial Officer

Dr Franco Di Muzio, Senior Non-executive Director

Dr Ajay Agrawal, Non-executive Director

Brief biographies are set out on page 19.

The Board normally meets monthly, and all directors have attended all meetings so far in person or by phone. Decisions concerning the direction and control of the business are made by a quorum of the Board, and a formal schedule of matters specifically reserved for the Board is in place. The principal control mechanism agreed by the Board is the Annual Budget for expenditure. Any departures from this budget are considered by the Board prior to commitment of expenditure. Each of the executive Directors also reports to the Board on his activities and issues that may have arisen since the previous meeting.

Risk assessment is a priority for the Board. The major risks to the business were listed in some detail in the prospectus at the time of the float. They concern mainly the control and timely progress of clinical trials and the obtaining of regulatory approval and profitable agreements with other parties, with adequate financial resources to achieve these objectives.

Although the Company's Articles of Association do not require Directors to submit themselves for re-election every three years, the Board has resolved to adopt this principle and appropriate resolutions will be placed before shareholders at future Annual General Meetings.

An Audit Committee and a Remuneration Committee have been established with formally delegated duties and responsibilities. The members of both committees are the non executive Directors.

Audit Committee

The Audit Committee which determines the engagement of the Company's auditors and, in consultation with them, the scope of their audit. The Audit Committee receives and reviews reports from management and the auditors relating to the interim and annual accounts and the accounting and internal control systems in use by the company. It has unrestricted access to the auditors.

The Board and the Audit Committee review the need for an internal audit function on an annual basis and currently do not consider it to be necessary at this stage in the Company's development.

The Directors acknowledge their responsibilities for the Group's system of internal financial controls. They have not, during the period ended 31st December 2006, carried out a formal annual review of internal financial controls in view of the small size of the Board and employees. The Group's financial reporting arrangements are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The Board considers that the business is a going concern, having reviewed anticipated future expenditure in the context of available cash balances.

Remuneration Committee

The Remuneration Committee reviews the scale and structure of the executive Directors' remuneration and benefits and the terms of their service contracts. The remuneration of the non-executive directors is determined by the Board as a whole.

The committee has formal terms of reference and meets at least twice a year. It is the duty of the committee, inter alia, to determine and agree with the Board the framework or broad policy for the remuneration of the Company's executive board members. This policy is currently being developed but the remuneration package for executive directors will comprise basic salary, pension contribution, annual bonus and share options. The remuneration packages are designed to motivate and retain Executive Directors to ensure the continuing development of the company and to reward them for enhancing value to shareholders.

The Company will operate a discretionary bonus scheme with bonuses to be awarded by the Remuneration Committee. All bonuses will be awarded having regard to the achievement of performance targets.

Corporate Governance (continued)

The company contributes to the executive Directors' pensions and other benefits a sum equal to 15% of their respective salaries.

Emoluments and benefits payable to the directors of the Company in respect of the period from 1 April 2006 to 31st December 2006 totalled:

Director	£
Richard Warr	120,750
Dimitri Dimitriou	117,563
Robert Zimmer	112,437
Paddy Walker-Taylor	38,813
Douglas Paterson	18,750
Anthony Johnson	18,750
	£427,063

The Company has adopted a HM Revenue & Customs approved share ownership plan ("CSOP") and an unapproved share option scheme ("the Unapproved scheme").

Having achieved Admission to AIM, the following options were granted:

Director	No. of options
Richard Warr	750,000
Dimitri Dimitriou	750,000
Robert Zimmer	750,000
Paddy Walker-Taylor	365,000

None of the options are exercisable within 12 months of admission or if the closing middle market price of an ImmuPharma Share in the ten days prior to exercise is less than 75p. The Remuneration Committee has set an exercise price of 85p as performance criterion for the options.

Further details of share options and total remuneration paid during the year to 31st December 2006 are shown in the notes to the Accounts.

Franco Di Muzio
Ajay Agrawal

Risk Factors

The following statement was included in the Admission Document dated 23 January 2006 and is repeated below to remind investors and potential investors about the risks involved surrounding an investment in the Company.

An investment in the Company involves a high degree of risk. Investors should consider carefully the following risks, before deciding to buy any Shares. Additional risks and uncertainties not currently known to the Present Directors or the Proposed Directors or that they currently deem to be immaterial may also impair its business operations. Investors may lose all or a part of their investment.

Lack of profits

In common with most similar small businesses in the biotechnology/pharmaceutical sector, ImmuPharma has not been profitable. The Proposed Directors expects it to incur additional losses for the foreseeable future as its research and development efforts progress. To become profitable, ImmuPharma must successfully develop drug candidates and enter into profitable agreements with other parties and its drug candidates must receive regulatory approval. ImmuPharma or these other parties must then successfully manufacture and market the drug candidates. It could be several years, if ever, before ImmuPharma receives royalties from any future licence agreements or revenues directly from product sales. If ImmuPharma fails to obtain additional financing, it may be unable to complete the development and commercialization of its drug candidates or continue its research and development programs.

Uncertainty of capital requirements and availability of funds

The Enlarged Group's long-term capital requirements and the adequacy of available funds will depend upon many factors, including:

- the progress of its research, drug discovery and development programs;
- changes in existing collaborative relationships;
- its ability to establish additional collaborative relationships;
- the magnitude and outcome of its research and development programs;
- the scope and results of preclinical studies and clinical trials to identify drug candidates;
- competitive and technological advances;
- the time and costs involved in obtaining regulatory approvals;
- the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims;
- its dependence on others for development and commercialisation of its drug candidates; and
- successful commercialisation of its products consistent with its licensing strategy.

Raising Capital

The Enlarged Group may need to raise additional capital to complete the development and commercialization of ImmuPharma's current drug candidates. Additional funding, whether through additional sales of shares or collaborative or other arrangements with corporate partners or from other sources, may not be available when needed or on terms acceptable to it. The issuance of preferred or ordinary shares, or the borrowing of additional funds with terms and pricessignificantly more favourable than those of the currently available ordinary shares, could have the effect of diluting or adversely affecting the holdings or rights of existing shareholders. In addition, collaborative arrangements may require ImmuPharma to transfer certain material rights to such corporate partners. Insufficient funds may require it to delay, scale-back or eliminate certain of its research and development programs.

Reliance on third parties

ImmuPharma relies heavily upon other parties (including contract research organisations) for many important stages of its drug development programs, including execution of some Pre-Clinical studies and late-stage development for its compounds and drug candidates, management of its clinical trials, including medical monitoring and data management, management of its regulatory function, and manufacturing, sales, marketing and distribution of its drug candidates.

Development risk

If the clinical trials of any of ImmuPharma's drug candidates fail, that drug candidates will not be marketed, which would result in a complete absence of revenue from the failed product. The drug development process and achievement of regulatory approvals is complex and uncertain. Because of the cost and duration of clinical trials, the Proposed Directors may decide to discontinue development of drug candidates that are either unlikely to show good results in the trials or unlikely to help advance a product to the point of a meaningful collaboration. Positive results from pre-clinical studies and early clinical trials do not ensure positive results in clinical trials designed to permit application for regulatory approval.

Competition

ImmuPharma's competitors include amongst others, major pharmaceutical, biotechnology and healthcare companies with substantially greater resources than those of the Enlarged Group. The areas in which ImmuPharma has chosen to conduct its research and development are very attractive areas to all its competitors. There is no assurance that competitors will not succeed in developing products that are more effective or economical than those being developed by ImmuPharma or which would render its products obsolete and/or otherwise uncompetitive.

Risk Factors (continued)

Furthermore, there is no guarantee that the drug candidates being developed by ImmuPharma have either a better safety profile, dosing profile and/or efficacy profile than products that are already marketed by its competitors and this may adversely affect the sales of any new products.

Health authorities

The ability of ImmuPharma and any of its licensees or collaborators to commercialise its products also depends on the extent to which reimbursement for the cost of such products and related treatments will be available from government health administration authorities, private health providers and other organisations. There is uncertainty as to the reimbursement status of newly approved healthcare products, and there is no assurance that adequate, or indeed any, health administration or third party coverage will be available to ImmuPharma or its partners to obtain satisfactory price levels.

Patents

The commercial success of ImmuPharma depends to a great extent upon its ability to obtain patent protection for its products in Europe, the US and other countries and to preserve the confidentiality of its know-how. The successful commercialisation of its products, whether by itself or by third parties, as licensees or collaborators, is largely dependent on the extent of the intellectual property protection obtained. No assurance is given that ImmuPharma will develop products that are patentable, or that patents will be sufficiently broad in their scope to provide protection for ImmuPharma's intellectual property rights and exclude competitors with similar technology.

The commercial success of ImmuPharma is dependent, in part, on non-infringement of patents granted to third parties. Competitors or potential competitors may have filed applications, or may have been granted or may obtain patents that may relate to products competitive with those of ImmuPharma. If this is the case then ImmuPharma may have to obtain appropriate licences under these patents or cease and/or alter certain activities or processes, or develop or obtain alternative technology. There can be no assurance that, if any licences are required, ImmuPharma will be able to obtain any such licences on commercially favourable terms, if at all.

Liability risks

ImmuPharma's business exposes it to potential liability risks, which are inherent in research and development, manufacturing, marketing and use of human therapeutic products. There can be no assurance that future necessary insurance cover will be available to ImmuPharma at an acceptable cost, if at all, or that, in the event of any claim, the level of insurance carried by ImmuPharma now or in the future will be adequate or that a liability or other claim would not materially and adversely affect the business.

Reliance on personnel

ImmuPharma is dependent on the principal members of its management and scientific staff. Recruiting and retaining qualified personnel, consultants and advisers will be important to its success. There can be no assurance that ImmuPharma will be able to recruit the new staff required in its business plan and retain its personnel on acceptable terms given the competition for such personnel from competing businesses. The loss of service of any of ImmuPharma's personnel could impede the achievement of its objectives.

Environmental hazards

ImmuPharma and its third party contractors are subject to laws, regulations and policies relating to environmental protection, disposal of hazardous or potentially hazardous substances, healthy and safe working conditions, manufacturing practices and fire hazard control. There can be no assurance that ImmuPharma or its collaborators will not be required to incur significant costs to comply with future laws, regulations and policies relating to these or similar matters. The risk of accidental contamination or injury from certain materials cannot be eliminated. In the event of such an accident, ImmuPharma could be held liable for any damage that results and any such liability could exceed its resources.

Regulation

Changes in government regulations or enforcement policies could impose more stringent requirements on ImmuPharma, compliance with which could adversely affect its business. Failure to comply with applicable regulatory requirements could result in enforcement action, including withdrawal of marketing authorisation, injunction, seizure of products and liability for civil and/or criminal penalties.

Share price and liquidity

The share price of publicly traded biotechnology and emerging pharmaceutical companies can be highly volatile. The price at which the Company's shares will be quoted and the price which investors may realise for their shares will be influenced by a large number of factors, which could include the performance of both ImmuPharma's and its competitor's research and development programs, large purchases or sales of the Company's shares, legislative changes in the healthcare environment and general economic conditions. The volume of share trading on the Alternative Investment Market can be limited and this may restrict the ability of shareholders to dispose of their shareholding at any particular time.

Investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies the shares of which are listed on the Official List. An investment in the Company's Shares may be difficult to realize. Prospective investors should be aware that the value of an investment in the Company may

Risk Factors (continued)

go down as well as up and that the market price of the Company's Shares may not reflect the underlying value of the Company. Investors may therefore realize less than, or lose all of, their investment.

Forward looking statements

This document contains certain statements that are not historical facts and may be forward-looking statements that are subject to a variety of risks and uncertainties. There are a number of important factors that could cause actual results to differ materially from those projected or suggested in any forward-looking statement made herein.

These factors include, but are not limited to: (i) ImmuPharma's and/or ImmuPharma's partners' ability to successfully complete product research and development, including pre-clinical and clinical studies and commercialisation; (ii) ImmuPharma's and/or ImmuPharma's partners' ability to obtain required governmental approvals, including product and patent approvals, the impact of pharmaceutical industry regulation, the difficulty of predicting FDA and other regulatory authority approvals, the regulatory environment and changes in the health policies and structure of various countries; (iii) the acceptance and demand for new pharmaceutical products and new discovery-enabling technologies such as the use of cells and (iv) ImmuPharma's ability to attract and/or maintain manufacturing, sales, distribution and marketing partners; and (v) ImmuPharma's and/or ImmuPharma's partners' ability to develop and commercialise products before its competitors and the impact of competitive products and pricing, the availability and pricing of ingredients used in the manufacture of products, uncertainties regarding market acceptance of innovative products newly launched, currently being sold or in development. In addition, significant fluctuations in financial results may occur as a result of the timing of milestone payments and the timing of costs and expenses related to ImmuPharma 's research and development program.

Without limiting the generality of the foregoing, no assurance is given as to when ImmuPharma's products will be launched or licensed, or whether that launch or licensing will be commercially successful, and words such as "may," will," to," expect," plan," believe," anticipate," intend," could," would," estimate," or "continue" or the negative or other variations thereof or comparable terminology is intended to identify forward-looking statements. These statements are primarily contained in Parts 1 and 3 of this document.

Certain risks to and uncertainties for ImmuPharma are specifically described in this Part 2. If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Enlarged Group's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

Neither the Directors nor the Company undertake any obligation to update forward-looking statements or risk factors other than as required by the AIM Rules or by applicable law, whether as a result of new information, future events or otherwise.

Glossary of Technical Terms

'ADME'	absorption, distribution, metabolism and excretion
'Big Pharma'	one or more of the major pharmaceutical companies or, as the context requires, the pharmaceutical sector comprising these major companies
'biomarkers'	measurable biological responses used as predictors of clinical effects
'Biotech'	the biotechnology industry, often used to describe the sector of small to medium, innovative, R&D-based pharmaceutical companies
'CRO'	contract research organisation
'drug-like'	having the potential to become a drug product candidate due to its physical and chemical characteristics
'i.v.'	intravenous
'in vitro'	experiments conducted in an artificial environment outside the living organism
'in vivo'	experiments conducted in the living organism
'Lupus'	an autoimmune inflammatory disease of unknown etiology as described in section 4 of Part 3 of this document
'MRSA'	methicillin-resistant staphylococcus aureus, a drug resistant bacteria
'OD'	once-a-day
'parenteral'	administered by injection
'PDCT'	peptide to drug converting technology
'peptide'	a molecule comprised of a series of amino acids (or a small subpart of a protein)
'Pharma'	abbreviation for "Pharmaceutical"; sometimes in the industry "pharma" also denotes a pharmaceutical company
'Phase 0'	the stage of development of a drug candidate before the first administration to man, during which all mandatory data required by regulatory bodies such as the FDA or the EMEA is generated and filed
'Phase I'	the stage of development of a drug candidate during which it is administered to man (usually healthy volunteers) for the first time. Phase I studies are designed to assess primarily the safety and tolerability of the drug candidate and gather information on its ADME. This phase is also used whenever possible to evaluate surrogate markers which are indicative of the clinical efficacy of the drug candidate
'Phase II'	the stage of development of a drug candidate during which therapeutic studies are conducted in limited numbers of patients using data generated in Phase I studies to determine dose regimen and primary efficacy, and to examine therapeutic outcomes and monitor safety in patients
'Phase III'	the stage of development of a drug candidate during which it is tested in large scale pivotal trials on, typically, between 200 to 4000 patients to demonstrate overall efficacy, tolerability and safety with a dose regimen as determined in Phase II. The drug candidate must generally prove to be statistically better than placebo or the current best therapy in terms of efficacy, safety or quality of life

Glossary of Terms (continued)

'pre-clinical'	the stage of development of a molecule prior to administration to man during which pharmacological and preliminary safety studies are conducted to demonstrate its potential efficacy and confirm its drug candidate status. These studies are very variable in time and costs depending on the therapeutic indication, the chemistry and the R&D team. If successful, the next development step is Phase 0
'SSP'	Synthetic Screening Platform, an integrated system to allow a more efficient screening

Notice Of The 2007 Annual General Meeting Of Immupharma Plc

(The "Company")

NOTICE IS HEREBY GIVEN that the 2007 Annual General Meeting of the Company will be held at the offices of 50 Broadway, London, SW1H 0BL on 13 June 2007 at 11 a.m. for the transaction of the following business:

ORDINARY BUSINESS

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1 To receive the accounts of the Company for the period ended 31 December 2006 together with the reports thereon of the directors and the auditors of the Company.

2 To reappoint Dr Franco Di Muzio as a director of the Company.

3 To reappoint Dr Ajay Agrawal as a director of the Company.

4 To reappoint Nexia Smith & Williamson Audit Limited as the auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting at which the accounts are laid before the Company at a remuneration to be determined by the directors.

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, of which Resolution 5 will be proposed as an ordinary resolution and Resolution 6 will be proposed as a special resolution:

5 That the directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to a maximum nominal amount of £3,639,000 of the authorised but unissued ordinary share capital provided that this authority shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution except that the Company may before the expiry of such period make an offer or agreement which would, or might, require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for any existing like authority which is hereby revoked with immediate effect.

6 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 of the Act) pursuant to the authority conferred upon them by Resolution 5 above as if section 89(1) of the Act did not apply to any such allotment provided that such power shall be limited to the allotment of equity securities:

(a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

(b) equity securities up to an aggregate nominal amount of £1,456,000.

and shall expire on the conclusion of the next Annual General Meeting of the Company unless renewed or extended prior to such time except that the Company may, before the expiry of any power contained in this Resolution, make an offer or agreement which would, or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Date: 11 May 2007
Registered office: 50 Broadway
London
SW1H 0BL

BY ORDER OF THE BOARD

Tracy Weimar
Secretary

NOTES:

1. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.

2. A form of proxy is enclosed. To be effective it must be deposited at the office of the Company's registrars so as to be received not later than 48 hours before the time appointed for holding the annual general meeting. Completion of the proxy form does not preclude a member from subsequently attending and voting at the meeting in person if he or she wishes.

Portrait photography: **Johnny Haddock** / www.johnnyhaddock.co.uk
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