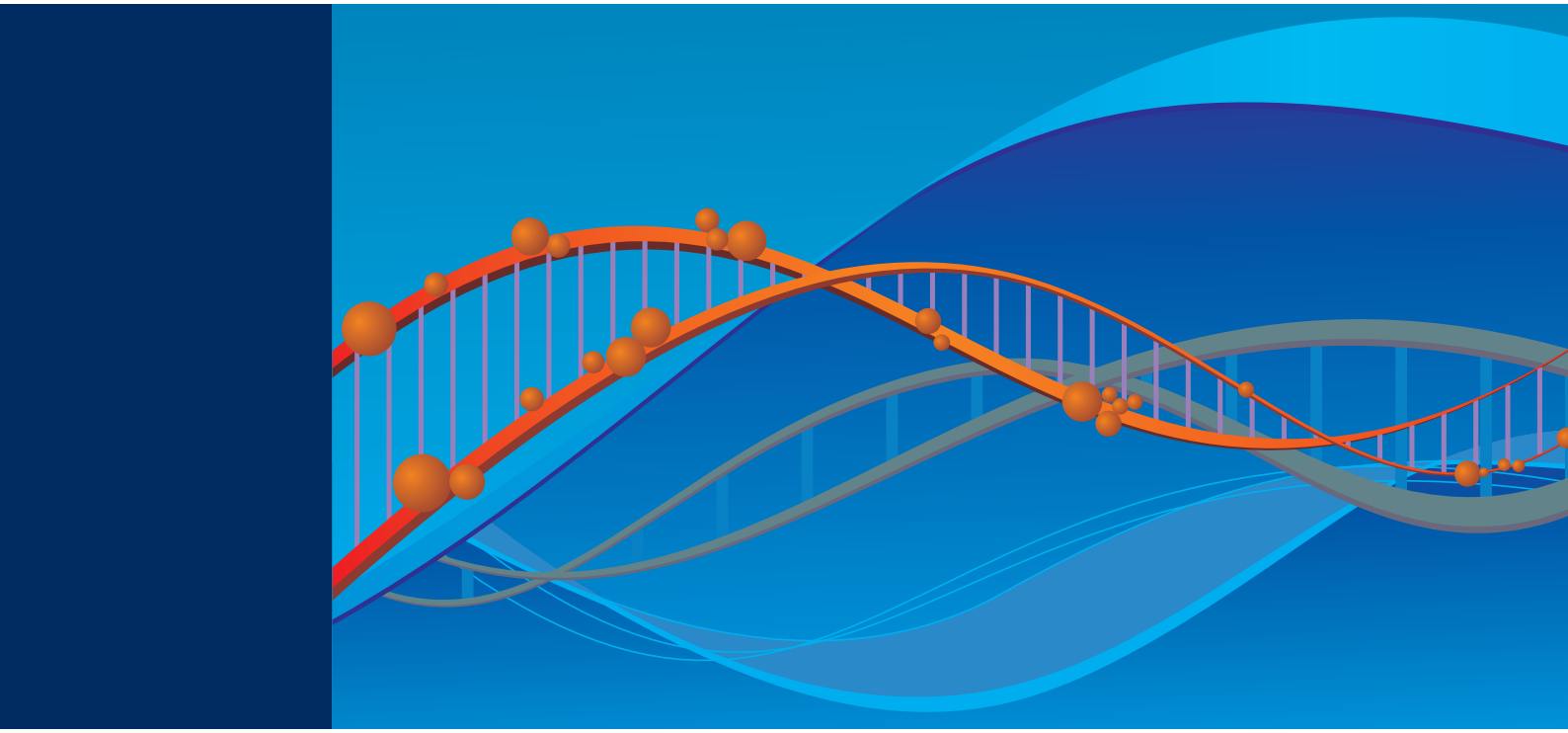
ImmuPharma



# ImmuPharma plc

Report and Consolidated Financial Statements
For the Year Ended 31 December 2010

# Contents

# Report of the Chairman, the Chief Executive Officer, and the President

# Report of the Chairman, the Chief Executive Officer and the President

We are pleased to report on a year of steady, positive progress for ImmuPharma. Our lead compound, Lupuzor™, continues to make progress with Cephalon, Inc (Cephalon), who took an exclusive, worldwide license to Lupuzor™ during 2009. Furthering the work undertaken in our Phase IIb study, Cephalon are conducting a Phase IIb study in lupus patients in the US and Europe. Our promising cancer program has made important strides forward with an ongoing Phase I/IIa study with further results expected in 2011. Furthermore, the rest of our development portfolio, our continued relationship with the Centre Nationale Recherche Scientifique (CNRS) and our strong cash position provide us with a solid basis for future growth.

During 2010, Cephalon has moved forward with its comprehensive development plan for Lupuzor™. Our own Phase IIb study showed Lupuzor™ achieve statistically significant improvement in the moderate to severe patient sub-group with 62% of patients taking Lupuzor™ in addition to steroids or other "standard care" treatment, improving their SLEDAI score (Systemic Lupus Erythematosus Disease Activity Index) by more than 4 points compared to 41% of patients who were taking only steroids or other "standard care" treatment. Cephalon is conducting a further Phase IIb study in lupus patients in the US and Europe in a trial designed to allow US-based investigators and the FDA to evaluate Lupuzor™ as a treatment for lupus before commencing a Phase III clinical trial. A large number of centres are involved. The data generated from this trial will be part of the package to be submitted to the FDA and other regulatory authorities for approval. According to Cephalon, interim analysis of this Phase IIb trial will be available during 3Q 2011. We are delighted with Cephalon as a partner and seek to support its development plans.

2010 was a time of exciting progress for our anti-cancer nucleolin/nucleophosmin antagonist ("Nucant") peptide programme. Having received approval from AFSSAPS (Agence Francaise de Securite Sanitaire des Produits de Sante), we began our Phase I/IIa study in 3Q 2010. Early results from this ongoing trial indicate that around half of the cancer patients who have undergone treatment with IPP-204106 are in stable condition without any other drug treatment. The trial is taking place in two hospitals in Paris and one hospital in Dijon in France and is expected to complete in the coming months. We hope to start a Phase IIb programme later this year in patients with glioblastoma (brain tumour), hormone-resistant prostrate cancer and pancreatic cancer.

Our strategic objectives for 2011 and beyond centre on the maintenance of a positive relationship with Cephalon for Lupuzor™, the focus on the development of our cancer programme, and the development of the rest of our asset base. We also seek to value and build upon our key relationship with the CNRS. This is to be achieved with solid financial management and careful control of expenditure.

Following the two notable awards received in 2009, ImmuPharma received the Best Drug Development Company in Europe award at The New Economy Pharmaceutical and Healthcare Awards 2010. We are proud to have our achievements recognised in this way.

Additionally, we have been working to raise ImmuPharma's profile in the investment community and strive to maintain an effective dialogue with our investors. We have therefore been pleased to have built upon our blue-chip investor shareholder base, including M&G Investments, ING, Gartmore, Rensburg Sheppards, Pictet, Aviva and Standard Life.

The Company continues to strive to incorporate best practice corporate governance guidelines for AIM companies in a manner that is most appropriate and effective for the size and complexity of ImmuPharma. The Quoted Companies Alliance published new guidelines for AIM companies in September 2010. The Corporate Governance section included later in this annual report provides more information regarding how ImmuPharma applies these guidelines.

ImmuPharma is looking forward to another promising year in 2011. The Board would like to thank its shareholders for their ongoing support as well as its scientific advisors and the Centre Nationale de la Recherche Scientifique in France for their collaboration.

**Richard Warr**
Chairman

**Dimitri F. Dimitriou**
Chief Executive Officer

**Dr Robert Zimmer**
President


# Financial Review

# Financial Review

The year ended 31 December 2010 was a year of solid progress with an increasing change in focus from Lupuzor™ to our cancer programme and other assets. With our license partner, Cephalon, responsible for Lupuzor™'s ongoing development, Immupharma has been able to focus its development efforts primarily on our promising cancer programme. Our financial statements reflect this change in focus and progression from the successful licensing of Lupuzor™ in 2009.

## Income Statement

The overall loss for the year ended 31 December 2010 was £1.98m (2009: profit of £8.1m principally due to receipt of the license payment from Cephalon). During 2010, research and development expenditure was £1.6m which is down from £4m for the year ended 2009. The difference is primarily attributable to reduced development expenditure on Lupuzor™ which was licensed to Cephalon in 2009 and to lower remuneration costs. Administrative expenses were £2.6m (2009: £3.6m). The reduction is due to a number of factors including lower remuneration costs and legal fees. The Group posted a £1.7m gain on foreign exchange in 2010 compared to a loss of £1.3m on foreign exchange in 2009. This arises from the translation of the US dollar balance held by the Group's French subsidiary, Immupharma France SA. To date, the Group has not entered into any formal hedging arrangements to protect against such fluctuations. Total comprehensive loss for the period was £2.5m (2009: profit of £6.5m), £0.6m greater than the loss for the year as a result of exchange differences on translation of foreign operations.

In previous years, IFRS2, relating to share-based payments has had an impact on the Group's results. There is a charge in the accounts of £201,770 which represents the current year charge for options previously granted. This is a notional amount stipulated by IFRS2 (and calculated using a statistical model) as a result of granting the options. A further £158,446 is due to be charged in next year's accounts under IFRS2, being the remainder of the fair value charge.

## Balance Sheet

Cash and cash equivalents at 31 December 2010 amounted to £15.6m (2009: £22.5m). £4.3m is held on short term deposits. £9.6m is held in US dollar denominated assets, representing 62% of total cash. Trade payables has decreased from £5.3m in 2009 to £640k in 2010 primarily due to the payment of the amount due to the CNRS arising from the license payment received from Cephalon. Financial borrowings were £807k (2009: £458k). This is primarily the conditional advance, from the French Government for use in the development of our cancer programme. No interest is payable. The issued share capital increased by 441,000 shares as a result of the exercise of options and now amounts to 81,532,463 shares.

## Results

The Group recorded a loss for the year of £1.98m (2009: profit of £8.1m). Basic and diluted loss per share was 2.44p (2009: basic earnings per share of 10.46p) and diluted loss per share was also 2.44p (2009: diluted earnings per share 9.99p) respectively. No dividend is proposed.

## 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 and continues to believe that this represents the most prudent approach in spite of the impact of exchange rate movements in the accounts.

## Financial Strategy

The overall strategy is to maintain a tight control over cash resources whilst enabling controlled development of the potential product portfolio

**Tracy Weimar**
Vice President, Operations and Finance

# 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 was successfully licensed to Cephalon, Inc in February, 2009. 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™, Treatment of Lupus

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 recent years and should continue to do so due to well-organised patient groups and increased research and development activity into new treatments. 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 the 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.

2009 was an important year in the development of Lupuzor™. In February, Cephalon, Inc. exercised their option to take an exclusive worldwide license to Lupuzor™ in a deal worth up to $500 million plus royalties. In November, we reported the promising results of the Phase IIb study undertaken in patients with active SLE. Cephalon are now working on a further Phase IIb trial in US and European patients. According to Cephalon, interim results are expected Q3 2011 with Phase III anticipated to start in the near future.

Key findings from the Phase IIb study completed in 2009 showed:

- Lupuzor™ achieved a clinically significant improvement in patient response rate versus placebo in the intention to treat (ITT) analysis
- The improvement was statistically significant in a sub-group (90% of the ITT population) of moderate to severe patients.
- 62% of this sub-group of patients were responders according to both a composite clinical score and a decrease of 4 points of the SLEDAI score when treated with Lupuzor™ 200 mcg every 4 weeks for 12 weeks compared to 41% on placebo plus standard of care (both the Lupuzor™ group and the placebo group were receiving standard treatments (e.g. steroids).
- Lupuzor™ was generally well-tolerated with fewer serious adverse events leading to discontinuation

The Phase IIb study was a randomised, double-blind placebo controlled, dose-ranging study in 150 patients designed to evaluate the efficacy of Lupuzor™ in a three month treatment period of either subcutaneous (SC) injection of 200 mcg once-a-month (4qw) or 200 mcg twice-a-month (2qw) or placebo in addition to standard of care with a 3 month follow-up period.

These results followed very positive Phase I and Phase IIa studies completed in previous years. The Phase I study showed Lupuzor™ to be generally safe and well-tolerated. The Phase IIa study met all of its primary endpoints ($p<0.0001$).

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, Treatment of cancer

IPP-204106 is ImmuPharma's anti-cancer nucleolin/ nucleophosmin 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/nucleophosmin 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 with a very high affinity to the nucleolin expressed at the surface of the cells. 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/nucleophosmin antagonists inhibit the growth of tumours 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.

In a recent study, data on ImmuPharma's anti-cancer nucleolin/nucleophosmin 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 could be completely eradicated and survival time increased without additional treatment.

Following the pre-clinical data on our anti-cancer nucleolin antagonist ("Nucant") peptide programme which confirmed 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", ImmuPharma received approval in May from AFSSAPS, Agence Francaise de Securite Sanitaire des Produits de Sante, for a Phase I/IIa study in patients. This is a dose escalating open label study designed to show safety and tolerability and to assess the maximum tolerated dose. Early information arising shows:

- Around half of the cancer patients that have undergone treatment are in stable condition without any other drug treatment. All patients enrolled in the study were suffering from advanced cancer with metastases and had all failed their previous treatments with other existing cancer drugs.
- The third dose level of IPP-204106 has just begun in the next group of patients. ImmuPharma's clinical trial began last summer and up to now two lower dose levels have been tested. The initial dose level of 1 mg/kg did not show any drug-related side effects. The first patient to be treated in this study is still alive and with stable disease 10 months after starting treatment with ImmuPharma's cancer compound. The second dose level of 2 mg/kg also did not show any drug-related side effects.
- ImmuPharma has already begun development of the next generation of IPP-204106, the "micro Nucants". This improved formulation comprising of small particles of the drug candidate has shown an even more impressive efficacy in cancer models.

The clinical trial is taking place in two hospitals in Paris and one hospital in Dijon, in France and is expected to complete in the coming months. Further details and analysis will be provided at the end of the study.

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 finalise Phase IIa this year and develop plans for Phase IIb (in patients with glioblastoma (brain tumour), hormone-resistant prostate cancer and pancreatic cancer).

# Other Compounds

# Other Compounds

In addition to Lupuzor™ and the cancer programme, ImmuPharma has three other pre-clinical development compounds and a discovery pipeline.

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

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.

## IPP-102199: Treatment of Moderate and Severe Pain

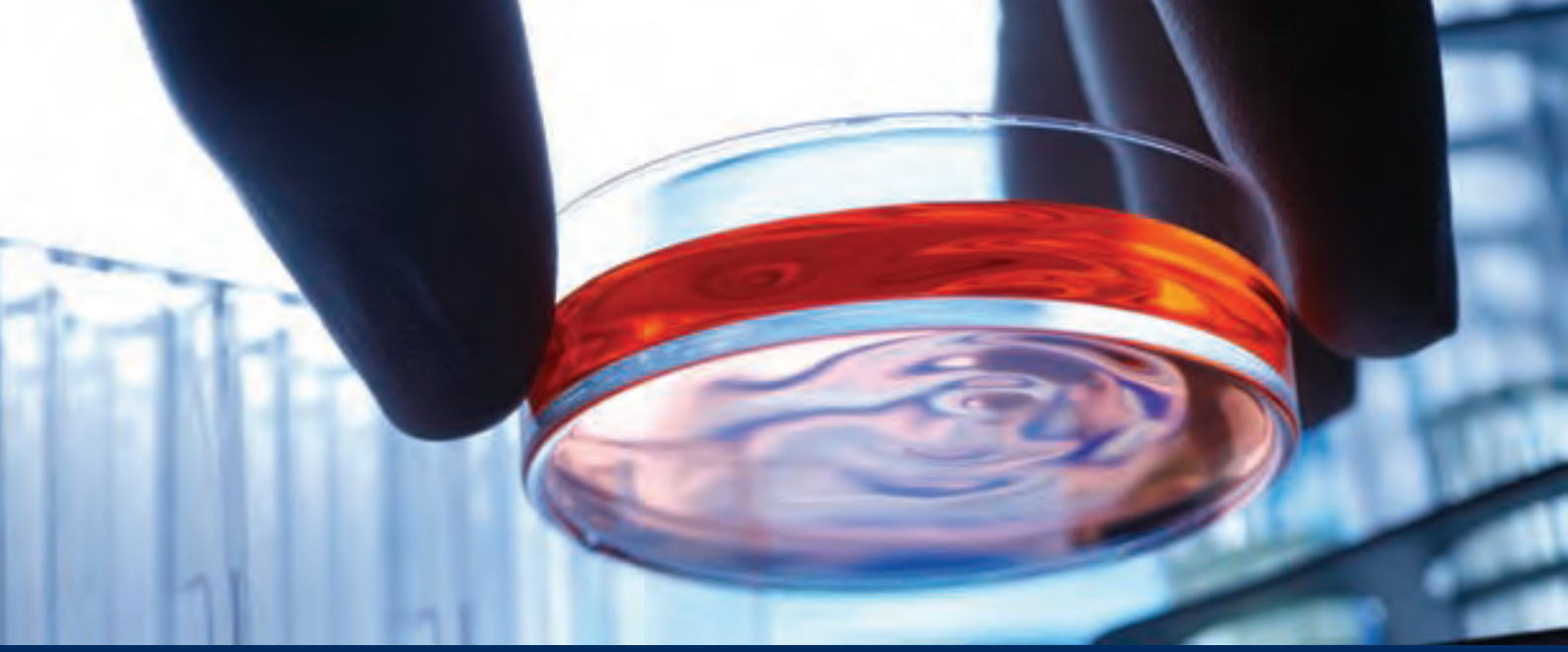
ImmuPharma's lead drug candidate for pain relief is IPP-102199 which is being developed as a morphine replacement, with major advantages such as longer pain relief and reduced opioid side effects such as respiratory depression and dependency. IPP-102199 is based on one of the body's internal analgesics, 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

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 Discovery Pipeline

# The Discovery Pipeline

In addition to these 3 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

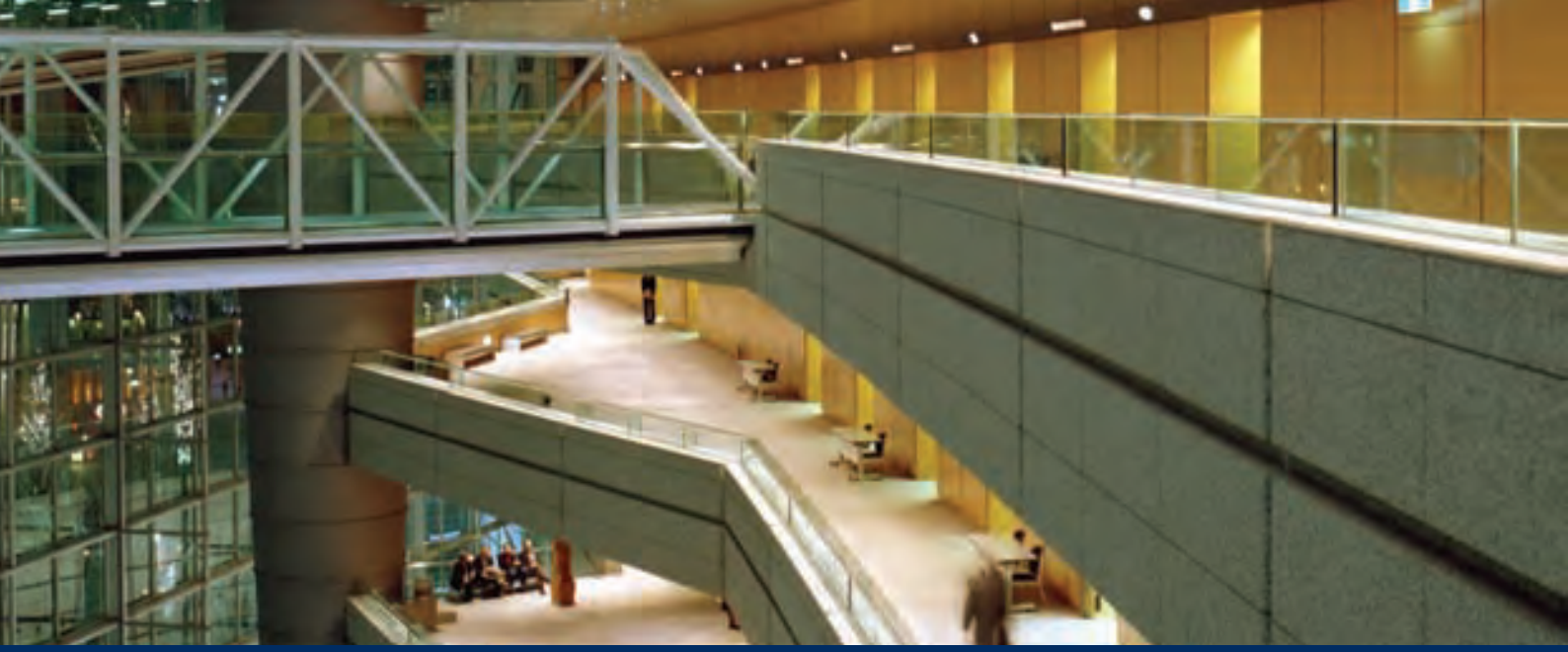
ImmuPharma is co-owner with CNRS of a series of patents protecting a virtual library of heterocyclic urea molecules out of which 70 per cent are considered as "drug-like" based on their physiochemical characteristics. In comparison, commercially available libraries are generally considered to be 35-40 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 (now Royal Bank of Scotland) 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 (now Credit Agricole), a former executive director of Dresdner Kleinwort Benson (now Commerz Bank) and former Head of European Equity Distribution at Swiss Bank Corporation (now Union Bank of Switzerland). 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

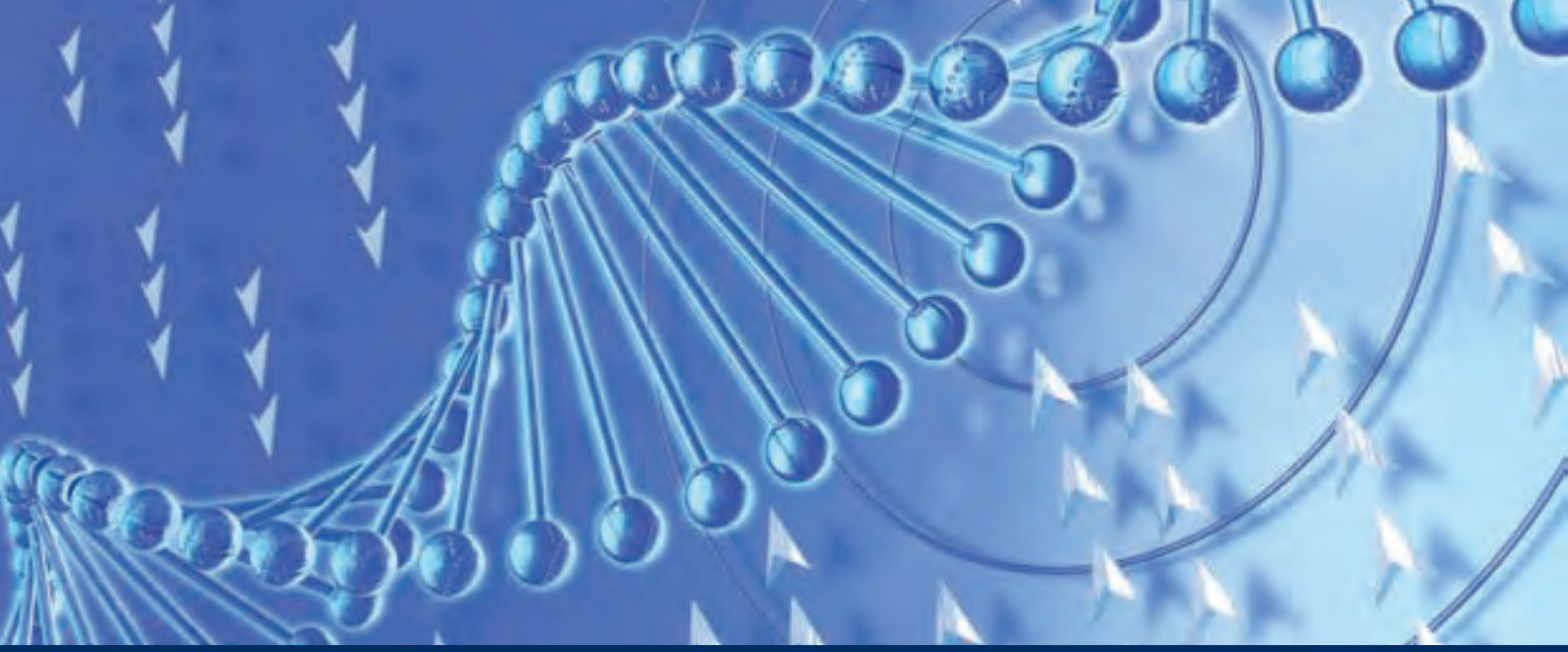
Dr. Di Muzio has 40 years experience in the pharmaceutical and other industries, encompassing international management experience in business development, strategic marketing, international finance, M&A and re-engineering businesses. After graduating in Economics and Business in 1963, Dr Di Muzio worked 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 has 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 0RG

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

## Joint Broker
Espirito Santo Investment Bank
10 Paternoster Square
London
EC4M 7AL

## 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 Pavilions
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 2010.

## Principal activities
The principal activity of the Group in the year under review was that of pharmaceutical research and development. The principal activity of the Company in the year under review was to act as a holding company for the Group and to provide services within the Group.

## Results and dividends
The consolidated income statement is set out on page 27. The directors do not recommend the payment of a dividend.

## Business review, research and development and future developments
The Report of the Chairman, the Chief Executive Officer and the President includes a review of the business, as well as a commentary regarding research and development, and future developments (see page 3). The principal risks and uncertainties facing the group are considered on pages 58 - 60.

## 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 | • IPP-204106, lead candidate for the treatment of cancer was given approval for initiation of Phase I by AFSSAPS during 2010<br>• IPP-204106, lead candidate for the treatment of cancer, is now in Phase I/IIa study with encouraging data reported in October, 2010<br>• Lupuzor™, drug candidate for the treatment of Systemic Lupus Erythematosus licensed to Cephalon, following on from the Phase IIb study undertaken by ImmuPharma, Cephalon is conducting a further Phase IIb study in US and European patients<br>• Lupuzor™, drug candidate for the treatment of Systemic Lupus Erythematosus, announced the final results from ImmuPharma phase IIb trial in active patients in late 2009. 200 mcg once-a-month dose showed clinically significant improvement in patient response rate compared to placebo plus standard of care. The study results also showed that Lupuzor™ was generally well-tolerated, with adverse events lower with Lupuzor™ when compared with placebo. |
| Maintain strong cash position | • Consolidated cash balance at 31 December 2010 was £15.6 million<br>• Further cash flow anticipated from development success of Lupuzor™ under the terms of the licensing agreement with Cephalon and/or any future partnering agreements for our other development compounds<br>• Continued tight financial control to ensure effective overall expenditure |

## Subsequent events
For details of subsequent events, please refer to note 22 of the financial statements.

## Directors
The following directors of the Company have held office since 1 January 2010:

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

# Directors' Report (continued)

## Directors remuneration

The following amounts where payable to the directors of ImmuPharma Plc across the Group in relation to the year ended 31 December 2010:

| Director | Salary/Fees £ | Benefits £ | Bonus £ | Total remuneration £ | Share options outstanding |
|---|---|---|---|---|---|
| Richard Warr | 237,600 | 59,400 | - | 297,000 | 1,030,000 |
| Dimitri Dimitriou | 249,785 | 62,446 | - | 312,231 | 1,030,000 |
| Robert Zimmer | 311,456 | 77,864 | - | 389,320 | 1,050,000 |
| Franco di Muzio | 54,396 | - | - | 54, 396 | 200,000 |
| Ajay Agrawal | 107,612 | - | - | 107,612 | 200,000 |
| Total | 960,849 | 199,710 | - | 1,160,559 | 3,510,000 |

The company does not operate a pension plan, health plan or company car plan. Directors are paid a cash benefit and encouraged to make their own arrangements. There were neither salary or benefit increases during 2010 nor bonus payments. Dr Ajay Agrawal's fees include a consultancy project undertaken for ImmuPharma France SA for which he was paid £60,000. As referred to in Note 21, the £169,290 received by D Dimitriou in lieu of directors fees for the year ended 31 December 2010 is included in the table above.

## Substantial shareholdings

Up to 18 March 2011, 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 | 28.28% | 1,050,000 |
| M&G Investments | 7,600,000 | 9.32% | - |
| Dimitri Dimitriou | 3,528,968 | 4.33% | 1,030,000 |
| Richard Leonard Warr | 3,518,968 | 4.32% | 1,030,000 |
| Pictet & Cie | 3,287,500 | 4.03% | - |
| ING Investment Management | 3,245,280 | 3.98% | - |
| Aviva Investors Global | 1,748,363 | 2.14% | - |
| Odey Asset Management | 1,628,465 | 2.00% | - |

## 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 2010 were equivalent to 53 days purchases, based on the amount invoiced by suppliers during the year. Trade payables of the Group at 31 December 2009 were equivalent to 82 days purchases, based on the amount invoiced by suppliers during the period.

# Directors' Report (continued)

## 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 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## Auditor

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

On behalf of the Board

Tracy Weimar

Secretary

# Statement of Directors' Responsibilities

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

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 financial statements of ImmuPharma Plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement and Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statement of Cash Flows, the Consolidated and Parent Company Statement of Changes in Equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sancho Simmonds
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

4 April 2011

*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 2010

| | Notes | Year ended 31 December 2010 £ | Year ended 31 December 2009 Restated £ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 1 & 3 | 32,462 | 22,054,544 |
| Royalty expense | 3 | - | (4,155,765) |
| Research and development expenses | | (1,591,124) | (4,034,173) |
| Administrative expenses | | (2,620,838) | (3,564,833) |
| **Operating (loss)/profit** | 5 | (4,179,500) | 10,299,773 |
| Finance costs | 6 | (1,842) | (1,260,190) |
| Finance income | 7 | 1,707,753 | 61,243 |
| **(Loss)/profit before taxation** | | (2,473,589) | 9,100,826 |
| Tax | 8 | 495,312 | (997,448) |
| **(Loss)/profit for the year** | | (1,978,277) | 8,103,378 |
| **Attributable to:** | | | |
| Equity holders of the parent company | | (1,978,277) | 8,103,378 |
| **Earnings per ordinary share** | | | |
| Basic | 9 | (2.44p) | 10.46p |
| Diluted | 9 | (2.44p) | 9.99p |

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

| | Year ended 31 December 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|
| **(Loss)/profit for the financial year** | (1,978,277) | 8,103,378 |
| **Other comprehensive income** | | |
| Exchange differences on translation of foreign operations | (523,771) | (1,644,702) |
| Other comprehensive income for the period, net of tax | (523,771) | (1,644,702) |
| Total comprehensive income for the period | (2,502,048) | 6,458,676 |

# Consolidated Statement of Financial Position

as at 31 December 2010

| | Notes | 31 December 2010 £ | 31 December 2009 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets - other | 10 | 704,940 | 746,705 |
| Property, plant and equipment | 11 | 76,792 | 9,336 |
| Total non-current assets | | 781,732 | 756,041 |
| **Current assets** | | | |
| Trade and other receivables | 13 | 1,177,621 | 1,361,458 |
| Cash and cash equivalents | 14 | 15,592,941 | 22,525,509 |
| Total current assets | | 16,770,562 | 23,886,967 |
| **Current liabilities** | | | |
| Financial liabilities - borrowings | 15 | 36,032 | 32,549 |
| Trade and other payables | 16 | 640,080 | 5,306,660 |
| Tax payable | | - | 620,275 |
| Provisions | 17 | 134,503 | 174,529 |
| Total current liabilities | | 810,615 | 6,134,013 |
| **Net current assets** | | 15,959,947 | 17,752,954 |
| **Non-current liabilities** | | | |
| Financial liabilities - borrowings | 15 | 771,208 | 425,671 |
| **Net assets** | | 15,970,471 | 18,083,324 |
| **Equity** | | | |
| Ordinary shares | 18 | 8,153,246 | 8,109,146 |
| Share premium | | 7,445,970 | 7,302,645 |
| Merger reserve | | 106,148 | 106,148 |
| Other reserves | | (3,329,446) | (2,888,375) |
| Retained earnings | | 3,594,553 | 5,453,760 |
| **Total equity** | | 15,970,471 | 18,083,324 |

The financial statements were approved by the Board of Directors and authorised for issue on 4 April 2011
They were signed on its behalf by:

Robert Zimmer
**Director**

Dimitri Dimitriou
**Director**

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

| | Share capital £ | Share premium £ | Merger reserve £ | Other reserves - Acquisition reserve £ | Other reserves - Translation Reserve £ | Other reserves - Equity shares to be issued £ | Retained Earnings £ | Total equity £ |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2009 | 7,748,118 | 5,486,985 | 106,148 | (3,541,203) | 1,001,825 | 3,186,649 | (2,748,168) | 11,240,354 |
| Total comprehensive income for the year | - | - | - | - | (1,644,702) | - | 8,103,378 | 6,458,676 |
| New issue of equity capital | 36,500 | 118,625 | - | - | - | - | - | 155,125 |
| Share based payments | - | - | - | - | - | 229,169 | - | 229,169 |
| Share option exercise | - | - | - | - | - | (98,550) | 98,550 | - |
| Exercise of warrants | 324,528 | 1,697,035 | - | - | - | (2,021,563) | - | - |
| At 31 December 2009 | 8,109,146 | 7,302,645 | 106,148 | (3,541,203) | (642,877) | 1,295,705 | 5,453,760 | 18,083,324 |
| Total comprehensive income for the year | - | - | - | - | (523,771) | - | (1,978,277) | (2,502,048) |
| New issue of equity capital | 44,100 | 143,325 | - | - | - | - | - | 187,425 |
| Share based payments | - | - | - | - | - | 201,770 | - | 201,770 |
| Share option exercise | - | - | - | - | - | (119,070) | 119,070 | - |
| At 31 December 2010 | 8,153,246 | 7,445,970 | 106,148 | (3,541,203) | (1,166,648) | 1,378,405 | 3,594,553 | 15,970,471 |
| Attributable to:- | | | | | | | | |
| Equity holders of the parent company | 8,153,246 | 7,445,970 | 106,148 | (3,541,203) | (1,166,648) | 1,378,405 | 3,594,553 | 15,970,471 |

# Consolidated Statement of Cash Flows

for the year ended 31 December 2010

| | Notes | Year ended 31 December 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in)/generated from operations | 20 | (6,177,037) | 12,478,048 |
| Tax | | (666,397) | (510,591) |
| Interest paid | 6 | (1,842) | (2,978) |
| Net cash (used in)/generated from operating activities | | (6,845,276) | 11,964,479 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 11 | (76,316) | (3,611) |
| Acquisition of intangibles assets | 10 | (2,446) | (779) |
| Interest received | 7 | 13,073 | 61,243 |
| Net cash (used in)/generated from investing activities | | (65,689) | 56,853 |
| **Financing activities** | | | |
| Net proceeds from share issue – Company | | 187,425 | 155,124 |
| (Decrease)/increase in bank overdraft | | (975) | 1,546 |
| New loans | | 394,885 | 3,796 |
| Loan repayments | | (26,148) | (303,962) |
| Net cash generated from/(used in) financing activities | | 555,187 | (143,496) |
| Net (decrease)/ increase in cash and cash equivalents | | (6,355,778) | 11,877,836 |
| Cash and cash equivalents at beginning of period | 14 | 22,525,509 | 12,458,417 |
| Effects of exchange rates on cash and cash equivalents | | (576,790) | (1,810,744) |
| **Cash and cash equivalents at end of period** | 14 | 15,592,941 | 22,525,509 |

# Company Statement of Financial Position

as at 31 December 2010

| | Notes | 31 December 2010 £ | 31 December 2009 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 10,348 | 4,714 |
| Fixed asset investments | 12 | 25,056,953 | 24,968,750 |
| Total non-current assets | | 25,067,301 | 24,973,464 |
| **Current assets** | | | |
| Trade and other receivables | 13 | 2,014,417 | 2,134,849 |
| Cash and cash equivalents | 14 | 1,894,142 | 3,853,071 |
| Total current assets | | 3,908,559 | 5,987,920 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 142,538 | 1,499,031 |
| Provisions | 17 | 134,503 | 174,529 |
| **Total current liabilities** | | 277,041 | 1,673,560 |
| **Net current assets** | | 3,631,518 | 4,314,360 |
| **Net assets** | | 28,698,819 | 29,287,824 |
| **Equity** | | | |
| Ordinary shares | 18 | 8,153,246 | 8,109,146 |
| Share premium | | 7,445,970 | 7,302,645 |
| Merger reserve | | 19,093,750 | 19,093,750 |
| Equity shares to be issued | | 1,378,405 | 1,295,705 |
| Retained earnings | | (7,372,552) | (6,513,422) |
| **Total equity** | | 28,698,819 | 29,287,824 |

The financial statements were approved by the Board of Directors and authorised for issue on 4 April 2011
They were signed on its behalf by:

Robert Zimmer
**Director**

Dimitri Dimitriou
**Director**

# Company Statement of Comprehensive Income

for the year ended 31 December 2010

| | Year ended 31 December 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|
| Loss for the financial year | (978,200) | (1,399,224) |
| Total comprehensive income for the period | (978,200) | (1,399,224) |

# Company Statement of Changes in Equity

for the year ended 31 December 2010

| | Share capital £ | Share premium £ | Merger reserve £ | Equity shares to be issued £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|---|---|
| At 1 January 2009 | 7,748,118 | 5,486,985 | 19,093,750 | 3,186,649 | (5,212,748) | 30,302,754 |
| Total comprehensive income for the year | - | - | - | - | (1,399,224) | (1,399,224) |
| New issue of equity capital | 36,500 | 118,625 | - | - | - | 155,125 |
| Share based payments | - | - | - | 229,169 | - | 229,169 |
| Share option exercise | | - | - | (98,550) | 98,550 | - |
| Exercise of warrants | 324,528 | 1,697,035 | - | (2,021,563) | - | - |
| At 31 December 2009 | 8,109,146 | 7,302,645 | 19,093,750 | 1,295,705 | (6,513,422) | 29,287,824 |
| Total comprehensive income for the year | - | - | - | - | (978,200) | (978,200) |
| New issue of equity capital | 44,100 | 143,325 | - | - | - | 187,425 |
| Share based payments | - | - | - | 201,770 | - | 201,770 |
| Share option exercise | | - | - | (119,070) | 119,070 | - |
| At 31 December 2010 | 8,153,246 | 7,445,970 | 19,093,750 | 1,378,405 | (7,372,552) | 28,698,819 |
| Attributable to:- | | | | | | |
| Equity holders of the parent company | 8,153,246 | 7,445,970 | 19,093,750 | 1,378,405 | (7,372,552) | 28,698,819 |

# Company Statement of Cash Flows

for the year ended 31 December 2010

| | Notes | Year ended 31 December 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|---|
| **Cash flows used in operating activities** | | | |
| Cash used in operations | 20 | (2,087,364) | (611,385) |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 11 | (8,885) | (2,179) |
| Additions to fixed asset investments | 12 | (88,203) | - |
| Finance income | | 2,699 | 10,120 |
| Net cash (used in)/generated from investing activities | | (94,389) | 7,941 |
| **Financing activities** | | | |
| Repayment of loans by subsidiary | | 35,399 | 927,821 |
| Net proceeds from issue of share capital | | 187,425 | 155,125 |
| Net cash generated from financing activities | | 222,824 | 1,082,946 |
| Net (decrease)/increase in cash and cash equivalents | | (1,958,929) | 479,502 |
| Cash and cash equivalents at beginning of period | 14 | 3,853,071 | 3,373,569 |
| **Cash and cash equivalents at end of period** | 14 | 1,894,142 | 3,853,071 |

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

## 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 2006.

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

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 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, where available, 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:-

- IAS 24 (revision) – Related Party Disclosures
- Amendments to IFRIC 14 and IAS19 – Prepayments of a minimum funding requirement
- IFRS 9 - Financial Instruments (*)
- Improvements to IFRS (May 2000) (*)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

(*) not yet endorsed by EU

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 2010 and present comparative information for the year ended 31 December 2009.

The Group's financial statements incorporate the financial statements of ImmuPharma plc and other entities controlled by the company ('the subsidiaries'). 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.

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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 1 Accounting policies (continued)

### Revenue

**i) Licence revenues**

Product licence transactions typically have an initial upfront payment, and the potential for further payments conditional on achieving specific milestones, plus royalties on product sales. Where the initial fee paid is received in connection with product licensing agreements and where such fees are non-refundable and not creditable against future royalty payments, such fees are recognised as operating revenue. When the Group receives milestone payments for achieving predefined targets during pre-clinical and clinical development, these milestone payments are recognised as operating revenue when receivable (i.e. on achievement of the pre-defined target). The Group is entitled to royalties on commercial sales of Lupuzor.

**ii) Grant income**

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

**i) Income statement**

The presentational and functional currency of ImmuPharma Plc 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.

**ii) Presentational change in respect of the income statement**

The Directors have considered the accounting policy with respect to the treatment of foreign exchange gains and losses on foreign currency cash balances and consider it appropriate to change the policy to reflect such foreign exchange gains and losses within Finance Income and Finance Costs respectively rather than within Administrative Expenses. The Directors consider that this presentation provides more relevant information about the group's financial performance. This adjustment has decreased Administrative Expenses and increased Finance Costs for the period ended 31 December 2009 by £1,257,212. This has had no impact on the profit for the year ended 31 December 2009 or on the total equity of the group as at that date.

**iii) Translation reserve**

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 cumulative 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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 1 Accounting policies (continued)

### Investments in subsidiaries

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

### Intangible assets

Research expenditure is charged to the income statement in the period in which it is incurred.

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

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

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

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

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

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

### Property, plant and equipment

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

Fixtures, fittings and equipment: 2 – 5 years

### Impairment of tangible and intangible assets

At each balance sheet date, the 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, in the Income Statement.

### 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 2009 and 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.

### Provisions

In respect of National Insurance contributions on share option 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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 1 Accounting policies (continued)

### Equity

Share capital is determined using the nominal value of shares that have been issued.

The Share premium account includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from the Share premium account, net of any related income tax benefits.

The Merger reserve represents the difference between the nominal value and the market value at the date of issue of shares issued in connection with the acquisition by the Group of an interest in over 90% of the share capital of another company.

The Acquisition reserve includes those adjustments arising on reverse acquisition of the Company by ImmuPharma (UK) Limited.

Foreign currency translation differences are included in the Translation reserve.

Equity-settled share-based payments are credited to the Equity shares to be issued reserve as a component of equity until related options or warrants are exercised.

Retained earnings includes all current and prior period results as disclosed in the income statement.

### 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 when issued by the Group is recorded at the proceeds received, net of direct issue costs.

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

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. Royalty expense obligations that are contingent on the receipt of licensing revenues from products where there is significant uncertainty regarding the generation of future economic benefits as a result of regulatory and other constraints such that no reliable estimate can be made regarding the potential financial asset or financial liability arising from the contractual obligations in place are only recognised upon receipt of the related licensing revenues. This policy is only adopted where the terms of the contractual obligations are such that it is clear that there will be no net cash outflow from the Group. Obligations of this nature are reviewed by the Group on an annual basis.

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.

## 2 Financial risk management

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

### Financial risk factors

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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 2 Financial risk management (continued)

a) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Sterling, the Euro and the US dollar. 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.

## 3 Segment information

- Group

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. In accordance with IFRS 8, the chief operating decision maker has been identified as the Board of Directors. They review the Group's internal reporting in order to assess performance and allocate resources. The Board of Directors considers that the business comprises a single activity, being the development and commercialisation of pharmaceutical products. Therefore, the Group is organised into one operating segment and there is one primary reporting segment. The segment information is the same as that set out in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows.

In February 2009 Cephalon Inc exercised its option to license the exclusive worldwide rights to Lupuzor and made a non refundable payment of $30 million to the Group (disclosed as "Revenue"), in addition to the non refundable upfront option payment of $15 million made in November 2008. Under the terms of the licence agreement, the Group is entitled to various future cash milestone payments and royalties on commercial sales of Lupuzor. Cephalon Inc will be responsible for all future costs and activities, including Phase III clinical trials, regulatory filing and the subsequent commercialisation and sale of the product worldwide. Revenue of £nil (2009: £21,858,617) relates to product licensing, all of which is generated from customers based in the United States of America. Grant income of £32,462 (2009: £195,927) relates to grants received from the French government. All revenues originate in France.

Under the terms of the licence arrangement in place with Centre National Recherche Scientifique (CNRS), upon Cephalon Inc exercising its option in connection with the exclusive license agreement referred to above, the Group is obliged to make payments up to 15% of the payments received from Cephalon Inc. The amounts arising under the agreement to date were paid in 2009 and 2010.

Loss before taxation of £1,526,029 (2009: Profit £10,418,080) originates in France, with losses before taxation of £947,200 (2009: £1,309,311) and £360 (2009: £7,943) originating in the United Kingdom and Switzerland respectively.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 4 Staff costs

- Group

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

| | Year ended 31 December 2010 No. | Year ended 31 December 2009 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 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|
| Wages and salaries | 1,477,780 | 3,190,830 |
| Social security costs | 117,212 | 308,380 |
| Share-based payment | 201,770 | 229,169 |
| | 1,796,762 | 3,728,379 |

### Directors' emoluments

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

| | Year ended 31 December 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|
| Fees | 162,008 | 114,336 |
| Salaries and benefits | 998,551 | 2,794,188 |
| | 1,160,559 | 2,908,524 |

Please refer to information in the Directors Report in respect for amounts paid to individual directors.

Refer to note 21 for details of amounts paid to related parties in lieu of directors fees and bonus payments.

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

| | Year ended 31 December 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|
| Salaries and benefits | 389,320 | 1,268,254 |
| | 389,320 | 1,268,254 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 4 Staff costs (continued)

- Group

**Directors' emoluments (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 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|
| Short-term employee benefits (salaries and benefits) | 1,215,408 | 2,989,542 |
| Share based payments | 164,435 | 164,435 |
| | 1,379,843 | 3,153,977 |

## 5 Operating (Loss)/profit

- Group

| | Year ended 31 December 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|
| **Operating (loss)/profit is stated after charging/(crediting):** | | |
| Share based payments charge | 201,770 | 229,169 |
| Employers National Insurance provision in respect of share based payments charge | (40,026) | 127,721 |
| Depreciation of property, plant and equipment | | |
| - owned | 9,586 | 6,947 |
| Amortisation of intangible assets | | |
| - patents | 32,296 | 32,346 |
| Services provided by Company auditors: | | |
| - Audit services (includes £2,000 re subsidiaries) | 37,500 | 53,480 |
| - Other services relating to taxation | 20,775 | 7,770 |
| - Other services – interim review | 6,900 | 6,750 |
| - Other services relating to share option schemes | - | 1,500 |
| Audit services provided by other auditors | 14,709 | 12,357 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 6 Finance costs

- Group

| | Year ended 31 December 2010 £ | Year ended 31 December 2009 Restated £ |
|---|---|---|
| Interest payable on loans and overdraft | 1,842 | 2,978 |
| Loss on foreign exchange | - | 1,257,212 |
| | 1,842 | 1,260,190 |

## 7 Finance income

- Group

| | Year ended 31 December 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|
| Bank interest receivable | 13,073 | 61,243 |
| Gain on foreign exchange | 1,694,680 | - |
| | 1,707,753 | 61,243 |

## 8 Taxation

- Group

| | Year ended 31 December 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|
| Current tax: | | |
| Corporation tax | (495,312) | 997,448 |
| Total current tax (credit)/charge for the year | (495,312) | 997,448 |

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)/profit before tax is as follows:

| | Year ended 31 December 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|
| (Loss)/profit before taxation | (2,473,589) | 9,100,826 |
| Tax on (loss)/profit on ordinary activities (at the average rate 28%) | (692,605) | 2,548,231 |
| Effects of: | | |
| Expenses not allowable for tax purposes | 63,372 | 119,767 |
| Capital allowances in excess of depreciation | 1,709 | (290) |
| Other timing differences | (3,736) | (25,466) |
| Rate differences | 1,128 | (1,423,280) |
| Research and development tax credit | (71,471) | (496,691) |
| Utilisation of losses brought forward | (4,944) | - |
| Current period losses carried forward | 211,235 | 275,177 |
| Current tax charge for year | (495,312) | 997,448 |

As at 31 December 2010, the Group has unused tax losses of £6,600,000 (2009: £5,900,000) 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 in the relevant jurisdictions.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 9 Earnings per share

- Group

| | Year ended 31 December 2010 £ | Year ended 31 December 2009 £ |
|---|---|---|
| **Earnings** | | |
| Earnings for the purposes of basic earnings per share being net profit after tax attributable to equity shareholders | (1,978,277) | 8,103,378 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 81,171,744 | 77,498,096 |
| **Effect of dilutive potential ordinary shares:** | | |
| Share options | - | 2,922,796 |
| Warrants | - | 685,540 |
| | 81,171,744 | 81,608,096 |
| Basic earnings per share | (2.44)p | 10.46p |
| Diluted earnings per share | (2.44)p | 9.99p |

The Group has granted share options in respect of equity shares to be issued, the details of which are disclosed in note 19.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 10 Intangible assets - other

- Group

| | In process research and development £ | Patents £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2009 | 404,095 | 505,899 | 909,994 |
| Exchange rate movements | - | (38,442) | (38,442) |
| Additions | - | 779 | 779 |
| At 1 January 2010 | 404,095 | 468,236 | 872,331 |
| Exchange rate movements | - | (16,153) | (16,153) |
| Additions | - | 2,446 | 2,446 |
| At 31 December 2010 | 404,095 | 454,529 | 858,624 |
| **Amortisation** | | | |
| At 1 January 2009 | - | 100,781 | 100,781 |
| Exchange rate movements | - | (7,501) | (7,501) |
| Charge for the period | - | 32,346 | 32,346 |
| At 1 January 2010 | - | 125,626 | 125,626 |
| Exchange rate movements | - | (4,238) | (4,238) |
| Charge for the period | - | 32,296 | 32,296 |
| At 31 December 2010 | - | 153,684 | 153,684 |
| **Net book amount** | | | |
| At 31 December 2010 | 404,095 | 300,845 | 704,940 |
| At 31 December 2009 | 404,095 | 342,610 | 746,705 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 11 Property, plant and equipment

- Group

| | Fixtures, fittings and equipment £ |
|---|---|
| **Cost** | |
| At 1 January 2009 | 43,195 |
| Exchange rate movements | (1,752) |
| Additions | 3,611 |
| At 1 January 2010 | 45,054 |
| Exchange rate movements | (783) |
| Additions | 76,316 |
| At 31 December 2010 | 120,587 |
| **Depreciation** | |
| At 1 January 2009 | 29,876 |
| Exchange rate movements | (1,105) |
| Charge for the period | 6,947 |
| At 1 January 2010 | 35,718 |
| Exchange rate movements | (1,509) |
| Charge for the period | 9,586 |
| At 31 December 2010 | 43,795 |
| **Net book amount** | |
| At 31 December 2010 | 76,792 |
| At 31 December 2009 | 9,336 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 11 Property, plant and equipment (continued)

- Company

| | Fixtures, fittings and equipment £ |
|---|---|
| **Cost** | |
| At 1 January 2009 | 5,191 |
| Additions | 2,179 |
| At 1 January 2010 | 7,370 |
| Additions | 8,885 |
| At 31 December 2010 | 16,255 |
| **Depreciation** | |
| At 1 January 2009 | 1,618 |
| Charge for the period | 1,038 |
| At 1 January 2010 | 2,656 |
| Charge for the period | 3,251 |
| At 31 December 2010 | 5,907 |
| **Net book amount** | |
| At 31 December 2010 | 10,348 |
| At 31 December 2009 | 4,714 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 12 Fixed asset investments

- Company

| | Shares in subsidiary undertakings £ |
|---|---|
| **Cost and net book amount** | |
| At 31 December 2009 | 24,968,750 |
| Additions | 88,203 |
| At 31 December 2010 | 25,056,953 |

Details of the Company's subsidiaries are as follows:

| Name of company | Holding | % voting rights and shares held | Nature of business & country of incorporation |
|---|---|---|---|
| ImmuPharma (UK) Limited | Ordinary | 100 | Holding company – United Kingdom |
| ImmuPharma (France) SA (*) | Ordinary | 100 | Pharmaceutical research and development – France |
| ImmuPharma AG (*) | Ordinary | 100 | Pharmaceutical research and development – Switzerland |
| Ureka SARL | Ordinary | 99.8 | Pharmaceutical research and development – France |

(*) held by a subsidiary undertaking

On 2 March 2010, ImmuPharma (UK) Limited entered into a Members Voluntary Liquidation. As at 31 December 2010, the liquidation had yet to complete, but is due to do so during the course of 2011.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 13 Trade and other receivables

| | Group 31 December 2010 £ | Group 31 December 2009 £ | Company 31 December 2010 £ | Company 31 December 2009 £ |
|---|---|---|---|---|
| Amounts owed by group undertakings | - | - | 1,538,958 | 1,801,737 |
| Trade debtors | 22,228 | 3,245 | - | - |
| Other debtors | 581,929 | 1,351,492 | 446,420 | 327,696 |
| Taxation | 543,773 | - | - | - |
| Prepayments and accrued income | 29,691 | 6,721 | 29,039 | 5,416 |
| | 1,177,621 | 1,361,458 | 2,014,417 | 2,134,849 |

The Group's and the Company's credit risk is primarily attributable to its other debtors, which includes £41,784 (2009: £931,038) recoverable TVA in respect of ImmuPharma (France) SA. 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 £15,644,860 (2009: £22,535,475), consisting of trade and other receivables of £51,919 (2009: £9,966) and cash and cash equivalents of £15,592,941 (2009: £22,525,509).

The total carrying amount of loans and receivables for the Company is £3,462,139 (2009: £5,660,224), consisting of trade and other receivables of £1,567,997 (2009: £1,807,153) and cash and cash equivalents of £1,894,142 (2009: £3,853,071).

## 14 Cash and cash equivalents

| | Group 31 December 2010 £ | Group 31 December 2009 £ | Company 31 December 2010 £ | Company 31 December 2009 £ |
|---|---|---|---|---|
| Cash and cash equivalents | 15,592,941 | 22,525,509 | 1,894,142 | 3,853,071 |

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 0.0% and 0.5%.

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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 15 Financial liabilities – borrowings

- Group

| | 31 December 2010 £ | 31 December 2009 £ |
|---|---|---|
| Total borrowings within one year comprises: | | |
| Bank overdraft | 1,173 | 2,206 |
| Loans | 34,859 | 30,343 |
| | 36,032 | 32,549 |
| Total borrowings after more than one year comprises: | | |
| Loans | 771,208 | 425,671 |
| | 771,208 | 425,671 |

Please refer to note 23 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 £25,707 (2009: £26,604) on which interest is payable at 4% per annum.

Included within loans repayable between 1-2 years is an amount of £nil (2009: £26,605) on which interest is payable at 4% per annum.

Included within loans repayable between 2-5 years is an amount of £771,208 (2009: £399,606) on which no interest is payable. The loan is a conditional advance from the French Government and will be repaid if not used against relevant research and development. The full amount is repayable if the relevant research and development is deemed successful. A reduced amount will be repayable if the relevant research and development is deemed unsuccessful.

## 16 Trade and other payables

| | Group 31 December 2010 £ | Group 31 December 2009 £ | Company 31 December 2010 £ | Company 31 December 2009 £ |
|---|---|---|---|---|
| Trade payables | 389,124 | 3,814,641 | 33,012 | 31,100 |
| Amounts owed to group undertakings | - | - | - | 227,380 |
| Other taxes and social security | 148,572 | 155,107 | 12,309 | 87,705 |
| Accruals and deferred income | 102,384 | 1,336,912 | 97,217 | 1,152,846 |
| | 640,080 | 5,306,660 | 142,538 | 1,499,031 |

Trade payables includes a royalty expense of £nil (2009: £2,779,913) due to Centre National Recherche Scientifique (CNRS) in respect of product licensing revenues recognised by ImmuPharma (France) SA for the year ended 31 December 2009. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 17 Provisions

| | Company 31 December 2010 £ | Company 31 December 2009 £ |
|---|---|---|
| At 1 January | 174,529 | 46,808 |
| Amount (credited)/charged during the year | (40,026) | 127,721 |
| At 31 December | 134,503 | 174,529 |

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 19).

## 18 Share Capital

| | Group and Company Called up, issued and fully paid 31 December 2010 | | Group and Company Called up, issued and fully paid 31 December 2009 | |
|---|---|---|---|---|
| | Number of shares | £ | Number of shares | £ |
| Ordinary shares of 10p each | 81,532,463 | 8,153,246 | 81,091,463 | 8,109,146 |

On 12 October 2010, 441,000 new ordinary 10p shares were issued for a cash consideration of £187,425.

## 19 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 2010, there have been three 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.

The share options having a grant date of 4 February 2009, with an Unapproved aspect, have an exercise price of £0.865 for all of the options. 780,000 of the options are exercisable at any time between 3 February 2012 (the vesting date) and 10 years from the date of grant (4 February 2009), 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 150,000 of the options are exercisable at any time between 4 February 2009 (the grant and vesting date) and 10 years from the date of grant.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 19 Share based payments (continued)

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

| | Number of share options | Weighted average exercise price (£) |
|---|---|---|
| Outstanding as at 1 January 2009 | 3,545,000 | 0.515 |
| Exercisable as at 1 January 2009 | 50,000 | 0.515 |
| Granted on 4 February 2009 | 930,000 | 0.865 |
| Exercised | (365,000) | 0.425 |
| Outstanding as at 31 December 2009 | 4,110,000 | 0.602 |
| Exercisable as at 31 December 2009 | 2,450,000 | 0.602 |
| Exercised during the year ended 31 December 2010 | (441,000) | 0.425 |
| Outstanding as at 31 December 2010 | 3,669,000 | 0.623 |
| Exercisable as at 31 December 2010 | 2,889,000 | 0.602 |

The options outstanding as at 31 December 2010 had a weighted average remaining contractual life of 6.5 years.

The value of the options has been derived by using a Black Scholes pricing model for the options granted on 4 February 2009 and 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 4 February 2009 | Options granted on 31 July 2007 | Options granted on 16 February 2006 |
|---|---|---|---|
| Share price at grant date | £0.865 | £0.768 | £0.425 |
| Exercise price | £0.865 | £0.768 | £0.425 |
| Volatility | 60% | 55% | 46 - 55% |
| Expected life | 5 years | 3 years | 7 years |
| Risk free rate | 3.5% | 4.17% | 4.17% |
| Expected dividend yield | 0% | 0% | 0% |

Expected volatility, for the 4 February 2009 options, was determined by calculating the historical volatility of the company's share price to the date of grant over a 4 year period. For the options granted on 31 July 2007 and 16 February 2006, expected volatility was determined by calculating the historical volatility of 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 4 February 2009 as calculated above is £435,426. Of this amount, £145,275 (2009: £131,705) has been charged in the financial statements for the year ended 31 December 2010. The total charged to date is £276,980 (2009: £131,705) and the remaining £158,446 (2009: £303,721) will be charged in the financial statements over the years ending 31 December 2011 and 2012.

The total value of the options granted on 31 July 2007 as calculated above is £292,392 and as at 31 December 2010, all of this amount has been charged in the financial statements. Of this amount, £56,495 (2009: £97,464) has been charged in the financial statements for the year ended 31 December 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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 20 Cash used in operations

| | Group 31 December 2010 £ | Group 31 December 2009 Restated £ | Company 31 December 2010 £ | Company 31 December 2009 Restated £ |
|---|---|---|---|---|
| Operating (loss)/profit | (4,179,500) | 10,299,773 | (1,034,708) | (2,061,980) |
| Depreciation and amortisation | 41,882 | 40,739 | 3,251 | 1,038 |
| Share-based payments | 201,770 | 229,169 | 201,770 | 229,169 |
| Decrease/(increase) in trade and other receivables | 710,366 | (1,284,377) | (142,347) | (321,342) |
| (Decrease)/increase in trade and other payables | (4,606,209) | 4,322,235 | (1,129,113) | 761,373 |
| (Decrease)/increase in provisions | (40,026) | 127,721 | (40,026) | 127,721 |
| Gain/(loss) on foreign exchange | 1,694,680 | (1,257,212) | 53,809 | 652,636 |
| Cash (used in)/generated from operations | (6,177,037) | 12,478,048 | (2,087,364) | (611,385) |

## 21 Related party transactions

a) Group

D Dimitriou receives part of his remuneration through a consultancy company owned by him, Dragon Finance AG. During the year ImmuPharma AG was charged £169,290 (31 December 2009: £803,560) for the provision of management services by Dragon Finance AG. At 31 December 2010 ImmuPharma AG owed £nil (31 December 2009: £532,089) to Dragon Finance AG. D Dimitriou is a director of ImmuPharma France SA and ImmuPharma Plc. £169,290 (31 December 2010: £271,471) was charged in lieu of directors fees for the year and £nil (31 December 2009: £532,089) was charged in lieu of bonus payments due for the year ended 31 December 2010. All amounts received by D Dimitriou via Dragon Finance AG are incorporated in the remuneration table in the Directors Report on page 23.

During the year, an amount of £60,000 (31 December 2009: £nil) was paid to A Agrawal in respect of consultancy services provided to ImmuPharma (France) SA.

During the year, an amount of £68,003 (31 December 2009: £63,850) was paid to the wife of Dr R Zimmer in respect of services provided to ImmuPharma (France) SA.

b) Company

The balance due to the company from ImmuPharma UK Limited at 31 December 2010 was £635,829 (31 December 2009: £635,829). No interest is receivable.

The balance due to the company from ImmuPharma (France) SA at 31 December 2010 was £903,129 (31 December 2009: £1,165,908). During the year ended 31 December 2010, management charges of £903,129 (31 December 2009: £2,077,710) were rendered by ImmuPharma Plc to ImmuPharma (France) SA.

The balance due by the company to ImmuPharma AG at 31 December 2010 was £nil (31 December 2009: £227,380). During the year ended 31 December 2010, management charges of £194,134 (31 December 2009: £322,029) were rendered by ImmuPharma AG to ImmuPharma Plc.

## 22 Subsequent events

On 6 January 2010 Elro Pharma SARL, a 99.8% owned subsidiary of ImmuPharma Plc, was incorporated in France.

On 6 January 2010 ImmuPharma Research SARL, a 99.8% owned subsidiary of ImmuPharma Plc, was incorporated in France.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 23 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.

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 2010** | | | |
| 6 months or less | 640,080 | 23,693 | 663,773 |
| 6 – 12 months | - | 13,368 | 13,368 |
| 1 – 2 years | - | - | - |
| 2 – 5 years | - | 771,208 | 771,208 |
| Total contractual cash flows | 640,080 | 808,269 | 1,448,349 |
| Carrying amount of financial liabilities measured at amortised cost | 640,080 | 807,240 | 1,447,320 |

| | Trade payables £ | Borrowings £ | Total £ |
|---|---|---|---|
| **At 31 December 2009** | | | |
| 6 months or less | 5,306,660 | 20,319 | 5,326,979 |
| 6 – 12 months | - | 14,374 | 14,374 |
| 1 – 2 years | - | 27,768 | 27,768 |
| 2 – 5 years | - | 399,067 | 399,067 |
| Total contractual cash flows | 5,306,660 | 461,528 | 5,768,188 |
| Carrying amount of financial liabilities measured at amortised cost | 5,306,660 | 458,220 | 5,764,880 |

**Company**

The Company's only financial liabilities comprise trade payables with a carrying amount equal to gross cash flows payable of £142,538 (2009: £1,499,031), all of which are payable within 6 months.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 23 Financial instruments (continued)

### Interest rate risk

**Group**

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise cash and cash equivalents denominated in Sterling, the Euro and the US dollar 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 year or the previous year.

During the year, the Group's cash and cash equivalents earned interest at a variable rate between 0.0% and 0.5% (2009: 0.5% and 2.5%).

As at 31 December 2010, if LIBOR had increased by 0.5% with all other variables held constant, the post-tax profit and equity would have been higher by £100,000 (2009: £115,000). 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 £100,000 (2009: £115,000).

Details of the terms of the Group's borrowings are disclosed in note 15.

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.

**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 0.0% and 0.5% (2009: 0.5% and 2.5%).

As at 31 December 2010, 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 £13,000 (2009: £19,000). 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 £13,000 (2009: £19,000).

### Foreign exchange rate risk

**Group**

The Group is exposed to foreign exchange rate risk as a result of having cash balances in Euros and US$ 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 2010, 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 £910,000 (2009: £786,000). 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 £910,000 (2009: £786,000).

As at 31 December 2010, if the US$ had weakened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been lower by £983,000 (2009: £2,333,000). Conversely, if the US$ had strengthened 10% against Sterling with all other variables held constant, the post tax profit and equity would have been higher by £983,000 (2009: £2,333,000).

# Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

## 23 Financial instruments (continued)

### Company

The Company is exposed to foreign exchange rate risk through the payment of non Sterling amounts and as a result of having cash balances in Euros and US$. 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.

As at 31 December 2010, if the US$ had weakened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been lower by £104,000 (2009: £103,000). Conversely, if the US$ had strengthened 10% against Sterling with all other variables held constant, the post tax profit and equity would have been higher by £104,000 (2009: £103,000).

As at 31 December 2010, 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 £80,000 (2009: £103,000). 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 £80,000 (2009: £103,000).

# 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 UK 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. In September 2010, the Quoted Companies Alliance published *Corporate Governance Guidelines for Smaller Quoted Companies* to guide the corporate governance policies of those smaller companies for which the full UK Combined Code would be inappropriate. The Company finds that these guidelines provide a useful basis from which to describe its corporate governance practices.

In the table below, details of the Board of Directors are summarised:

| Name | Title | Independent | Committee Memberships |
|---|---|---|---|
| Mr Richard Warr | Chairman | | |
| Mr Dimitri Dimitriou | Chief Executive Officer | | |
| Dr Robert Zimmer | President and Chief Scientific Officer | | |
| Dr Franco di Muzio | Senior Non-Executive Director | X | Audit, Remuneration |
| Dr Ajay Agrawal | Non-Executive Director | X | Audit, Remuneration |

Brief biographies of each director are set out on page 17. The Company believes that the skills and experience of each director are of the appropriate mix to provide effective governance and management of the business. The Board is supported by the Company Secretary, Tracy Weimar, who is not a director.

The Board considers the two non-executive directors to be independent and to represent the interests of shareholders. Both independent directors have considerable relevant experience to sufficiently question and hold the executive directors to account.

The Board meets regularly throughout the year with all decisions concerning the direction and control of the business made by a quorum of the Board. The Board met 11 times during 2010 with the attendance records of the directors as follows:

Mr Richard Warr, Chairman – 8/11

Mr Dimitri Dimitriou, Chief Executive Officer - 11/11

Dr Robert Zimmer, President and Chief Scientific Officer – 10/11

Dr Franco di Muzio, Senior Non-Executive Director – 10/11

Dr Ajay Agrawal, Non-Executive Director – 9/11

The principal control mechanisms agreed by the Board are the Medium Term Business Plan and the Annual Budget for expenditure. These items are discussed by the Board on a regular basis.

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 and are laid out in detail in pages 58-60. They concern mainly the control and timely progress of clinical trials and the obtaining of regulatory approval and profitable agreements with other parties, with adequate financial resources to achieve these objectives.

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

The Board seeks to promote efficient and effective shareholder communication. The Company meets with its institutional shareholders and analysts as appropriate and holds its Annual General Meeting to facilitate communication with shareholders. Information is further provided in the form of the Annual Report and Accounts, the Interim Statement and its website.

# Corporate Governance (continued)

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 2010, carried out a formal review of internal financial controls in view of the small size of the Board and employees. The Group's financial reporting arrangements are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

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

## Remuneration Committee

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

The committee has formal terms of reference and meets at least twice a year. It is the duty of the committee, inter alia, to determine and agree with the Board the framework or broad policy for the remuneration of the Company's executive board members. 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. No bonuses were paid to directors during 2010.

The Group is in the process of implementing a patent incentive scheme which is open to all employees and is designed to encourage the creation of novel patents that will bring future economic benefits to the Group.

Further details of remuneration paid during the year to 31 December 2010 are shown in the Directors Report and in the Notes to the Accounts.

# Risk Factors

Investors and potential investors are reminded 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 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 continuity of profits

While ImmuPharma has been successful in licensing Lupuzor™ in 2009 which resulted in revenue of £22m during that year, in common with most comparable businesses in the biotechnology/pharmaceutical sector, ImmuPharma has not been consistently profitable. The Directors expect it to incur additional losses for the near future as its research and development efforts progress. To become consistently 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 commercialisation of its drug candidates or continue its research and development programs.

## Uncertainty of capital requirements and availability of funds

The 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 Group may need to raise additional capital to complete the development and commercialisation 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 later-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 candidate 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 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.

# Risk Factors (continued)

## Competition
ImmuPharma's competitors include amongst others, major pharmaceutical, biotechnology and healthcare companies with substantially greater resources than those of the 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.

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

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

## Patents
The commercial success of ImmuPharma depends to a great extent upon its ability to obtain patent protection for its products in Europe, the US and other countries and to preserve the confidentiality of its know-how. The successful commercialisation of its products, whether by itself or by third parties, as licensees or collaborators, is largely dependent on the extent of the intellectual property protection obtained. No assurance is given that ImmuPharma will develop products that are patentable, or that patents will be sufficiently broad in their scope to provide protection for ImmuPharma's intellectual property rights and exclude competitors with similar technology. The commercial success of ImmuPharma is dependent, in part, on non-infringement of patents granted to third parties. Competitors or potential competitors may have filed applications, or may have been granted or may obtain patents that may relate to products competitive with those of ImmuPharma. If this is the case then ImmuPharma may have to obtain appropriate licences under these patents or cease and/or alter certain activities or processes, or develop or obtain alternative technology. There can be no assurance that, if any licences are required, ImmuPharma will be able to obtain any such licences on commercially favourable terms, if at all.

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

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

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

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

# Risk Factors (continued)

## 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 realise. 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 realise 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.

If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the 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 2011 Annual General Meeting of ImmuPharma plc

(The "Company")

NOTICE IS HEREBY GIVEN that the 2011 Annual General Meeting of the Company will be held at the offices of Bircham Dyson Bell LLP, 50 Broadway, London, SW1H 0BL on 19 May 2011 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 2010 together with the reports thereon of the directors and auditors of the Company.
2. To reappoint Mr Dimitri Dimitriou as a director of the Company.
3. To reappoint Dr Ajay Agrawal as a director of the Company.
4. To reappoint Nexia Smith & Williamson Audit Limited as the auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting at which the accounts are laid before the Company at a remuneration to be determined by the directors.

## SPECIAL BUSINESS

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

5. That the directors be and they are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares in the Company up to a maximum nominal amount of £2,717,749 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 shares to be allotted after the expiry of such period and the directors may allot shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for any existing like authority which is hereby revoked with immediate effect.
6. That the directors be and they are hereby empowered pursuant to section 571 of the Act to allot equity securities (as defined in section 560 of the Act) pursuant to the authority conferred upon them by Resolution 5 above as if section 561 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) Otherwise than pursuant to sub-paragraph (a), equity securities up to an aggregate nominal amount of £815,325.

   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. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by Resolution 5 above" were omitted.

Date: 4 April 2011
Registered Office: 50 Broadway
London
SW1H 0RG

BY ORDER OF THE BOARD

Tracy Weimar
Secretary

# Notice of the 2011 Annual General Meeting of ImmuPharma plc (continued)

(The "Company")

NOTES:

Entitlement to vote

1. Only those members registered on the Company's register of members at 6.00 pm on the day falling two days prior to the date of the Meeting (or if this Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting) shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. 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.

3. 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.

4. 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 the proxy you received. 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.

5. 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.

6. 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; and
   - received by Computershare Investor Services plc no later than 48 hours before the time fixed for the Meeting (or any adjourned meeting as the case may be).

   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

7. 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

8. 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

9. 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 48 hours before the time fixed for the Meeting (or any adjourned meeting as the case may be).

   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.

# Notice of the 2011 Annual General Meeting of ImmuPharma plc (continued)

(The "Company")

### Corporate representatives

10. 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

    (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.

### Issued share capital and voting rights

11. On 4 April 2011, the Company's authorised issued share capital comprised 81,532,463 ordinary shares of 10p each. Each ordinary share carries the right to one vote at the AGM and, therefore, the total number of voting rights in the Company on 4 April 2011 is 81,532,463.

### Documents on display

12. The following documents will be available for inspection at 50 Broadway, Westminster, London SW1H 0BL from the date of this Notice until the time of the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting:

    (i) copies of the service contracts of executive directors of the Company; and

    (ii) copies of the letters of appointment of the non-executive directors of the Company.

### Electronic communication

13. You may not use any electronic address provided either in this notice of AGM or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated. If you have any general queries about the AGM please send all communications by post to the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY and no other methods of communication will be accepted.

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