ImmuPharma

ImmuPharma plc

Report and Consolidated Financial Statements
For the Year Ended 31 December 2008

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Report of the Chairman and the Chief Executive Officer

Report of the Chairman and the Chief Executive Officer

2008 was a landmark year for ImmuPharma plc which culminated in a transaction worth $500m in cash milestone payments in addition to significant royalties, with Cephalon Inc, an S&P500 company, for the worldwide development and commercialisation of our lead compound Lupuzor™. ImmuPharma has so far received $45 million from Cephalon, of which $15 million was paid in Q4 2008 and $30 million in Q1 2009. Cephalon has licensed the worldwide rights to Lupuzor™ and is now responsible for all costs associated with its development and commercialisation. Cephalon and ImmuPharma have established a joint committee to oversee these activities.

Since the deal was announced, Lupuzor™ successfully completed its ongoing phase IIb clinical trial in patients suffering with Systemic Lupus Erythematosus.

During Q1 2008 ImmuPharma entered the field of cancer therapy following the licensing of a novel cancer compound from ImmuPharma's research partner, the Centre National de la Recherche Scientifique ("CNRS"). The lead compound, IPP-204106, has since shown outstanding preclinical data confirming the ability of the series of compounds to effectively control and stop the growth of a large panel of human cancer cell lines both "in vitro" and "in vivo". Collectively the studies comprised breast cancer, prostate cancer, melanoma, glioblastoma, leukaemia, colon cancer and pancreatic cancer cell lines.

In addition, we were proud to receive two grants totalling €1.15 million from prestigious French institutions to expedite the development of our cancer programme.

During Q3 2008, we gained new institutional shareholders from the UK and Switzerland by way of a placing totalling £2.7m before deduction of placing costs.

Our strong balance sheet enables us to maximise the value of our pipeline, including the novel cancer compound, a compound for the treatment of serious pain, a novel antibiotic for MRSA and our library of patented drug candidates, while Lupuzor™ continues to progress through our partnership with Cephalon.

The Board of ImmuPharma plc should like to thank its partners, Cephalon and the Centre Nationale de la Recherche Scientifique in France for their collaboration and its shareholders for their continuing support during 2008.

Richard Warr, MA
Chairman

Dimitri Dimitriou, MSc
Chief Executive Officer

Report of the Chief Scientific Officer

Report of the Chief Scientific Officer

2008 was a year of exciting progress for ImmuPharma with the achievement of notable, key milestones. The pivotal, double-blind, placebo-controlled Phase IIb trial for Lupuzor™ yielded statistically significant positive data in its interim analysis. ImmuPharma successfully concluded an option agreement with Cephalon, Inc. for Lupuzor™ which has subsequently been exercised bringing the Company $45m. Data for IPP-204106 has confirmed the ability of the programme to effectively control and stop the growth of a large panel of human cancer cell lines both "in vitro" and "in vivo". €1.15m of grants have been awarded for the advancement of the cancer programme from prestigious French national institutions. With a successful share placement in the summer and the payments from Cephalon, Inc for Lupuzor™, the Group is well-placed to continue the development of all of its development assets.

The past year has seen a number of key developments for Lupuzor™ (formerly referred to as IPP-201101), our lead drug candidate for the treatment of lupus, a chronic, life-threatening autoimmune disease. First, Lupuzor™ completed the mandatory long term toxicology study package with no clinical or laboratory findings to suggest any safety issues. Second, the Lupuzor™ patent was approved in Japan and Australia and received notice of allowance from the US Patent Office. Third, ImmuPharma received approval of the trademark name Lupuzor™ by the US Patent and Trademark Office. Importantly, the mechanism of action of Lupuzor™ has been identified by researchers working with ImmuPharma at the Centre National de la Recherche Scientifique in Stasbourg. Lupuzor™ has shown that it modulates, through a unique mechanism, a specific subset of CD4-T cells which play a critical role in the physiopathology of Lupus. A new patent which covers this discovery has been filed. This mechanism is consistent with and explains the very favourable safety profile of Lupuzor™ (maintenance of the overall immune system while being effective) and its activity as a specific immune-modulator.

Furthermore, during the course of Lupuzor™'s Phase IIB study, an interim analysis was performed and reviewed by an independent Data Monitoring Committee according to ICH guidelines. This interim analysis demonstrated statistically significant superiority of Lupuzor™ over placebo. This analysis was conducted after 125 randomised patients had completed the 12 week treatment period, half of them having also completed the additional 12 week follow up (week 24). The primary efficacy measure was a 'SLEDAI response' defined as a decrease of at least 4 points in the SLEDAI score, a scale generally accepted by physicians as an assessment of the clinical activity of Lupus patients, a lower score representing lower disease activity. The analysis of the data has demonstrated that the 200mcg dose of Lupuzor™ administered every four weeks was statistically significantly superior to placebo (p=0.015). Lupuzor™ was generally well-tolerated with no significant drug related adverse events recorded. This data follows on from the successful results which we saw with the preliminary Phase IIa trial.

In November, ImmuPharma was delighted to announce the signature of an Option Agreement with Cephalon, Inc. to obtain an exclusive, worldwide license to Lupuzor™. With the data arising from the interim analysis, Cephalon decided to exercise their option thereby assuming all expenses for Phase III studies and subsequent commercialisation of the product. We are delighted to have formed this partnership with Cephalon and to have secured the future development for Lupuzor™. The $45m funds arising from the signature of the Option Agreement and its subsequent exercise has provided a valuable cash base on which to further develop our other development assets.

During the year, data on ImmuPharma's anti-cancer nucleolin antagonist ("Nucant") peptide programme, IPP-204106 was obtained confirming the ability of the compounds to effectively control and stop the growth of a large panel of human cancer cell lines both "in vitro" and "in vivo". Collectively the studies comprised breast cancer, prostate cancer, melanoma, glioblastoma, leukaemia, colon cancer and pancreatic cancer cell lines. "In vivo" studies showed that tumours were completely eradicated and survival time increased without additional treatment. ImmuPharma has filed appropriate patents on the composition of matter relating to the peptides covering a large variety of Nucant structures. Manufacturing processes transferable to large scale production have also been successfully developed. Due to the considerable progress made, ImmuPharma has initiated the regulatory studies necessary for the development program of IPP-204106, and has applied for and successfully been awarded €1.15m of prestigious grants from French national research agencies.

While our core strategy is to focus on the progression of our Lupus and cancer compounds, we are also progressing our other lead 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.

On behalf of the Board we would also like to extend our particular thanks to the team at the CNRS in Strasbourg with whom ImmuPharma has key collaborations.

Dr Robert Zimmer
President and
Chief Scientific Officer

Financial Review

Financial Review

The year ended 31 December 2008 had many notable financial milestones. The Group successfully raised £2.7m of new funds through a share placing with both UK and Swiss institutional investors in difficult market conditions. With our promising cancer program, the Group was awarded €1.15m of grants from prestigious French research agencies to further its development. Furthermore, the Group entered into an Option Agreement with Cephalon, Inc in November which has since been exercised provided a total of $45m to the Group's balance sheet. Coupled with the Group's continued emphasis on controlled expenditure for the development of its assets, these additional funds will help secure the development of the Group through the next few years.

With the completion of the Option Agreement with Cephalon, Inc. for Lupuzor™, the Group achieved a profitable position for the first time with profit for the year of £4.7m. Research and development expenditure was £2.8m while administrative expenses were £1.8m. Research and development expenditure has risen in line with the progression of the Group's assets, in particular the Phase IIb trial of Lupuzor™. Administrative expenditure increased slightly from previous years in line with expectations. The Group continues to adopt International Financial Reporting Standards (IFRS) as its primary accounting basis.

In previous years, IFRS2, relating to share-based payments has had an impact on the Group's results. While no new options were granted in 2008, there is a charge in the accounts of £97,730 which represents the current year charge for options previously granted. This is purely a notional amount stipulated by IFRS2 (and calculated using a statistical model) as a result of granting the options. A further £153,961 is due to be charged in the following years accounts under IFRS2, being the remainder of the fair value charge.

Results

The profit of the Group for the period before taxation was £4.8m (compared to a loss of £3.3m for the year ended 31 December 2007). Basic and diluted earnings per share was 6.23p (prior period loss per share of 4.24p). No dividend is proposed.

The expenditure of the Group has been directed towards progressing its assets through the clinical process to maximise their potential.

Operating Loss

The Operating Loss of £4.6m represents principally the expenditure on development carried out by Contract Research Organisations and the employment and running costs of the Group. The timing and extent of the research and development programme continues to be well controlled.

Net Funds

At 31 December 2008, the Group had cash and cash equivalents of £12.5M (31 December 2007 was £2.9M).

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 is to maintain a tight control over cash resources whilst enabling controlled development of the potential product portfolio. The Board remains alert to opportunities to raising further finance.

Tracy Weimar
Vice President, Operations

Business Overview and Prospects

Business Overview and Prospects

ImmuPharma plc is a drug discovery and development company headquartered in London and listed on the Alternative Investment Market (AIM) of the London Stock Exchange (LSE:IMM) and has its research operations in France (ImmuPharma (France) SA) and Switzerland (ImmuPharma AG). ImmuPharma is dedicated to the development of novel drugs, largely based on peptide therapeutics, to treat serious medical conditions such as autoimmune diseases 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 is currently developing drug candidates for five different medical conditions, each of which would represent a significant breakthrough in its field. The lead product candidate targets Lupus, a disease for which there is currently no cure or specific treatment, and has just been licensed to Cephalon, Inc. The other four address cancer, moderate to severe pain (such as that experienced by cancer sufferers and post-operative patients), MRSA and severe hospital-acquired resistant infections and inflammation/allergic disorders.

ImmuPharma has important collaboration arrangements with the Centre National de la Recherche Scientifique (CNRS), the French National Council for Scientific Research and also has links with the Institut National de la Sante et de la Recherche Medicale (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 licenses to ImmuPharma France covering 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' 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 Contract Research Organisations (CROs). ImmuPharma intends to either manage the development of 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 5 lead drug candidates to treat, respectively:

- Lupus (licensed to Cephalon, Inc.)
- Cancer
- Inflammation/allergic conditions such as asthma and rheumatoid arthritis
- 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 5 lead candidates, ImmuPharma has its own proprietary drug discovery engine which, ImmuPharma believes, will continue generating a strong potential drug candidate pipeline and patent portfolio.

Lupuzor™: Treatment of Lupus

Lupuzor™

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), immune-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 immune-suppressants and corticosteroids due to their severe side effects, which include diabetes, hypertension, sterility and the need for hip replacement.

ImmuPharma believes that Lupuzor™, which has 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. Lupuzor™, taken over the long term, is intended to prevent the progression of Lupus rather than just treating its symptoms.

Lupuzor™ 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 Lupuzor™ could leave the rest of the immune system working normally.

Following a Phase I study showing Lupuzor™ to be generally safe and well-tolerated and the successful completion of a Phase II study in Lupus patients which met all of its primary endpoints ($p<0.0001$) during 2006, ImmuPharma submitted an IND (Investigational New Drug) application to the US FDA for the initiation of further pivotal studies for Lupuzor™. The feedback obtained from the FDA helped ImmuPharma refine its late-stage development program for Lupuzor™. Specifically, the outcome of this consultation has been the segmenting of the development program into separate Phase IIb and Phase III trials.

The first Lupus patients were dosed with Lupuzor™ in the Phase IIb trial for the treatment of Systemic Lupus Erythematosus early in the year. The study is a robust, randomised, placebo-controlled, three-arm dose ranging study in approximately 125 patients in Europe and Latin America with an additional three month follow-up. An interim analysis was performed and reviewed by an independent Data Monitoring Committee according to ICH guidelines. This interim analysis demonstrated statistically significant superiority of Lupuzor™ over placebo. This analysis was conducted after 125 randomised patients had completed the 12 week treatment period, half of them having also completed the additional 12 week follow up (week 24). The primary efficacy measure was a 'SLEDAI response' defined as a decrease of at least 4 points in the SLEDAI score, a scale generally accepted by physicians as an assessment of the clinical activity of Lupus patients, a lower score representing lower disease activity. The analysis of the data has demonstrated that the 200mcg dose of Lupuzor™ administered every four weeks was statistically significantly superior to placebo ($p=0.015$). Lupuzor™ was generally well-tolerated with no significant drug related adverse events recorded. This data follows on from the successful results which we saw with the preliminary Phase IIa trial.

The past year has seen a number of other notable developments for IPP-201101 (formerly referred to as Lupuzor™), our lead drug candidate for the treatment of lupus, a chronic, life-threatening autoimmune disease. First, Lupuzor™ completed the mandatory long term toxicology study package with no clinical or laboratory findings to suggest any safety issues. Second, the Lupuzor™ patent was approved in Japan and Australia and received notice of allowance from the US Patent Office. Third, ImmuPharma received approval of the trademark name Lupuzor™ by the US Patent and Trademark Office. Importantly, the mechanism of action of Lupuzor™ has been identified by researchers working with ImmuPharma at the Centre National de la Recherche Scientifique in Stasbourg. Lupuzor™ has shown that it modulates, through a unique mechanism, a specific subset of CD4 T cells which play a critical role in the physiopathology of Lupus. A new patent which covers this discovery has been filed. This mechanism is consistent with and explains the very favourable safety profile of Lupuzor™ (maintenance of the overall immune system while being effective) and its activity as a specific immune-modulator.

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).

Lupuzor™'s potential revenue will depend on its share of the market and the potential selling price per patient. Analysts estimate that it could generate peak annual sales of between $1 billion and $6 billion.

IPP-204106: Treatment of cancer

IPP-204106

IPP-204106 is ImmuPharma's anti-cancer nucleolin antagonist ("Nucant") peptide programme and is part of the Group's ongoing research collaboration with the Centre National de la Recherche Scientfique (CNRS), France's scientific research institution. Due to the considerable progress made, ImmuPharma has initiated the regulatory studies necessary for the development program of IPP-204106, and has applied for and successfully been awarded €1.15m of prestigious grants from French national research agencies.

IPP-204106 is a nucleolin antagonist, the lead molecule in a family of pseudopeptides designed to block the activity of a protein called nucleolin. Located essentially in the nucleus of normal cells where it is protected, nucleolin is much more abundant (often 100 times more) at the surface of the cells which are proliferating as well as the surface of active endothelial cells where it can be a target for antagonist peptides. Cell surface expressed nucleolin is involved in the proliferation processes as well as in cell transformation. It is also a receptor for many growth factors and plays a key role in angiogenesis. Nucleolin antagonists have therefore both anti-angiogenic and anti-proliferative properties.

Nucants are pseudo-peptides which selectively bind to the nucleolin expressed at the surface of the cells. Located essentially, antagonist peptides in the nucleus of normal cells where it is protected, nucleolin is much more abundant (often 30 times more) at the surface of the cells which are proliferating as well as the surface of active endothelial cells where it can be a target for antagonist peptides. Cell surface expressed nucleolin is also a receptor for many growth factors and plays a key role in angiogenesis. Numerous papers have been published demonstrating the role of nucleolin in stabilization of mRNAs (among them Bcl2 mRNA targeted by Taxol derivatives and gastrin mRNA involved in pancreatic cancer) in the nucleus. This stabilization is required for protein synthesis and therefore cell proliferation. Blocking nucleolin destabilizes mRNAs and prevents proliferation. Nucants and IPP-204106 in particular have therefore both anti-angiogenic and anti-proliferative properties. Anti-angiogenesis alone has been a target in the pharmaceutical industry for cancer, so has inhibition of proliferation. ImmuPharma's Nucant programme targets both approaches and this dual mechanism makes it particularly effective.

Preclinical data have shown that nucleolin antagonists inhibit the growth of tumours and metastasis in many cancer types. They prevent the implantation of tumours and block angiogenesis. They also inhibit the proliferation of certain types of leukaemia cells. Based on the mechanism of action nucleolin antagonists are active as long as surface nucleolin is present, irrespective of the type of cancer. Preliminary data have also shown the absence of toxicity.

During the year, data on ImmuPharma's anti-cancer nucleolin antagonist ("Nucant") peptide programme, IPP-204106 was obtained confirming the ability of the compounds to effectively control and stop the growth of a large panel of human cancer cell lines both "in vitro" and "in vivo". Collectively the studies comprised breast cancer, prostate cancer, melanoma, glioblastoma, leukaemia, colon cancer and pancreatic cancer cell lines. The schedule of administration was typically 10 injections over 2 weeks at doses in the range of 1 mg/kg body weight. "In vivo" studies showed that tumours were completely eradicated and survival time increased without additional treatment.

ImmuPharma has filed appropriate patents on the composition of matter relating to the peptides covering a large variety of Nucant structures. Manufacturing processes transferable to large scale production have also been successfully developed.

In addition to cancer indications, ImmuPharma believes that Nucants could have use in other areas such as psoriasis, wound healing and diabetic retinopathy and these are currently under investigation in research programs conducted by the CNRS teams and ImmuPharma. Furthermore, in addition to their efficacy as stand-alone agents, nucleolin antagonists may also have a use as selective carriers for cytotoxic drugs and the company has filed patents accordingly.

ImmuPharma is planning to move forward with Phase I this year and develop plans for Phase II.

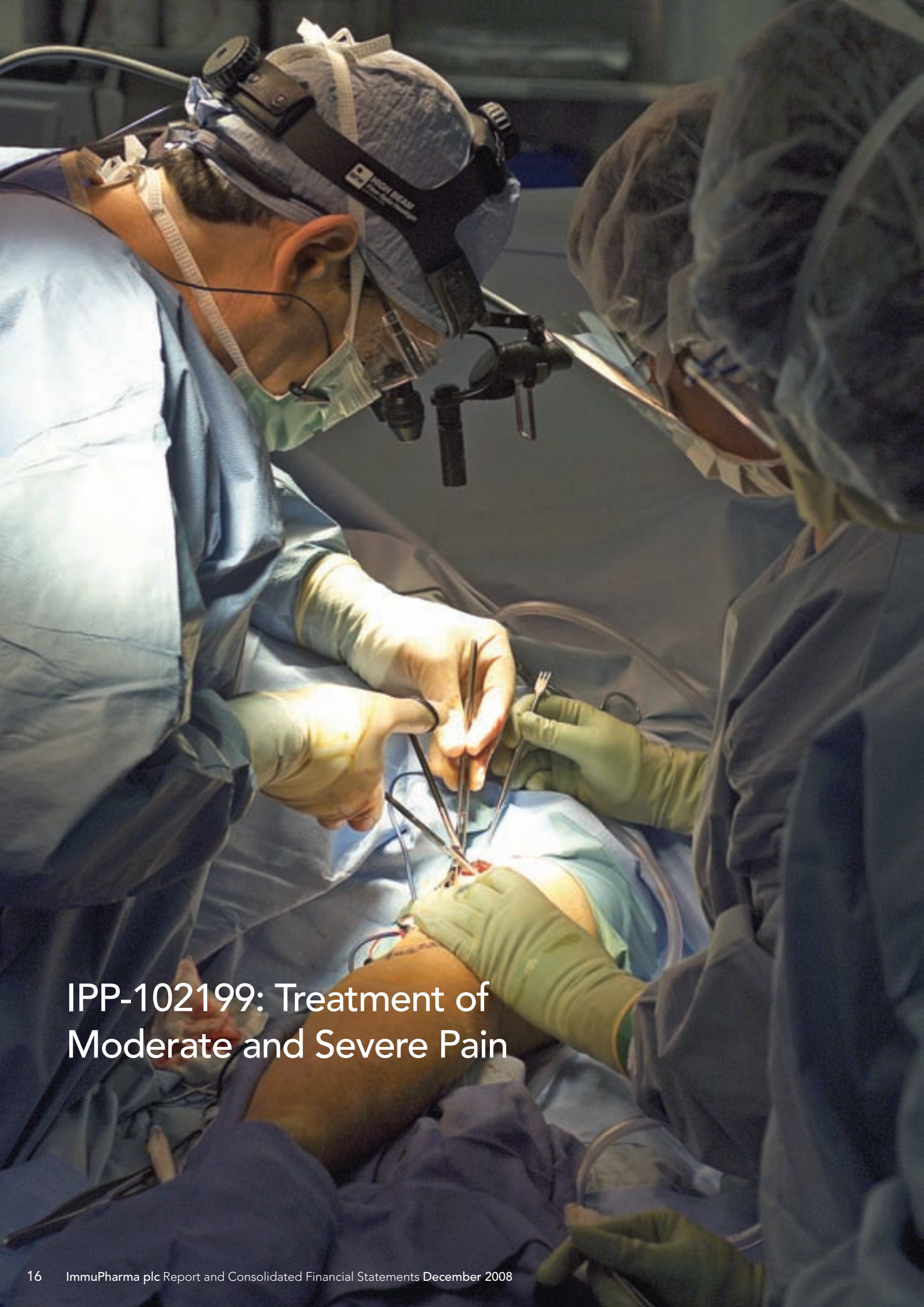
IPP-201007: Treatment of inflammatory/allergic conditions such as asthma and rheumatoid arthritis

IPP-201007

During 2007, following investigation of its proprietary chemical library, ImmuPharma discovered a new molecular series with potential application in inflammatory/allergic conditions such as asthma and rheumatoid arthritis. These molecules, in the programme code-named IPP-201007, have utility as selective phospholipase A2 subtype inhibitors and are already patented through ImmuPharma's library broad patent.

Phospholipases A2 (PLA2s) are enzymes that catalyse the hydrolysis of phospholipids. This catalytic reaction is essential in the production of lipids during various processes in the body, involving prostaglandins, leukotrienes, thrombaoxanes, platelet activation factor and others. In certain cases, such lipid mediators cause allergic reactions and a number of inflammatory conditions such as asthma and other respiratory disorders, rheumatoid arthritis, septic shock and acute pancreatitis are characterised by a significant increase in PLA2 activity. Selective inhibition of PLA2 subtypes can therefore reduce some of these allergic reactions and inhibitors of PLA2 have already shown to have positive effect in inflammatory conditions. ImmuPharma believes this new molecule has potential in becoming a drug for certain inflammatory conditions and intends to progress its development.

ImmuPharma's long-term pipeline includes a proprietary library of over 300,000 small molecules with a 70% drug likeness. These large number of molecules are all patent-protected, with the patent already having been issued in a number of countries including the United States. The present discovery is also paving the way for newly patented additional chemical libraries expanding thereby the scope of our primary proprietary library.



IPP-102199: Treatment of Moderate and Severe 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 preclinical 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.

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

IPP-203101

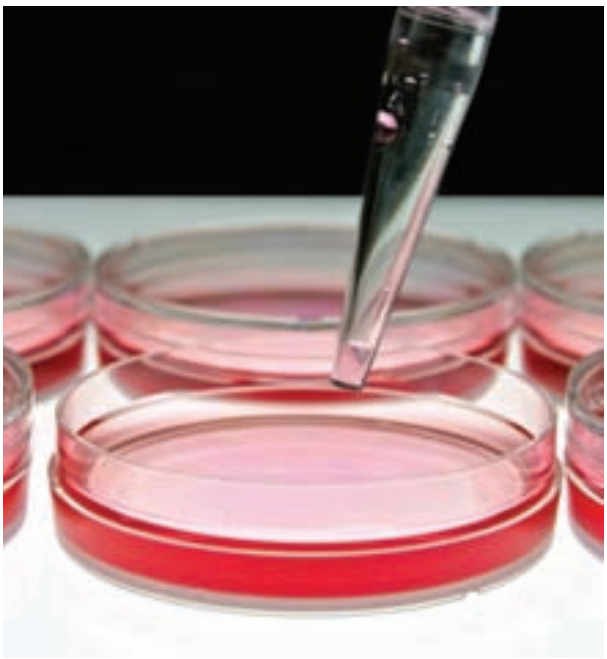
The 1950s-1970s saw the discovery of multiple classes of antibiotics, and their development into drugs changed a simple bacterial infection from life threatening to trivial. This golden age of antibiotics engendered such optimism that it was commonly thought bacterial infections would be rapidly eliminated 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 CHC 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.

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.

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 5 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

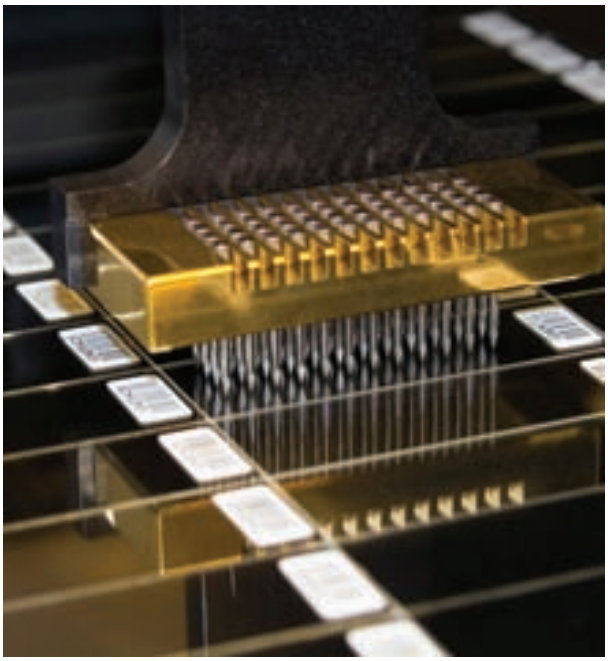
ImmuPharma is co-owner with CNRS of a series of patents protecting a virtual library of heterocyclic urea molecules out of which 70 per cent are considered as "drug-like" based on their physiochemical characteristics. In comparison, commercially available libraries are generally considered to be 35-40 per cent "drug-like". Currently, it is estimated that up to 300,000 molecules may be able to be synthesised 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 use 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 subcontracted to research institutions (CNRS and/or CROs) before being developed "in house". The manufacturing capabilities can be kept sub-contracted or internalised without jeopardising 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).

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 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, LUPUZOR™, 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.

Financial and Corporate Information

Officers and Professional Advisers

Directors
Richard Leonard Warr – Chairman
Dimitri Dimitriou – Chief Executive Officer
Dr Robert Henri Zimmer – President and Chief Scientific Officer
Dr Franco Di Muzio – Non-Executive Director
Dr Ajay Agrawal – Non-Executive Director

Secretary
Tracy Weimar

Registered Office
50 Broadway
London SW1H 0BL

Nominated Adviser & Broker
Panmure Gordon & Co Plc
155 Moorgate
London
EC2M 6XB

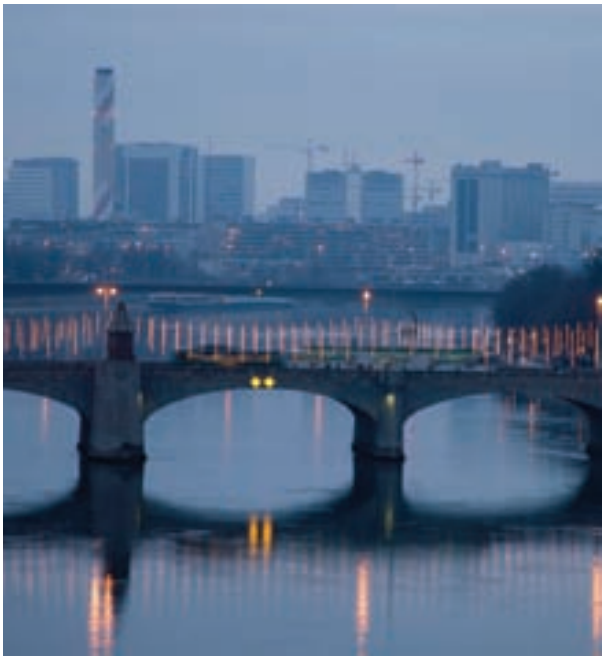
Financial Adviser
City Capital Corporation
Sion Hall
56 Victoria Embankment
London
EC4Y 0DZ

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

Solicitors
Bircham Dyson Bell
50 Broadway
London
SW1H 0BL

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

Registrars
Computershare Investor Services Plc
PO Box 82,
The Pavillions
Bridgwater Road
Bristol
BS99 7NH



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 year ended 31 December 2008.

Principal activities

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

Results and dividends

The consolidated income statement is set out on page 32.

The directors do not recommend the payment of a dividend.

Business review, research and development and future developments

The Report of the Chairman and Chief Executive Officer includes a review of the business, as well as a commentary regarding research and development, and future developments (see page 2). Risk factors are considered on pages 60-63.

Key performance indicators

ImmuPharma plc is a drug discovery and development group. 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. The overall strategy is to maintain a tight control over cash resources whilst enabling controlled development of the potential product portfolio.

Key objectives and performance

Objective	Key progress during the period
Develop potential product portfolio	• Lupuzor™, drug candidate for the treatment of Systemic Lupus Erythematosus - interim analysis of data shows statistically significant superiority of Lupuzor™ over placebo in over 100 patients • IPP-204106, lead candidate for cancer, preclinical data was obtained confirming the ability of the compounds to effectively control and stop the growth of a large panel of human cancer cell lines both "in vitro" and "in vivo". Collectively the studies comprised breast cancer, prostate cancer, melanoma, glioblastoma, leukaemia, colon cancer and pancreatic cancer cell lines
Maintain strong cash position	• Secured licensing agreement with Cephalon, Inc. for Lupuzor™ bringing $45m to the Group • Secured €1.15m grant for development of IPP-204106 from French national research agencies • Consolidated cash balance at 31 December 2008 of £12.5M • Continued tight financial control to ensure effective overall expenditure

Post balance sheet events

For details of post balance sheet events, please refer to note 26 of the financial statements.

Directors

The following directors of the Company have held office since 1 January 2008:

Richard Leonard Warr
Dimitri Dimitriou
Dr Robert Henri Zimmer
Dr Franco Di Muzio
Dr Ajay Agrawal

Directors' Report (continued)

Substantial Shareholdings

Up to 15 May 2009, the Directors are not aware of any interest of 2% 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
Dr Robert Zimmer	23,056,602	29.76%	1,050,000
Dimitri Dimitriou	9,778,969	12.62%	1,030,000
Richard Leonard Warr	9,778,968	12.62%	1,030,000
Gartmore Investment Management Limited	2,950,000	3.81%	-
Collins Stewart Stockbrokers	2,858,181	3.69%	-
Powe Capital Management	2,580,727	3.33%	-
Goldman Sachs Securities (Nominees) Limited	2,268,127	2.93%	-
Jupiter Asset Management	1,647,000	2.13%	-
Pictet & Cie	1,644,500	2.12%	-
Odey Asset Management	1,628,465	2.10%	-

Third party indemnity provision for directors

Qualifying third party indemnity provision for the benefit for 5 directors was in force during the financial year and as at the date this report is approved.

Financial instruments and financial risk management

Information regarding the use of financial instruments and the approach to financial risk management 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 payables of the Group at 31 December 2008 were equivalent to 42 days purchases, based on the amount invoiced by suppliers during the year. Trade payables of the Group at 31 December 2007 were equivalent to 24 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

23 June 2009

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 financial statements.

Independent auditors' report
To the shareholders of ImmuPharma plc

We have audited the Group and Company financial statements (the 'financial statements') for the year ended 31 December 2008 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 26. 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 Report of the Chairman and Chief Executive Officer 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 the Chief Executive Officer, the Report of the Chief Scientific Officer, the Financial Review, the Business Overview and Prospects, the other shareholder information on pages 7 to 12, 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 2008 and of the group's profit for the year 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

23 June 2009

The maintenance and integrity of ImmuPharma plc's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Consolidated Income Statement

for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Continuing operations			
Revenue	1	57,120	63,199
Research and development expenses		(2,792,767)	(1,970,654)
Administrative expenses		(1,838,913)	(1,620,348)
Operating loss	5	(4,574,560)	(3,527,803)
Other income	6	9,351,562	-
Finance costs	7	(8,078)	(14,156)
Investment revenues	8	94,755	205,911
Profit/(loss) before taxation		4,863,679	(3,336,048)
Tax	9	(186,220)	253,237
Profit/(loss) for the year	23a	4,677,459	(3,082,811)
Attributable to:			
Equity holders of the parent company		4,677,459	(3,082,811)
Profit/(loss) per ordinary share			
Basic	10	6.23p	(4.24)p
Diluted	10	5.72p	(4.24)p

Consolidated Statement of Recognised Income and Expense

for the year ended 31 December 2008

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Exchange differences on translation of foreign operations	890,067	115,893
Profit/(loss) for the financial year	4,677,459	(3,082,811)
Total recognised income and expense for the year	5,567,526	(2,966,918)
Attributable to:		
Equity holders of the parent company	5,567,526	(2,966,918)

Consolidated Balance Sheet

as at 31 December 2008

	Notes	31 December 2008 £	31 December 2007 £
Non-current assets			
Property, plant and equipment	11	13,319	12,779
Intangible assets - goodwill	12	-	-
Intangible assets - other	13	809,213	755,135
Total non-current assets		822,532	767,914
Current assets			
Trade and other receivables	15	120,914	384,724
Cash and cash equivalents	16	12,458,417	2,946,915
Total current assets		12,579,331	3,331,639
Current liabilities			
Financial liabilities - borrowings	17	29,611	173,581
Trade and other payables	18	1,106,357	441,380
Tax payable		202,648	-
Provisions	19	46,808	88,774
Total current liabilities		1,385,424	703,735
Net current assets		11,193,907	2,627,904
Non-current liabilities			
Financial liabilities - borrowings	17	776,085	345,475
Net assets		11,240,354	3,050,343
Equity			
Ordinary shares	20	7,748,118	7,277,615
Share premium	23a	5,486,985	3,558,340
Merger reserve	23a	106,148	106,148
Other reserves	23a	647,271	(466,133)
Retained earnings	23a	(2,748,168)	(7,425,627)
Total equity		11,240,354	3,050,343

The financial statements were approved by the Board of Directors and authorised for issue on 23 June 2009.
They were signed on its behalf by:

Richard Warr
Director

Dimitri Dimitriou
Director

Consolidated Cash Flow Statement

for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Cash flows from operating activities			
Cash used in operations	24	(3,556,364)	(3,760,613)
Interest paid	7	(8,078)	(14,156)
Net cash used in operating activities		(3,564,442)	(3,774,769)
Investing activities			
Purchase of property, plant and equipment	11	(5,033)	(7,944)
Disposal/(acquisition) of intangibles assets	12	(259)	(1,407)
Interest received	8	94,755	205,911
Net cash generated from investing activities		89,463	196,560
Financing activities			
Net proceeds from share issue – Company		2,524,756	-
Decrease in bank overdraft		(932)	(2,004)
New loans		390,033	93,047
Loan repayments		(269,851)	(168,607)
Non-refundable upfront option payment		9,351,562	-
Net cash generated from/(used in) financing activities		11,995,568	(77,564)
Effects of exchange rates on cash and cash equivalents		990,913	142,770
Net increase/(decrease) in cash and cash equivalents		9,511,502	(3,513,003)
Cash and cash equivalents at beginning of period	16	2,946,915	6,459,918
Cash and cash equivalents at end of period	16	12,458,417	2,946,915

Company Balance Sheet

as at 31 December 2008

	Notes	31 December 2008 £	31 December 2007 £
Non-current assets			
Property, plant and equipment	11	**3,573**	2,324
Fixed asset investments	14	**24,968,750**	24,968,750
Total non-current assets		**24,972,323**	24,971,074
Current assets			
Trade and other receivables	15	**2,669,162**	2,677,449
Cash and cash equivalents	16	**3,373,569**	2,297,462
Total current assets		**6,042,731**	4,974,911
Current liabilities			
Trade and other payables	18	**665,492**	192,448
Provisions	19	**46,808**	88,774
Total current liabilities		**712,300**	281,222
Net current assets		**5,330,431**	4,693,689
Net assets		**30,302,754**	29,664,763
Equity			
Ordinary shares	20	**7,748,118**	7,277,615
Share premium	23b	**5,486,985**	3,558,340
Merger reserve	23b	**19,093,750**	19,093,750
Other reserves	23b	**3,186,649**	2,963,312
Retained earnings	23b	**(5,212,748)**	(3,228,254)
Total equity		**30,302,754**	29,664,763

The financial statements were approved by the Board of Directors and authorised for issue on 23 June 2009.
They were signed on its behalf by:

Richard Warr
Director

Dimitri Dimitriou
Director

Company Statement of Recognised Income and Expense

for the year ended 31 December 2008

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Loss for the year	(1,984,494)	(1,624,164)
Total recognised income and expense for the year	(1,984,494)	(1,624,164)
Attributable to:		
Equity holders of the parent company	(1,984,494)	(1,624,164)

Company Cash Flow Statement

for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Cash flows used in operating activities			
Cash used in operations	24	(1,591,958)	(1,809,599)
Investing activities			
Purchase of property, plant and equipment	11	(2,286)	(2,905)
Interest received		72,381	131,197
Net cash generated from investing activities		70,095	128,292
Financing activities			
Repayment of loans by subsidiary		73,214	106,960
Net proceeds from issue of share capital		2,524,756	-
Net cash generated from financing activities		2,597,970	106,960
Net increase/(decrease) in cash and cash equivalents		1,076,107	(1,574,347)
Cash and cash equivalents at beginning of period	16	2,297,462	3,871,809
Cash and cash equivalents at end of period	16	3,373,569	2,297,462

Notes to the Consolidated Financial Statements

for the year ended 31 December 2008

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the financial periods 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 year.

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, the following new standards and interpretations have been issued but are not yet effective and have not been applied in these financial statements:

- IFRS 3 (revision) – Business Combinations
- IFRS 8 – Operating Segments
- IAS 1 (revision) – Presentation of Financial Statements
- IAS 23 (revision) – Borrowing Costs
- IAS 27 (revision) – Consolidated and Separate Financial Statements
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 16 – Hedges of Net Investment in a Foreign Operation

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements. Certain of these standards and interpretations will require additional disclosures over and above those currently included in these financial statements in the period of application.

Basis of consolidation

Both the consolidated and the Company's financial statements are for the year ended 31 December 2008 and present comparative information for the year ended 31 December 2007.

The Group's financial statements 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

1 Accounting policies (continued)

Reverse acquisitions are treated as a business combination whereby the consolidated financial statements prepared following the acquisition represent a continuation of the financial statements of the legal subsidiary acquired.

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 relates to grants received by ImmuPharma (France) SA. In respect of certain grants, the proportion of the grant received recognised as revenue in the period is based upon the proportion of the relevant project costs actually incurred as at the year end, compared with the projected total costs over the life of that project. For other grants, the amount of grant receivable is based upon the costs of specific research staff and in respect of these grants, the amount recognised as revenue is matched to the cost incurred.

Foreign currency

The presentation and functional currency of ImmuPharma Plc and the functional currencies of its UK subsidiary, is sterling (£). 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 are taken to operating profit, except relevant foreign currency loans from overseas subsidiaries which are taken to equity.

The main functional currencies of the overseas subsidiaries are the Euro and the Swiss Franc. 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.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

1 Accounting policies (continued)

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. At the present time the asset is unavailable for use and therefore, has not been amortised.

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 Group 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.

Share based payments

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 Black Scholes model in respect of options granted during 2007 and the Binomial model in respect of options granted during 2006. The expected life used in both models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities and issued by the Group are recorded at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

1 Accounting policies (continued)

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.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

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

Interest bearing loans and overdrafts are initially recorded at fair value, which is ordinarily equal to the proceeds received net of direct issue costs. Finance costs are accounted for on an accruals basis in the income statement using the effective interest 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.

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.

The Group did not enter into any arrangements to hedge this risk, as the Directors' did not consider this risk to be significant. The Directors' will review this policy as appropriate in the future.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

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:

	Year ended 31 December 2008 No.	Year ended 31 December 2007 No.
Drug research and development, and commercial operations	4	4
Administration and management	3	3
	7	7

Their aggregate remuneration comprised:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Wages and salaries	1,422,145	1,251,693
Social security costs	60,647	88,129
Share-based payment	97,730	131,615
	1,580,522	1,471,437

Directors' emoluments

The following disclosures are in respect of emoluments payable across the Group to the directors of ImmuPharma Plc:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Fees	74,109	56,944
Salaries and benefits	1,102,348	964,233
	1,176,457	1,021,177

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

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Salaries and benefits	404,453	331,250
	404,453	331,250

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

4 Staff costs (continued)

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:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Short-term employee benefits (salaries and benefits)	1,232,127	1,088,793
Share based payments	66,205	105,795
	1,298,332	1,194,588

5 Operating loss

- Group

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Operating loss is stated after charging/(crediting):		
Foreign exchange (gains)/losses	(206,368)	13,338
Share based payments charge	97,730	131,615
Employers National Insurance provision in respect of share based payments charge	(41,966)	(5,444)
Depreciation of property, plant and equipment		
- owned	7,045	7,330
Amortisation of intangible assets		
- patents	34,951	28,982
Loss on disposal of intangible assets	19,090	-
Services provided by Company auditors:		
- Audit services	35,716	41,125
- Other services (split between):		
- Other services relating to taxation	14,181	9,812
- Services relating to share option schemes	-	16,979
- All other services	6,463	9,136
Audit services provided by other auditors	9,795	8,741

6 Other income

Other income totalling £9,351,562 represents a non refundable upfront option payment by Cephalon Inc in relation to the Group's Lupuzor™ product. Under the terms of the option agreement, if exercised Cephalon Inc will make a further non refundable payment of $30 million for the worldwide rights to Lupuzor™ and, under the terms of the subsequent licence agreement, the Group may be entitled to various future cash milestone payments and royalties on commercial sales of Lupuzor™. Cephalon Inc will be responsible for all activities and expenses in respect of the Phase III clinical trials, regulatory filing and the subsequent commercialisation and sale of the product worldwide.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

7 Finance costs

- Group

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Interest payable on loans and overdraft	8,078	14,156

8 Investment revenues

- Group

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Bank interest receivable	94,755	205,911

9 Taxation

- Group

	Year ended 31 December2008 £	Year ended 31 December 2007 £
Current tax:		
Corporation tax	186,220	(253,237)
Total current tax provision/(credit) for the year	186,220	(253,237)

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:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Profit/(loss) before taxation	4,863,679	(3,336,048)
Tax on profit/(loss) on ordinary activities (at the average rate 30%)	1,459,104	(1,000,814)
Effects of:		
Expenses not allowable for tax purposes	69,884	7,675
Capital allowances in excess of depreciation	325	(189)
Other timing differences	-	(53)
Rate differences	(390,366)	(62,521)
Research and development tax credit	(210,330)	(254,139)
Utilisation of losses brought forward	(1,267,790)	(2,633)
Current period losses carried forward	525,393	1,059,437
Current tax credit for period	186,220	(253,237)

As at 31 December 2008, the Group has unused tax losses of £5,400,000 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

10 Earnings per share

- Group

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Earnings		
Earnings for the purposes of basic earnings per share being net profit/(loss) attributable to equity shareholders	4,677,461	(3,082,811)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	75,049,193	72,776,149
Effect of dilutive potential ordinary shares:		
Share options	3,545,000	-
Warrants (see note 22)	3,245,280	-
	81,839,473	72,776,149
Basic profit/(loss) per share	6.23p	(4.24)p
Diluted profit/(loss) per share	5.72p	(4.24)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 21 and 22.

11 Property, plant and equipment

- Group

	Fixtures, fittings and equipment £
Cost	
At 1 January 2007	24,490
Exchange rate movements	953
Additions	7,944
At 1 January 2008	33,387
Exchange rate movements	4,775
Additions	5,033
At 31 December 2008	43,195
Depreciation	
At 1 January 2007	12,987
Exchange rate movements	291
Charge for the period	7,330
At 1 January 2008	20,608
Exchange rate movements	2,223
Charge for the period	7,045
At 31 December 2008	29,876
Net book amount	
At 31 December 2008	13,319
At 31 December 2007	12,779

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

11 Property, plant and equipment (continued)

- Company

	Fixtures, fittings and equipment £
Cost	
At 1 January 2007	-
Additions	2,905
At 1 January 2008	2,905
Additions	2,286
At 31 December 2008	5,191
Depreciation	
At 1 January 2007	-
Charge for the period	581
At 1 January 2008	581
Charge for the period	1,037
At 31 December 2008	1,618
Net book amount	
At 31 December 2008	3,573
At 31 December 2007	2,324

12 Intangible assets – Goodwill

- Group

	£
Cost	
At 31 December 2007 and 31 December 2008	970,524
Impairment loss	
At 31 December 2007 and 31 December 2008	970,524
Net book amount	
At 31 December 2007 and 31 December 2008	-

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

13 Intangible assets - other

- Group

	In process research and development £	Patents £	Total £
Cost			
At 1 January 2007	404,095	366,049	770,144
Exchange rate movements	-	35,917	35,917
Additions	-	1,407	1,407
At 1 January 2008	404,095	403,373	807,468
Exchange rate movements	-	124,304	124,304
Additions	-	259	259
Disposals	-	(22,037)	(22,037)
At 31 December 2008	404,095	505,899	909,994
Amortisation			
At 1 January 2007	-	21,266	21,266
Exchange rate movements	-	2,085	2,085
Charge for the period	-	28,982	28,982
At 1 January 2008	-	52,333	52,333
Exchange rate movements	-	16,444	16,444
Charge for the period	-	34,951	34,951
Elimination	-	(2,947)	(2,947)
At 31 December 2008	-	100,781	100,781
Net book amount			
At 31 December 2008	404,095	405,118	809,213
At 31 December 2007	404,095	351,040	755,135

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

14 Fixed asset investments

- Company

	Shares in subsidiary undertakings £
Cost and net book amount	
At 31 December 2007 and 31 December 2008	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

15 Trade and other receivables

	Group 31 December 2008 £	Group 31 December 2007 £	Company 31 December 2008 £	Company 31 December 2007 £
Amounts owed by group undertakings	-	-	2,657,392	2,657,392
Other debtors	103,610	35,849	-	-
Taxation	-	327,400	-	-
Prepayments and accrued income	17,304	21,475	11,770	20,057
At 31 December 2008	120,914	384,724	2,669,162	2,677,449

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.

The total carrying amount of loans and receivables for the Group is £12,579,331 (2007: £3,331,639), consisting of trade and other receivables of £120,914 (2007: £384,724) and cash and cash equivalents of £12,458,417 (2007: £2,946,915).

The total carrying amount of loans and receivables for the Company is £6,042,731 (2007: £4,974,911), consisting of trade and other receivables of £2,669,162 (2007: £2,677,449) and cash and cash equivalents of £3,373,569 (2007: £2,297,462).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

16 Cash and cash equivalents

	Group 31 December 2008 £	Group 31 December 2007 £	Company 31 December 2008 £	Company 31 December 2007 £
Cash at bank and in hand	12,458,417	2,946,915	3,373,569	2,297,462

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 of interest over the period between 0.5% and 2.5%.

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.

17 Financial liabilities – borrowings

- Group

	31 December 2008 £	31 December 2007 £
Total borrowings within one year comprises:		
Bank overdraft	776	1,391
Loans	28,835	172,190
	29,611	173,581
Total borrowings after more than one year comprises:		
Loans	776,085	345,475
	776,085	345,475

Please refer to note 27 for details of maturity.

The directors consider that the carrying amount of short and long term liabilities approximates to their fair value.

Included within loans repayable within one year is an amount of £28,744 (2007: £22,140) on which interest is payable at 4% per annum, an amount of £nil (2007: £74,447) on which interest is payable at 3.681% is payable per annum and a non-interest bearing amount of £nil (2007: £73,801).

Included within loans repayable between 1-2 years is an amount of £28,744 (2007: £22,140) on which interest is payable at 4% per annum and an amount if £nil (2007: £57,652 on which interest is payable at 3.681% per annum.

Included within loans repayable between 2-5 years is an amount of £28,744 (2007: £44,281) on which interest is payable at 4% per annum and a non-interest bearing amount of £718,597 (2007: 221,402). The loan is a conditional advance from the French Government and will be repaid if not used against relevant research and development.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

18 Trade and other payables

	Group 31 December 2008 £	Group 31 December 2007 £	Company 31 December 2008 £	Company 31 December 2007 £
Trade payables	366,603	137,122	-	-
Amounts owed to group undertakings	-	-	155,214	82,000
Other taxes and social security	46,484	36,177	-	14,383
Accruals and deferred income	693,270	268,081	510,278	96,065
At 31 December 2008	1,106,357	441,380	665,492	192,448

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

19 Provisions

	Company 31 December 2008 £	Company 31 December 2007 £
At 1 January 2008	88,774	94,218
Unused amount reversed during the year	(41,966)	(5,444)
At 31 December 2008	46,808	88,774

Provisions relate to a provision for national insurance on directors share options, the timing of which is dependant on the exercise date of the share options (see note 21).

20 Share capital

	Group and Company Authorised 31 December 2008 Number of shares	£	Group and Company Authorised 31 December 2007 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 2008 Number of shares	£	Group and Company Called up, issued and fully paid 31 December 2007 Number of shares	£
Ordinary shares of 10p each	77,481,183	7,748,118	72,776,149	7,277,615

On 2 July 2008, 2,697,034 new ordinary 10p shares were issued for a cash consideration of £1,618,220.

On 10 July 2008, 1,876,000 new ordinary 10p shares were issued for a cash consideration of £1,125,600.

On 18 October 2008, 132,000 new ordinary 10p shares were issued for a cash consideration of £33,000.

The above share issues were settled for £2,524,756 in cash and £125,607 in equity.

Please refer to notes 21 and 22 for details of share based payments granted by the company and equity shares to be issued.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

21 Share based payments

Equity-settled share option scheme

The company has a share option scheme in place with a HM Revenue and Customs approved share ownership plan ("CSOP") aspect and an unapproved aspect ("the Unapproved aspect"). Options granted under the Scheme will entitle the participant to acquire shares at a price determined in accordance with the rules of the Scheme.

As at the 31 December 2008, there have been two tranches of options granted under the scheme.

The share options having a grant date of 16 February 2006, with a CSOP aspect and an Unapproved aspect, have an exercise price of £0.425 for all of the options and are subject to the performance condition below. All of these options are exercisable at any time between 16 February 2007 (the vesting date) and 10 years from the date of grant (16 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.

The share options having a grant date of 31 July 2007, with a CSOP aspect and an Unapproved aspect, have an exercise price of £0.768 for all of the options. 880,000 of the options are exercisable at any time between 1 August 2010 (the vesting date) and 10 years from the date of grant (31 July 2007), provided that the participant remains a director or employee of the company during this period. The vesting period is therefore 3 years from the date of grant. The other 50,000 of the options are exercisable at any time between 31 July 2007 (the grant and vesting date) and 10 years from the date of grant.

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

	Number of share options	Weighted average exercise 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
Granted on 31 July 2007	930,000	0.768
Outstanding as at 31 December 2007 and 31 December 2008	3,545,000	0.515
Exercisable as at 31 December 2007 and 31 December 2008	50,000	0.515

The options outstanding as at 31 December 2008 had a weighted average remaining contractual life of 7.5 years.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

21 Share based payments (continued)

The value of the options has been derived by using a Black Scholes pricing model for the options granted on 31 July 2007 and a Binomial pricing model for the options granted on 16 February 2006. The inputs into the pricing models were as follows:

	Options granted on 31 July 2007	Options granted on 16 February 2006
Share price at grant date	£0.768	£0.425
Exercise price	£0.768	£0.425
Volatility	55%	46 - 55%
Expected life	3 years	7 years
Risk free rate	4.17%	4.17%
Expected dividend yield	0%	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 Black Scholes and the Binomial model were used to value the options assuming a gain dependent exercise pattern.

The total value of the options granted on 31 July 2007 as calculated above is £292,392. Of this amount, £97,730 (2007: £40,699) has been charged in the financial statements for the year ended 31 December 2008. The total charged to date is £138,429 (2007: £40,699) and the remaining £153,963 (2007: £251,693) will be charged in the financial statements over the years ending 31 December 2009 and 2010.

The total charge of £706,050 for the options granted on 16 February 2006 has been fully charged in the financial statements as at 31 December 2007.

22 Equity shares to be issued

On 14 July 2008, options to subscribe for 209,342 Ordinary shares of the Company were issued in consideration for services supplied to the Company in securing investment in the Company. The total market value of these services was £125,607. 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 23).

Unsecured bonds

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 23).

Admission to AIM

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 in February 2006. 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 23).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

23 Statement of changes in shareholders' equity

a) Group

	Share capital £	Share premium £	Merger reserve £	Other reserves* £	Retained earnings £	Total equity £
At 1 January 2007	7,277,615	3,558,340	106,148	(713,641)	(4,342,816)	5,885,646
Exchange differences on translating foreign operations	-	-	-	115,893	-	115,893
Loss for the year ended 31 December 2007	-	-	-	-	(3,082,811)	(3,082,811)
Total recognised income and expense for the year	-	-	-	115,893	(3,082,811)	(2,966,918)
Share based payments	-		-	131,615	-	131,615
At 31 December 2007	7,277,615	3,558,340	106,148	(466,133)	(7,425,627)	3,050,343
Exchange differences on translating foreign operations	-	-	-	890,067	-	890,067
Profit for the year ended 31 December 2008	-	-	-	-	4,677,459	4,677,459
Total recognised income and expense for the year	-	-	-	890,067	4,677,459	5,567,526
New issue of equity capital	470,503	2,306,317	-	-	-	2,776,820
Less: expenses of new share issue	-	(377,672)	-	-	-	(377,672)
Share based payments	-	-	-	97,730	-	97,730
Equity shares to be issued	-	-	-	125,607	-	125,607
At 31 December 2008	7,748,118	5,486,985	106,148	647,271	(2,748,168)	11,240,354

* Other reserves as at 31 December 2008 comprises a reverse acquisition reserve £(3,541,203) (2007: £(3,541,203)), a translation reserve on translation of overseas subsidiaries £1,001,825 (2007: £111,758) and equity shares to be issued of £3,186,649 (2007: £2,963,312) (see notes 20 and 21).

Attributable to:

Equity holders of the parent company	7,748,118	5,486,985	106,148	647,271	(2,748,168)	11,240,354

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

23 Statement of changes in shareholders' equity (continued)

b) Company

	Share capital £	Share premium £	Merger reserve £	Other reserves* £	Retained earnings £	Total equity £
At 1 January 2007	7,277,615	3,558,340	19,093,750	2,831,697	(1,604,090)	31,157,312
Loss for the year ended 31 December 2007	-	-	-	-	(1,624,164)	(1,624,164)
Total recognised income and expense for the year	-	-	-	-	(1,624,164)	(1,624,164)
Share based payments	-	-	-	131,615	-	131,615
At 1 January 2008	7,277,615	3,558,340	19,093,750	2,963,312	(3,228,254)	29,664,763
Loss for the year ended 31 December 2008	-	-	-	-	(1,984,494)	(1,984,494)
Total recognised income and expense for the year	-	-	-	-	(1,984,494)	(1,984,494)
New issue of equity capital	470,503	2,306,317	-	-	-	2,776,820
Less: expenses of new share issue	-	(377,672)	-	-	-	(377,672)
Share based payments	-	-	-	97,730	-	97,730
Equity shares to be issued	-	-	-	125,607	-	125,607
At 31 December 2008	7,748,118	5,486,985	19,093,750	3,186,649	(5,212,748)	30,302,754
Attributable to:						
Equity holders of the parent company	7,748,118	5,486,985	19,093,750	3,186,649	(5,212,748)	30,302,754

* Other reserves as at 31 December 2008 comprises equity shares to be issued of £3,186,649 (2007: £2,963,312) (see notes 20 and 21).

24 Cash used in operations

	Group 31 December 2008 £	Group 31 December 2007 £	Company 31 December 2008 £	Company 31 December 2007 £
Operating loss	**(4,574,560)**	(3,527,803)	**(2,056,875)**	(1,755,361)
Depreciation and amortisation	**41,996**	36,312	**1,037**	581
Loss on sale of intangible assets	**19,090**	-	**-**	-
Share-based payments	**97,730**	131,615	**97,730**	131,615
Decrease/(increase) in trade and other receivables	**348,113**	(27,686)	**8,287**	(1,451)
Increase/(decrease) in trade and other payables	**553,233**	(367,607)	**399,829**	(179,539)
Decrease in provisions	**(41,966)**	(5,444)	**(41,966)**	(5,444)
Cash used in operations	**(3,556,364)**	(3,760,613)	**(1,591,958)**	(1,809,599)

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

25 Related party transactions

a) Group

During the year an amount of £nil (31 December 2007: £43,035) was paid to the wife of Dr R Zimmer in respect of services provided to ImmuPharma AG.

R Zimmer is a director and shareholder of this company.

b) Company

The balance due to the company from ImmuPharma UK Limited at 31 December 2008 was £635,829 (31 December 2007: £635,829). No interest is receivable.

The balance due to the company from ImmuPharma (France) SA at 31 December 2008 was £2,021,563 (31 December 2007: £2,021,563). Please refer to note 21 for an explanation for how this balance arose.

The balance due by the company to ImmuPharma AG at 31 December 2008 was £155,214 (31 December 2007: £82,000 due to the company from ImmuPharma AG). During the year ended 31 December 2008, management charges of £155,214 were rendered by ImmuPharma AG to ImmuPharma Plc.

26 Post balance sheet events

In February 2009 Cephalon Inc exercised its option to license the exclusive worldwide rights to Lupuzor and has made a further non refundable payment of $30million to the Group, through its subsibsidiary ImmuPharma (France) SA.

Under the terms of the licence agreement, the Group may be entitled to various future cash milestone payments and royalties on commercial sales of Lupuzor. Cephalon Inc will be responsible for all activities and expenses in respect of the Phase III clinical trials, regulatory filing and the subsequent commercialisation and sale of the product worldwide.

Under the terms of an existing arrangement in place with Centre National Recherche Scientifique (CNRS), upon Cephalon Inc exercising its option and the Group's receipt of $30m in connection with the exclusive license agreement referred to above, the Group is obliged to make a payment of up to 15% of the license payment received.

27 Financial instruments

The Group's financial instruments comprise cash and cash equivalents, borrowings and items such as trade payables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's operations expose it to a variety of financial risks including liquidity risk, interest rate risk and foreign exchange rate risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Liquidity risk

Group

The Group actively maintains a mixture of long term and short term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

27 Financial instruments (continued)

The following table shows the contractual maturities of the Group's financial liabilities, all of which are measured at amortised cost:

	Trade payables £	Borrowings £	Total £
At 31 December 2008			
6 months or less	1,106,356	17,015	1,123,371
6 – 12 months	-	16,148	16,148
1 – 2 years	-	31,279	31,279
2 – 5 years	-	754,397	754,397
Total contractual cash flows	1,106,356	818,839	1,925,195
Carrying amount of financial liabilities measured at amortised cost	1,106,356	805,696	1,912,052

	Trade payables £	Borrowings £	Total £
At 31 December 2007			
6 months or less	441,380	55,179	496,559
6 – 12 months	-	125,787	125,787
1 – 2 years	-	83,656	83,656
2 – 5 years	-	278,514	278,514
Total contractual cash flows	441,380	543,136	984,516
Carrying amount of financial liabilities measured at amortised cost	441,380	519,056	960,436

Company

The Company's only financial liabilities comprise trade payables with a carrying amount equal to gross cash flows payable of £510,278 (2007: £110,448), all of which are payable within 6 months.

Interest rate risk

Group

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash and cash equivalents denominated in Sterling which earn interest at a variable rate. The Group has a policy of maintaining debt at fixed rates to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

The Group has not entered into any derivative transactions during the period under review.

During the year, the Group's cash and cash equivalents earned interest at a variable rate between 0.5% and 2.5% (2007: 3.5% and 5%).

As at 31 December 2008, if LIBOR had increased by 0.5% with all other variables held constant, the post-tax profit and equity would have been higher by £19,380 (2007: £22,000). Conversely, if LIBOR had fallen by 0.5% with all other variables held constant, the post-tax profit and equity would have been lower by £19,380 (2007: £22,000).

Details of the terms of the Group's borrowings are disclosed in note 17.

The Group has only fixed rate borrowings which are carried at amortised cost and therefore the risk is the change in the fair value of the borrowings. Changes in the market interest rates of these liabilities do not affect loss or equity and therefore no sensitivity analysis is required under IFRS 7.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2008

27 Financial instruments (continued)

Company

The Company has interest bearing assets, comprising of cash and cash equivalents denominated in Sterling, which earn interest at a variable rate. During the year, the Company's cash and cash equivalents earned interest at a variable rate between 0.5% and 2.5% (2007: 3.5% and 5%).

As at 31 December 2008, if LIBOR had increased by 0.5% with all other variables held constant, the post-tax loss would have been lower and equity would have been higher by £16,100 (2007: £15,000). Conversely, if LIBOR had fallen by 0.5% with all other variables held constant, the post-tax loss would have been higher and equity would have been lower by £16,100 (2007: £15,000).

Foreign exchange rate risk

Group

The Group is exposed to foreign exchange rate risk as a result of having cash balances in Euros in its subsidiaries. During the year, the Group did not enter into any arrangements to hedge this risk, as the directors' did not consider the exposure to be significant given the short term nature of the balances. The Group will review this policy as appropriate in the future.

As at 31 December 2008, if the Euro had weakened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been lower by £77,000 (2007: £139,400). Conversely, if the Euro had strengthened 10% against Sterling with all other variables held constant, the post tax profit and equity would have been higher by £77,000 (2007: £139,400).

Company

The Company is exposed to foreign exchange rate risk through the payment of non- Sterling amounts. During the year, the Company did not enter into any arrangements to hedge this risk, as the Directors' did not consider the exposure to be significant. The Company will review this policy as appropriate in the future.

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, Chairman

Dimitri Dimitriou, Chief Executive Officer

Dr Robert Zimmer, President and Chief Scientific Officer

Dr Franco Di Muzio, Senior Non-executive Director

Dr Ajay Agrawal, Non-executive Director

Brief biographies are set out on page 23.

The Board meets regularly with all decisions concerning the direction and control of the business made by a quorum of the Board. The principal control mechanism agreed by the Board is the Annual Budget for expenditure. Any significant departures from this budget are considered by the Board prior to commitment of expenditure.

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 place 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 year ended 31 December 2008, 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 a 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. 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 operates 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 25% of their respective salaries.

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
Dimitiri 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.

A further 930,000 options were granted on 31 July 2007. These options have an exercise price of £0.768. 880,000 of these options are exercisable at any time between 1 August 2010 (the vesting date) and 10 years from the date of grant (31 July 2007), provided that the participant remains a director or an employee of the company during this period. The remaining 50,000 are exercisable at any time from the date of grant to 31 July 2017.

Further details of remuneration paid during the year to 31 December 2008 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 prices significantly 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.

Risk Factors (continued)

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 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
'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

Notice of the 2009 Annual General Meeting of ImmuPharma plc

(The "Company")

NOTICE IS HEREBY GIVEN that the 2009 Annual General Meeting of the Company will be held at the offices of Bircham Dyson Bell LLP, 50 Broadway, London, SW1H OBL on 24 July 2009 at 11am 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 year ended 31 December 2008 together with the reports thereon of the directors and auditors of the Company.
2. To reappoint Mr Richard Warr as a director of the Company.
3. To reappoint Mr Dimitri Dimitriou as a director of the Company.
4. To reappoint Dr Robert Zimmer as a director of the Company.
5. To reappoint Franco di Muzio as a director of the Company.
6. To reappoint Dr Ajay Agrawal as a director of the Company.
7. 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 8 will be proposed as an ordinary resolution and Resolutions 9 and 10 will be proposed as special resolutions:

8. 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 £3,033,644 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.
9. 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 8 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 £1,213,458.

   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.
10. That the draft regulations in the form produced to the meeting and signed by the Chairman for the purposes of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association with immediate effect.

Date: 23 June 2009
Registered Office: 50 Broadway
London
SW1H 0BL

BY ORDER OF THE BOARD

Tracy Weimar
Secretary

Notice of the 2009 Annual General Meeting of ImmuPharma plc (continued)

(The "Company")

NOTES:

Appointment of proxies

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote at the Meeting. You should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars helpline on 0870 707 1014 or (from overseas) +44 (0) 870 703 6101 or you may photocopy this form. Please mark (and initial) each proxy form clearly with the number of Ordinary Shares held by you in relation to which each proxy is appointed.

4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the 'Discretionary' option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form and any authority under which it is executed (or a duly certified copy of such authority) must be:

   - completed and signed;
   - deposited at the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or delivered by hand to c/o Bircham Dyson Bell LLP, 50 Broadway, London SW1H 0BL; and
   - received by Computershare Investor Services plc no later than 11am on 22 July 2009.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Appointment of proxy by joint members

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform Computershare Investor Services plc by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. In either case, the revocation notice must be received by Computershare Investor Services plc no later than 11:00 am on 22 July 2009.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

9. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:

   (i) if a corporate member has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and

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(The "Company")

(ii) if more than one corporate representative for the same corporate member attends the Meeting but the corporate member has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described in (i) above.

Explanatory notes of principal changes to the Company's Articles of Association by the adoption of new Articles of Association

It is proposed in Resolution 10 to adopt new articles of association (the **New Articles**). These are intended to replace the Company's current articles of association (the **Current Articles**). The main reason for the New Articles is to take account of changes in UK company law brought about by the Companies Act 2006 (the **2006 Act**). The 2006 Act, which replaces the Companies Act 1985 is being implemented in stages and will not be fully in force until 1 October 2009. The New Articles will come into effect once Resolution 10 is passed and will reflect those changes in company law brought about by the 2006 Act in force at that time.

The Company is proposing the adoption of the New Articles rather than amendments to the Current Articles due to the extent of the changes. The principal changes being proposed in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature, and also some more minor changes which merely reflect changes made by the 2006 Act, have not been noted.

A copy of the New Articles and a copy of the Current Articles marked up to show the changes are available for inspection at the Company's registered office and at www.immupharma.com in the "For Investors" section. It will also be available at the Annual General Meeting.

Timing of Annual General Meeting

The Current Articles require the Company to hold an Annual General Meeting within 15 months after the date of the previous Annual General Meeting. The 2006 Act requires the Company after the current year to hold its Annual General Meeting within six months from the day following the Company's accounting reference date in each year. The New Articles reflect the requirements of the 2006 Act.

Transfer of Shares

Under the 2006 Act, a company must either register a transfer of shares or give the transferee notice of, and reasons for, its refusal to register a transfer. Any registration of transfer or notice must be made or given as soon as practicable and in any event at the earlier of either the time required by the Rules of the London Stock Exchange or within two months from the date that the transfer is lodged with the Company. The New Articles reflect these requirements.

Types of Meetings

The Current Articles refer to Annual General Meetings and Extraordinary General Meetings. The concept of the Extraordinary General Meeting has not been retained by the 2006 Act. Pursuant to the 2006 Act any general meeting other than an Annual General Meeting shall be referred to as a General Meeting. The New Articles reflect this amendment.

Notice of General Meetings

Under the 2006 Act a General Meeting (other than an Annual General Meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required. The Current Articles were amended at last year's Annual General Meeting to reflect this change, and such amendment has been retained in the New Articles.

Conflicts of Interest

Pursuant to the 2006 Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with a company's interest. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation where such appointment conflicts or possibly may conflict with a company's interest. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, provided that the company's Articles of Association contain a provision to this effect. The New Articles give the directors authority to approve such situations.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who do not have an interest in the matter being considered will be able to take the relevant decision. Secondly, the directors will be able to impose limits or conditions when giving such authorisation if they think this is appropriate. Furthermore, in taking the decision the directors will be subject to the general duty to act in good faith and in a way in which they consider will be most likely to promote the company's success.

The New Articles also contain provisions relating to the disclosure of confidential information, attendance at board meetings and availability of board papers. Each of which is intended to protect a director from being in breach of his duties to the company if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has been authorised by the directors.

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