



ImmuPharma plc
Report and Consolidated Financial Statements
For the Year Ended 31 December 2018

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Chairman's Report

Chairman's Report

The first half of 2018 saw the completion and reporting of results of the Company's pivotal phase III clinical trial for Lupuzor™. Whilst it was disappointing not to have achieved overall statistical significance in the full set of patients, it was promising to see that Lupuzor™ plus Standard of Care demonstrated a superior response rate over placebo plus Standard of Care and an even more superior response in patients with positive anti-dsDNA biomarkers which reached statistical significance in the Europe cohort. For the remainder of 2018, our focus for Lupuzor™ was on the Open Label Extension study, the planning of a Managed Access Program as well as discussions with potential partners. Further, we were pleased with the successful completion of a £10 million (before expenses) fundraising in January 2018.

Lupuzor™

Lupuzor™, ImmuPharma's lead program for the treatment of lupus completed its Phase III clinical trial in January 2018 which involved patients in the US, Europe and Mauritius.

The Phase III trial was a double-blind, randomised, placebo-controlled trial. The study involved patients being dosed for one year, receiving 0.2mg once per month subcutaneously. 293 patients were screened illustrating the demand from physicians for a new, safe and effective treatment for lupus. Of these, the required 202 patients were successfully recruited and randomised (dosed). Patients participated in the trial in seven countries across 28 sites.

The clinical trial was undertaken primarily by Simbec-Orion, an international clinical research organisation, which specialises in rare and orphan conditions and has previous direct experience in lupus trials. This was a pivotal study designed to demonstrate the safety and efficacy of Lupuzor™ as part of the Special Protocol Assessment (SPA) from the US Food and Drug Administration (FDA).

Lupuzor™ Phase III Top Line Results

Lupuzor™ demonstrated a superior response rate over placebo (52.5% vs 44.6% "responders") in the primary analysis on the Full Analysis Set of all 202 patients and an even more superior response in the 153 patients who completed the study (68.8% vs 59.2%). However, due to the high response rate in the placebo plus Standard of Care group, this superior response did not allow statistical significance to be reached, and the trial's primary end point was not met. Importantly, in patients who were anti-dsDNA autoantibody positive (a recognised biomarker for Systemic Lupus Erythematosus ('SLE')), Lupuzor™ plus Standard of Care demonstrated a higher superior response rate over placebo plus Standard of Care (61.5% vs 47.3%). In the European cohort (Europe and Mauritius), the difference was higher (71.1% vs 48.8%) and reached statistical significance ($p=0.218$). In addition, 7.5% of the patients in the Lupuzor™ plus Standard

of Care group went into full remission versus none in the placebo plus Standard of Care group. The study confirmed the outstanding safety profile of Lupuzor™, with zero drug-related serious adverse events reported in the Lupuzor™ plus Standard of Care group.

It is important to note that when reference is made to placebo, there are no patients who were treated just with placebo, but all were receiving other drug treatments. Based on the protocol and the commonly accepted study design, there were two groups of patients: (1) patients receiving Lupuzor™ plus 'Standard of Care' and (2) patients receiving placebo plus 'Standard of Care'. 'Standard of Care' includes treatment with other drugs such as steroids, anti-malarials, methotrexate, etc. The definition of a 'responder' is based on the SLE Responder Index (SRI-4) score, which requires a reduction of at least four points in this score. Therefore, patients who improve by less than four points are counted as non-responders, but also no distinction is made between patients who improve by more than four points, all being equal 'responders'.

Extension Open Label Study

Following requests from both investigators and patients involved in the Phase III trial, ImmuPharma initiated an additional clinical trial permitting patients who participated in the Phase III study, to receive Lupuzor™ plus Standard of Care for six months in an open label study. The results will be gathered as an "extension" open label study, independent of the pivotal Phase III trial and will provide additional data on the safety and efficacy of Lupuzor™. The study has now been completed with results anticipated in Q2 2019.

Lupuzor™ – Opportunity and Next Steps

There are an estimated five million people globally suffering from lupus, with approximately 1.5 million patients in the US, Europe and Japan (Source: Lupus Foundation of America). Current 'standard of care' treatments, including steroids and immunosuppressants, can potentially have either serious side effects for patients or limited effectiveness, with over 60 per cent of patients not adequately treated.

The Company believes Lupuzor™ has the potential to be a novel specific drug therapy for the treatment of Lupus by specifically modulating the immune system and halting disease progression in a substantial proportion of patients. 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. Lupuzor™, taken over the long term, as indicated in earlier stage clinical trials, has the potential to prevent the progression of lupus rather than just treating its symptoms, with the rest of the immune system retaining the ability to work normally.

Chairman's Report (continued)

The Board believes there are still a number of routes to market for Lupuzor™, including potential corporate collaborations. The Company also continues to consult with regulatory advisors on potential pathways to market. The prime objective of any strategy would be to maximise shareholder return.

Lupuzor™ is also being prepared for entry into a Managed Access Programme ('MAP') which would also allow lupus patients early access to Lupuzor™. The commencement of the MAP is dependent on the outcome of ongoing activities surrounding discussions with potential partners and regulatory advisors.

Centre National de la Recherche Scientifique (CNRS)

ImmuPharma continues to have important collaboration arrangements with the Centre National de la Recherche Scientifique (CNRS), the French National Council for Scientific Research and the largest basic research organisation in Europe. This is where Lupuzor™ was invented by Prof. Sylviane Muller, Research Director at the CNRS. This successful and longstanding relationship plays an important role in the progress of ImmuPharma's development pipeline.

Pipeline Overview

Lupuzor™ / Forigerimod / P140 in autoimmune indications
Lupuzor™, is also known by its chemical name 'Forigerimod' or P140. ImmuPharma in conjunction with the CNRS are exploring opportunities on expanding into other autoimmune indications, as demonstrated by Lupuzor™'s strong efficacy and safety profile and by its mechanism of action.

Certain autoimmune indications, outside of lupus, have the potential for Orphan Drug designation. Further assessment continues with the objective of further indications moving into the clinic in due course.

Nucant Program

ImmuPharma's subsidiary Elro SARL ('Elro') holds our cancer Nucant program, IPP-204106, which is focused on combination therapy approaches. ImmuPharma has reviewed different options for progressing this program and is now pursuing a divestment strategy in combination with the Group's Ureka subsidiary. A grant was awarded by the EU to different EU partners (€7 million total with €430k awarded to ImmuPharma) to develop the Nucants in combination with cytotoxic drugs linked to a solid support. The molecule has also shown promising results in ophthalmology (age-related macular degeneration) models.

Peptide Platform

ImmuPharma's subsidiary Ureka SARL ('Ureka') has been developing lead compounds from its novel and patented peptide technology platform Urelix™. Ureka is based at the Institut Europeen de Chimie et Biologie (IECB) in Bordeaux, France which is under the joint authority of the CNRS, Inserm and the University of Bordeaux.

Urelix™ is focusing on oligopeptide foldamers as a tool to improve the pharmaceutical properties of peptides. One of the first focus areas of Ureka has been GLP-1 analogues for the treatment of Type II diabetes and NASH (Non-Alcoholic-Steato-Hepatitis) as proof of concept for its technology. In February 2019, the peer reviewed scientific research journal 'Nature Communications' published a paper on Ureka's technology.



Chairman's Report (continued)

Further applications of the Urelix™ technology include protein/protein interactions, notably in cancer, and improvement of marketed efficacious peptides allowing additional long lasting patent protection paving the way for a life cycle management franchise. Novel patented technologies are also currently implemented to cover other aspects of the improvement of peptides including potential oral delivery. Peptides have gained so much attention in the last decade that they are now part of the main strategies, along with small molecules and biologics, for developing new medicines.

£10 million Fund Raising

In January 2018, the Company announced the completion of a placing of 6,944,445 new ordinary shares of 10p each at a placing price of 144p raising a total of £10 million before expenses. The Company raised the funds in order to further strengthen the Company's financial position as negotiations continue with potential partners for Lupuzor™ and to support further investment in ImmuPharma's earlier stage portfolio.

Incanthera Limited

In September 2018, the Company signed a Heads of Terms agreement with Incanthera Limited regarding a potential collaboration on the Nucant program. At the same time, ImmuPharma invested £2 million to purchase 363,637 shares at £5.50 per share in Incanthera Limited and received warrants for a further 363,637 shares at £5.50. This investment represents a holding of approximately 15% in Incanthera Limited. In May 2019, the Company announced that discussions with Incanthera Limited regarding a potential collaboration had terminated. ImmuPharma remain supportive of Incanthera Limited and its programs and abilities.

Current Activities and Outlook

As a Board, we continue to be excited by ImmuPharma's future potential. Looking at the Lupuzor™ top line data announced in April 2018, the drug demonstrated a superior response rate over placebo with an exceptional safety profile, giving it, we believe, a compelling product profile. We believe Lupuzor™ has the potential to bring a much needed safe treatment to the millions of lupus sufferers around the world. We continue to engage with potential partners and, although no guarantees of a successful outcome can be given at present, we are focused on moving forward with the development and commercialisation of Lupuzor™.

The Company has been exploring its options to license, divest or 'spin-off' the technologies of both Elro and Ureka to unlock their future potential and enhance value to shareholders. The Company's intention is to merge these two subsidiaries, in order to create a stronger combined company with a platform technology together with a drug candidate in clinical development, with a view to securing external investment either from private equity or through a public listing on a European stock exchange or licensing. This, in turn, would allow ImmuPharma to focus on Lupuzor™ and the overall P140 platform for different autoimmune indications. We look forward to providing our shareholders with further updates in due course.

The Board would like to thank its shareholders, both long standing and new for their support as well as its staff, scientific and corporate collaborators including the CNRS, Simbec-Orion and CAP Research.

Tim McCarthy

Non-Executive Chairman





Financial Review

Financial Review

2018 started with a successful share placing which raised £10 million before expenses. Lupuzor™, ImmuPharma's lead drug candidate for the treatment of lupus completed its pivotal Phase III clinical trial and began an Open Label Extension Study.

Income Statement

The operating loss for the year ended 31 December 2018 was £8.1 million, up from £7.2 million for the year ended 31 December 2017. The increase in overall loss was mainly attributable to share-based expense of £1.8 million (2017: £743k) which was attributable to the number of share options granted in 2017. Research and development expenditure was £4.7 million down slightly from £5.1 million in 2017. This reflects the front-loading of a portion of the Lupuzor clinical trial expenses. Administrative expenses were £1.7 million, up from £1.5 million in the year ended 31 December 2017. Finance income was £130k for 2018 which was down from £240k for 2017. For 2017, finance income is mainly attributable to a gain in fair value on the derivative financial asset. Total comprehensive loss for the year was £7.2 million, an increase from £6.2 million in 2017.

Statement of Financial Position

Cash and cash equivalents at 31 December 2018 amounted to £4.9 million (2017: £2.7 million). Financial borrowings were £121k (2017: £260k). This balance is primarily the conditional advance from the French Government for use in the development of our cancer program. No interest is payable. In January 2018, ImmuPharma successfully completed a share placing raising £10 million before expenses.

In September 2018, the Company invested £2.0 million (2017: £nil) in Incanthera Limited (Incanthera) with whom it also entered discussions on a potential collaboration on the Nucant program. The Company purchased 363,637 shares in Incanthera at a price of £5.50 per share. This represents a holding of approximately 15% in Incanthera. The Company was also granted warrants for a further 363,637 shares at £5.50 per share.

As described and emphasised in the auditor's report the carrying value of the Company's interest in its subsidiaries and the group's interest in Incanthera are subject to uncertainty relating to the future development of their underlying assets.

Results

The Group recorded a loss for the year of £7.2 million (2017: £6.2 million). Basic and diluted loss per share was 5.19p (2017: 4.75p). In accordance with the Group's loss making position no dividend is proposed.

January 2018 Placing - £10 million before expenses raised

ImmuPharma strengthened its financial position through a fundraising in January 2018. The Company announced the completion of a placing of 6,944,445 new ordinary shares of 10p each at a placing price of 144p raising a total of £10 million before expenses. The Company raised the funds in order to further strengthen the Company's Statement of Financial Position as negotiations continue with potential partners for Lupuzor™ and to support further investment in ImmuPharma's earlier stage portfolio.

Financial Review (continued)

Total Voting Rights

Following the admission of the shares placed in January 2018 to trading on AIM, the Company has a total of 139,467,430 ordinary shares in issue at 31 December 2018 with each share carrying the right of one vote.

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.

Financial Strategy

The overall strategy is to maintain a tight control over cash resources whilst enabling continued progress of the Company's development assets.

Tracy Weimar

Vice President, Operations and Finance





Strategic Report

Strategic Report

The Board of ImmuPharma plc present their Strategic Report for the Group for the year ended 31 December 2018.

Vision and Values

ImmuPharma is an ethical organisation with the vision to develop novel drugs to treat serious medical conditions, delivering value to patients, medical professionals, healthcare payers and our shareholders.

Business Overview and Prospects

ImmuPharma plc is a drug discovery and development company headquartered in London and listed on the AIM market of the London Stock Exchange (LSE: IMM). Its research operations are in France. 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:

- high unmet medical need;
- low marketing costs; and
- relatively low development costs.

Founded first in Basel, Switzerland in 1999 and led by an experienced management team, ImmuPharma now has important research and development collaboration arrangements with highly respected health and medical research laboratories in Europe.

ImmuPharma's strategy and risk-averse business model is different from many of its peers, and its management team has extensive experience in senior positions in some of the world's leading pharmaceutical companies.

ImmuPharma has adopted an outsourcing model where development activities are assigned to contract research organisations ("CROs"), maintaining low costs. ImmuPharma continues to manage the development of its own assets up to commercialisation, but will also seek collaborative agreements with larger pharmaceutical companies at an earlier stage, where viable.

ImmuPharma is currently developing drug candidates within three platforms each of which would represent a significant breakthrough in its field. Lupuzor™, a potential treatment for the autoimmune chronic inflammatory disease lupus, is ImmuPharma's key product and most advanced drug, having completed a pivotal Phase III trial in early 2018, and which the Directors believe targets a highly unmet market due to the lack of safe and effective treatments currently available. Lupuzor™ was successfully licensed to a US speciality pharmaceutical company, Cephalon, in February 2009 in a US\$500 million licensing deal. In late 2011, following the acquisition of Cephalon by Teva Pharmaceuticals, ImmuPharma regained all rights to Lupuzor™. The other two platforms include candidates addressing cancer, ophthalmology and metabolic disorders. ImmuPharma has approximately 70 patents.

Collaboration with Centre National de la Recherche Scientifique (CNRS)

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

As part of the collaboration arrangements, ImmuPharma has entered into a research agreement with the 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.

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

Strategic Report (continued)

Business Strategy and Objectives

ImmuPharma focuses on developing pioneering and novel drugs in specialist therapeutic areas where there is a distinct lack of existing treatments, avoiding primary care (diseases treated by GPs) where many treatments exist. This is consistent with the trends in the pharmaceutical industry.

Since our foundation, our research strategy has been to work closely with the largest fundamental research organisation in Europe, the CNRS in France. This collaboration enables us to access innovative research with substantial embedded value at a relatively low cost, and to work with many leading scientists and doctors.

Our market strategy is to develop drug candidates to a point where further value can be added by licensing our assets to partners (primarily major pharmaceutical corporations) that are well-placed to further develop and/or commercialise them. Our corporate deal with Cephalon in 2009, for the worldwide rights of our lead drug candidate for the treatment of lupus, Lupuzor™, is one example of this strategy in action.

ImmuPharma's principal business objective is to enhance shareholder value through the development and commercialisation of novel drugs. Its strategies for achieving this objective include:

- pursuing a low cost model of accessing world class research through our collaboration with the CNRS in France;
- selecting specialist therapeutic areas where there are high unmet needs;
- managing the clinical development of novel drug candidates;
- seeking collaborative agreements with partner companies to further the development and commercialisation of novel drug candidates; and
- maintaining a small corporate infrastructure to minimise costs.

As an AIM-listed group with European subsidiaries and operations, ImmuPharma continue to consider and monitor the Brexit process. At this stage of the Group's development, ImmuPharma do not believe that Brexit will significantly impact the Group's operations or plans.



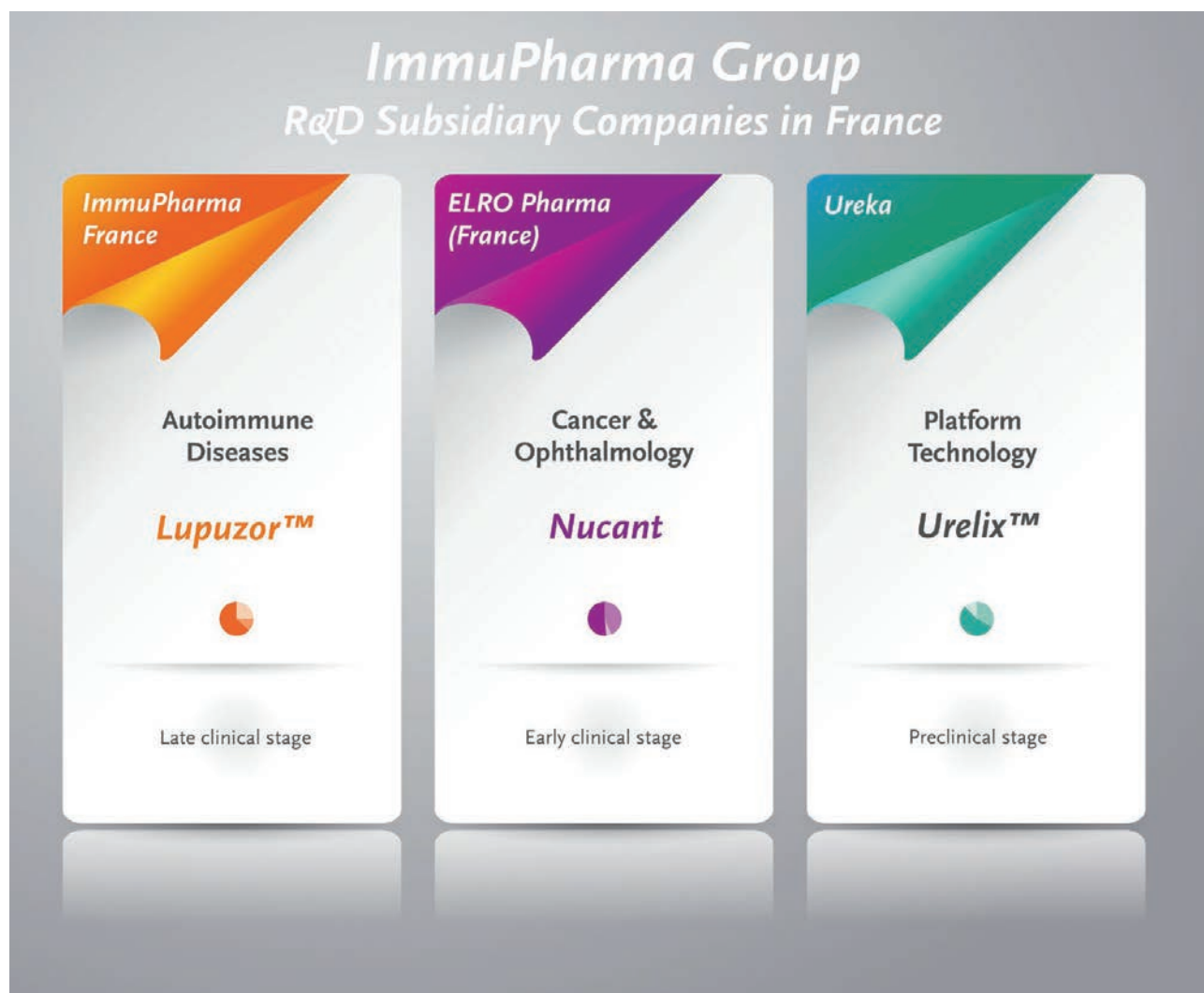
Strategic Report (continued)

Pipeline Overview

ImmuPharma currently has three product development programs covering:

- Autoimmune diseases - Forigerimod/P140 (Lupuzor™);
- Oncology and Ophthalmology - Nucants; and
- Metabolic disorders – Peptide Platform.

Each of these programs and respective drug candidates are proprietary and represent a novel approach to therapy. The Company believes each has significant sales potential if successfully developed.



Strategic Report (continued)

Product Pipeline

P140 Program – Treatment of Lupus and other Autoimmune Diseases

ImmuPharma's lead product candidate, Lupuzor™, also known by its code name 'P140', targets lupus, an autoimmune disease for which there is currently no cure or specific treatment. Lupuzor™ was successfully licensed to Cephalon in February 2009, in which ImmuPharma received upfront payments totalling US\$45 million, with a US\$500 million cash milestone payment structure plus high royalties on future sales. In late 2011, following the acquisition of Cephalon by Teva Pharmaceuticals, ImmuPharma regained all product rights to Lupuzor™.

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

There are an estimated five million people globally suffering from lupus, with approximately 1.5 million patients in the US, Europe and Japan (source: Lupus Foundation of America). Current 'standard of care' treatments, including steroids and immunosuppressants, can potentially have either serious side effects for patients or limited effectiveness, with over 60% of patients not adequately treated. GlaxoSmithKline's Benlysta is the first lupus drug approved in over 50 years and paves the path to market for Lupuzor™. Based on conservative estimates, and taking into account that Benlysta is priced currently at approximately US\$25,000 per patient per year, Lupuzor™ would be entering a market with the potential for multi-billion sales.

ImmuPharma believes that Lupuzor™, which was invented by Professor Sylviane Muller, Chair of Therapeutic Immunology at 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 has demonstrated that Lupuzor™ could leave the rest of the immune system working normally.



Strategic Report (continued)

Product Pipeline (continued)

Lupuzor™ has successfully completed Phase IIb clinical trials demonstrating a response rate of 65% after 3 months treatment and has recently completed a Phase III clinical trial. Lupuzor™ was given a Special Protocol Assessment (SPA) from the US Food and Drug Administration (FDA) to conduct Phase III trials with Fast Track Designation. In 2015, ImmuPharma signed an agreement with Simbec-Orion to complete a pivotal Phase III clinical study of Lupuzor™. Simbec-Orion is a full service international Clinical Research Organisation (CRO) specialising in rare and orphan conditions and has previous direct experience of lupus trials.

The Phase III trial was a double-blind, randomised, placebo-controlled trial. The study involved patients being dosed for one year, receiving 0.2mg once every month subcutaneously. 293 patients were screened illustrating the demand from physicians for a new, safe and effective treatment for lupus. Of these, the required 202 patients were successfully recruited and randomised (dosed). Patients participated in the trial in seven countries across 28 sites. The dosing of patients was completed in January 2018 and top line results announced in April 2018. Details of the trial can also be seen at: <https://clinicaltrials.gov/ct2/show/NCT2504645>.

Nucant Program (IPP-204106) - Treatment of Cancer and Ophthalmology

The Nucant platform (IPP-204106) is a specific family of peptides designed to modulate angiogenesis with application in cancer (modifying the blood supply to the tumour) and ophthalmology (promising results were shown

in models of age-related macular degeneration). The rights for this compound have been obtained through the Group's ongoing research collaboration with the CNRS. Our cancer Nucant program is focused on combination therapy approaches.

Our cancer Nucant program, IPP-204106, is focused on combination therapy approaches and seems to act as a potentiating agent increasing the efficacy of cancer drugs such as cytotoxics by normalising the abnormal and protective vasculature of the tumour and thereby enabling the entry of cancer agents.

In November 2016, ImmuPharma announced that Cancer Research, the prestigious medical journal of the American Association for Cancer Research ("AACR"), published a fundamental scientific paper highlighting the unique mechanism of action of IPP-204106. The publication was entitled "Nucleolin targeting impairs the progression of pancreatic cancer and promotes the normalisation of tumour vasculature" and was authored by a number of researchers working with ImmuPharma. The key findings of the study for this compound (referred to in the paper as N6L) were:

- Nucleolin inhibition is a new anti-cancer therapeutic strategy that has been shown to dually normalise tumour vasculature and reduce its volume.
- As a result, it has the potential to dramatically improve the delivery and efficacy of existing chemotherapeutic drugs, in particular those for difficult-to-treat tumours such as pancreatic cancer.



Strategic Report (continued)

Product Pipeline (continued)

The Group has also been awarded grants to investigate its use in age-related macular degeneration, diabetic retinopathy and other ophthalmological indications.

Peptide Technology Platform - Treatment of Metabolic Disorders

ImmuPharma continues the development of its novel and innovative peptide technology platform through its Ureka subsidiary collaboration with the CNRS, thereby gaining access to pioneering research centred on novel peptide drugs at the University of Bordeaux and the Institut Européen de Chimie et Biologie (IECB). The peptide technology

platform has the ability to mimic protein structures, allowing for the preservation (or enhancement) of function while significantly increasing protein stability. Jointly, ImmuPharma and CNRS have filed a new co-owned patent controlling this breakthrough peptide technology. The first therapeutic area being targeted is diabetes with glucagon-like peptide -1 agonists, a class of drugs for the treatment of diabetes, as well as initiating the development of novel peptides as glucagon antagonists, one of the novel approaches to treat Type I and Type II diabetes. ImmuPharma has received a non-refundable grant of approximately €600,000 to develop this technology.



Strategic Report (continued)

Review of Group Activity

As a drug development company, ImmuPharma does not currently have steady revenues. Its primary focus is to develop drug candidates sufficiently to attract a license partner to further develop and commercialise them. Therefore, at present, ImmuPharma is currently incurring an overall loss for the year ended 31 December 2018 of £7.2 million (2017: £6.2 million). During 2018, research and development expenditure was £4.7 million (2017: £5.1 million) and administrative expenses were £1.7 million (2017: £1.5 million).

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
Successfully find a suitable partner for and/or sufficient funding for the clinical development of Lupuzor™	<ul style="list-style-type: none"> • £10 million of funding before expenses secured through a share placement in January 2018. • Discussions continue to be held with potential partners.
Develop potential product portfolio	<ul style="list-style-type: none"> • Pivotal Phase III Lupuzor™ trial including 202 patients was completed on schedule in early 2018 and results announced in April and May 2018. • Lupuzor™ Open Label Extension study started and now complete. Results expected in Q2 2019. • Collaboration with the European Institute of Chemistry and Biology at the University of Bordeaux continues to develop the Group's peptide technology platform. • Plans to merge Elro (Nucant) and Ureka (Peptide Platform) into a stronger combined company with a view to securing external investment either from private equity or a public listing on a European stock exchange.
Maintain strong cash position	<ul style="list-style-type: none"> • Consolidated cash balance at 31 December 2018 was £4.9 million. • Share placement successfully bringing £10 million of gross proceeds into the Group. • Continued tight financial control to ensure effective overall expenditure.

Strategic Report (continued)

Principal Risks and Uncertainties

ImmuPharma operates within a complex business environment and an industry that is fundamentally driven by regulatory processes. A robust understanding of the risks and uncertainties involved in a pharmaceutical drug development business is fundamental to ImmuPharma's

success. The Board regularly considers these principal risks and uncertainties and reviews its strategies for minimising any adverse impact to the Company or its investors.

The principal risks and uncertainties have been grouped into three categories: pharmaceutical environment, financial and operational.

Pharmaceutical Environment Risks

Drug 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.

Mitigating factors

ImmuPharma's management team have many years of experience in drug development and a robust understanding of the clinical trial design process. This experience should help ensure that such risks are minimised. In addition, ImmuPharma has established scientific advisors and an advisory board in the case of Lupuzor™.

Patent Protection

Risk

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.

Mitigating factors

Since its inception, ImmuPharma have developed a significant patent portfolio. Through its own expertise and by utilising external advisers, the Company believes that it is continually acting to maximise the potential for commercial success of its know-how and potential products.

Product 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.

Mitigating Factors

ImmuPharma operate in a manner that factors potential liability risks into decision making. The Group maintains corporate and clinical trials insurance to mitigate this risk.

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

Regulatory Framework

Risks

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.

Mitigating factors

It is essential that ImmuPharma comply with all regulatory requirements and it continually monitors regulatory developments to ensure that any issues are factored into decision making and projected timelines.

Reimbursement Policies

Risks

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.

Mitigating factors

By focusing on therapeutic areas of significant clinical unmet need, ImmuPharma helps ensure that potential products will likely be accepted. The Group expects that it will need to support any pricing policies in a manner acceptable to pricing/reimbursement authorities.

Environmental hazards

Risks

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.

Mitigating factors

ImmuPharma works with reputable third party organisations that provide assurance regarding their working practices and conditions. In addition, the Group maintains corporate insurance to mitigate this risk.

Financial Risks

Lack of continuity of profits

Risk

While ImmuPharma was successful in licensing Lupuzor™ in 2008/2009 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 programmes.

Mitigating factors

Lack of continuity of profits is a key aspect of drug development companies like ImmuPharma. The Group builds this risk into its decision making processes, particularly around obtaining funding.

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

Raising capital Risk

Mitigating factors

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 programmes.

ImmuPharma remains focused on ensuring it has sufficient capital funds to progress its product portfolio. Its recent successful placings are testament to the Company's ability to make a convincing investment case to shareholders. However, the Company remains aware of the continuing need to secure sufficient funding and/or to establish commercial revenues.

Share price and liquidity Risk

Mitigating factors

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 programmes, 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 AIM market of the London Stock Exchange can be limited and this may restrict the ability of shareholders to dispose of their shareholding at any particular time.

ImmuPharma maintains a transparent and active investor relations function that aims to ensure existing and potential investors are informed as to the Group's strategy, objectives and progress.

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.

This risk could impact on the Company's ability to conduct an equity fundraising.

Operational Risks

Reliance on third parties Risk

Mitigating factors

ImmuPharma relies heavily upon other parties (including clinical research organisations) for many important stages of its drug development programmes, 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. Underperformance by any of these other parties could adversely impact the Company's ability to operate effectively.

ImmuPharma works with respected third party organisations and regularly monitors their performance.

Reliance on key personnel Risk

Mitigating factors

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 or 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.

The Board actively considers succession planning for its key roles.

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

Competition Risk

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.

Mitigating factors

The Group remains aware of the continually evolving competitive landscape of the therapeutic areas in which it operates. This awareness is factored into its decision making for its pipeline programs.

Brexit Risk

ImmuPharma is a UK, AIM-quoted Group with operational subsidiaries in France and Switzerland. The Group benefits from one EU grant and a number of French grants. As a Company, ImmuPharma has qualified for Enterprise Investment Scheme and Venture Capital Trust (EIS/VCT) shares based on its activities as a Group. There is no guarantee that the Group and Company will continue to be able to benefit from EU grants and EIS/VCT status in the future.

Mitigating factors

The Group continues to monitor and assess the implications of Brexit implementation. The Board actively considers future plans in light of the Brexit process.

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 programme.

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.

Tim McCarthy

Signed on behalf of the Board of ImmuPharma plc
23 May 2019



Board of Directors

Board of Directors

Tim McCarthy, FCCA, MBA

Non-Executive Chairman

Mr McCarthy has a 35 year international business career in high growth biotech, healthcare and technology companies. He is currently Chairman and Non-Executive Director for a number of biotech and healthcare related companies, including Incanthera and Expedonn AG. Mr McCarthy is also the former Chief Executive Officer and Finance Director of a number UK listed public and private companies, including Alizyme plc and Peptide Therapeutics Group plc, and has a core understanding of AIM and its regulatory processes. Co-founding a number of healthcare and biotechnology companies, Mr McCarthy has helped raise substantial amounts of equity capital and also advised and worked at Board level for a diverse range of companies internationally, in areas such as business strategy, mergers & acquisitions, due diligence and licensing.

Dimitri Dimitriou, MSc

Chief Executive Officer

Mr Dimitriou has over 30 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 Basel, 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 over 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.



Board of Directors (continued)

Board of Directors (continued)

Dr Stéphane Mery, DVM, MBA

Non-Executive Director

Dr Stéphane Méry has extensive experience in the Healthcare industry. He is currently CEO of Contronics Ltd, which designs and sells laboratory monitoring equipment, and until recently he was Partner at Beringea LLP, a US\$400m US/UK venture capital fund, where he was responsible for healthcare investments in Europe. Previously, he was the Fund Manager/CEO of the Bloomsbury Bioseed Fund, a Biotech and Medtech investment fund, which was behind the birth of successful companies such as Spirogen (sold to MedImmune), Abzema (listed on AIM), and Canbex, (recently sold to Ipsen). Prior to this, Stéphane was Associate Director, Worldwide Business Development, for GlaxoSmithKline (GSK) where he was responsible for the negotiation of several major in-license deals and acquisitions. Before GSK, he was involved in the start-up of Double Helix Development, a successful strategic consultancy company specialising in R&D for the biotech and healthcare industry and recently sold to McCann. Before this he worked as a management consultant at the American consultancy firm, ZS Associates, specialising on sales and marketing within the pharmaceutical industry. Stéphane is a Doctor in Veterinary Medicine, a trained Veterinary Pathologist, specialising in Nasal Toxicology at the Chemical Industry Institute of Toxicology (CIIT) in North Carolina, and holds an MBA from INSEAD (Fontainebleau).

Company Secretary

Tracy Weimar, BA, MBA

Vice President, Operations and Finance

Ms Weimar has over 20 years of experience in the pharmaceutical industry. Her most recent position was Director of Worldwide Business Development at GlaxoSmithKline 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

Prof Sylviane Muller, PhD

Co-founder of ImmuPharma France SA

Professor Muller earned her doctorate in sciences at the University of Strasbourg and focused on immune responses as a postdoctoral researcher at the Max Planck Institute for Immunobiology in Freiburg. Today, Prof. Muller is a research director at the Centre National de la Recherche Scientifique (CNRS) and supervises over 50 researchers at the CNRS Laboratory of Therapeutic Immunology and Chemistry at the Institute of Molecular and Cellular Biology in Strasbourg, which she has headed since 2001. She is also Head and Coordinator of the Drug Discovery Center for Cancer and Inflammation. Her expertise in peptide immunochemistry, combined with insights into the molecular and cellular pathways behind autoimmune disease, led to the discovery of Lupuzor™. Professor Muller has filed for 24 patents and published more than 330 papers and reviews.

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.

Dr Jose Courty, PhD

Dr Courty is CNRS Research Director and head of the 'Croissance, Réparation et Régénération Tissulaires', a unit of both the Centre National de la Recherche Scientifique and the University Paris EST Créteil. He has been working for several years on tumour growth and angiogenesis and has good expertise in the field of growth factors and the regulation of their biological activities. He is a co-inventor of ImmuPharma's lead compound for the treatment of cancer IPP-204106 molecule also named Nucant.





Financial and Corporate Information

Officers and Professional Advisers

Directors

Mr Tim McCarthy – Non-Executive Chairman
Mr Dimitri Dimitriou – Chief Executive Officer
Dr Robert Henri Zimmer – President and
Chief Scientific Officer
Dr Franco Di Muzio – Senior Non-Executive Director
Dr Stephane Mery - Non-Executive Director

Secretary

Tracy Weimar

Investor Relations

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Joint Broker

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Corporate Governance Report

The Group's Directors recognise the importance of sound corporate governance. As such the Board has adopted the Quoted Companies Alliance Corporate Governance Code ("the QCA Code").

Tim McCarthy, non-executive Chairman, has assumed responsibility for ensuring that the Group has appropriate corporate governance standards and that these standards are applied throughout the Group.

The Board, through its adoption of the QCA Code, believes in the value of putting the necessary systems and processes in place to support the medium to long-term delivery of the Company's strategic objectives. The Board is aware of the importance of communicating these strategic objectives to stakeholders and in reporting performance in a manner that encourages constructive dialogue to support the production of sustainable value in the long term. The Board recognise their role in setting the strategic direction of the business as well as in establishing the organisation's risk appetite. This is supported with a strong belief in appropriate accountability and performance measures. Further, the Board is cognisant of the key role it plays in setting the tone and culture of the entire Group.

The Board currently consists of 5 Directors, 2 of which are executive and 3 are non-executive.

The Board has considered each of the 10 principles contained within the QCA Code and where the Group does not fully comply with each principle an explanation is provided as to why it does not currently do so.

In addition, the Company has implemented a code of conduct for dealing in the shares of the Company by directors and employees (see Principle 9 on page 26 for more information).

Principle 1 – Establish a strategy and business model which promote long-term value for shareholders

ImmuPharma is an ethical organisation with the vision to develop novel drugs to treat serious medical conditions, delivering value to patients, medical professionals, healthcare payers and its shareholders.

ImmuPharma's principal business objective is to enhance shareholder value through the development and commercialisation of novel drugs. Its strategies for achieving this objective include:

- Pursuing a low cost model of accessing world class research through collaboration with the CNRS in France;
- Selecting specialist therapeutic areas where there are high unmet needs;
- Managing clinical development of novel drug candidates;

- Seeking collaborative agreements with partner companies to further the development and commercialisation of novel drug candidates; and
- Maintaining a small corporate infrastructure to minimise costs.

Please see the Corporate Strategy section on the Company's website for further information: <http://www.immupharma.co.uk/about-us/#corporate>.

Principle 2 – Seek to understand and meet shareholder needs and expectations

ImmuPharma strives to engage in active dialogue with shareholders through regular communication including investor events, participation in conferences, the Company's Annual General Meeting, any General Meetings that are held throughout the year and one-on-one discussions.

Over the past 12 months, ImmuPharma's shareholder communications have included participation at investor events (e.g. UK Investor Show, Biotech and Money Conference), regular announcements regarding the Company's clinical trial progress, the Annual General Meeting and numerous one-on-one meetings.

ImmuPharma also provides shareholders with specific contact information on the Company's website (www.immupharma.co.uk).

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Board recognises the importance of its wider stakeholders – employees, contractors, suppliers, regulators and advisors – to its long-term success. The Board has established expectations that these key resources and relationships are valued and monitored. In particular, the Company's business model of outsourcing clinical trials requires reliable dialogue with contractors to ensure the success pursuit of long-term strategic objectives. Furthermore, the Board actively seek to engage regularly with our corporate advisers to ensure proactive communication regarding the Company's activities. In doing so, the Company is able to take any feedback into account and adjust its actions accordingly to ensure it stays focused on long-term performance.

The Board recognise that the Company operates within the wider pharmaceutical industry and strives to remain alert to developments in a wider industry/society context.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

ImmuPharma operates within a complex business environment and an industry that is fundamentally driven by regulatory processes. The Board has set out its understanding of the principal risks and uncertainties in its Strategic Report and regularly reviews its strategies for minimising any adverse impact to the Company or its investors.

Corporate Governance Report (continued)

Risk assessment is a priority for the Board. The major risks to the business are laid out in detail in the Company's Strategic Report on pages 10 - 20. 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.

Principle 5 – Maintain the board as a well-functioning, balanced team led by the Chairman

The Board members have a collective responsibility and legal obligation to promote the interests of the company.

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

Name	Title	Independent	Committee Memberships
Mr Tim McCarthy	Non-Executive Chairman	X	
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 Stephane Mery	Non-Executive Director	X	Audit, Remuneration

Brief biographies of each Director are set out on pages 22 and 24. 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 in its governance and finance responsibilities by Tracy Weimar, Company Secretary and Vice President, Operations & Finance and who is not a Director.

The Board is supported by a team of Scientific Collaborators, further details of which can be found on page 26.

The Board considers the non-executive directors to be independent and to represent the interests of shareholders. The independent Directors have considerable relevant experience to sufficiently question and hold the executive directors to account. The Board continues to consider Franco di Muzio as independent given his limited ties to the Company, extensive experience and ability to exercise independent judgement.

Each Director is required to devote as much time is required to carry out the roles and responsibilities required.

The Company has adopted the practice of requiring all directors to be subject to re-election every three years.

The executive Directors are employed under service agreements requiring 12 months' notice by either party. Non-executive directors and the Chairman receive payments under appointment letters which are terminable by six months' notice by either party.

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. As of 31 December 2018, the Board met 11 times with the attendance records of the directors as follows:

Mr Tim McCarthy, Non-Executive Chairman – 11/11
Mr Dimitri Dimitriou, Chief Executive Officer – 11/11
Dr Robert Zimmer, President and Chief Scientific Officer – 11/11
Dr Franco di Muzio, Senior Non-Executive Director – 11/11
Dr Stephane Mery, Non-Executive Director – 10/11

Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Please refer to Director biographies on pages 22 and 24.

Principle 7 – Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Internal evaluation of the Board, the Audit Committee and Remuneration Committee as well as individual Directors is undertaken on an informal basis at present. The target is to develop a more formal review process and begin implementation during 2019. It is likely that the review will take the form of peer appraisal, questionnaires and discussions to determine the overall effectiveness of individual directors and the Board as a whole. Specific consideration will be given to evaluating the continued independence of the Group's non-executive Directors.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

The Board recognises its role in establishing and monitoring not only the strategic direction and risk appetite but also the tone and culture of the organisation. As a pharmaceutical drug development company, an ethical approach is essential. As such, the Board places great importance on the serious pursuit of therapeutic innovation and making effective use of limited resources. It applies to the directors as well as all group employees and consultants. It is a key belief of the company and helps to define its competitive advantage in relation to its peers.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board is responsible for long-term success of the Company. There is a schedule of matters reserved for the Board that guides the Board's activities.

Corporate Governance Report (continued)

An Audit Committee and a Remuneration Committee have been established with formally delegated duties and responsibilities. As summarised under Principle 5, 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 meets a minimum of two times per year. The Audit Committee receives and reviews reports from management and the auditors relating to the interim and annual financial statements 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 2018, 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.

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.

Nominations Committee

The Directors consider that the Company is not currently of a size to warrant the need for a separate nominations committee and any decisions which would usually be taken by the nomination committee will be taken by the Board as a whole.

Share Dealing Code

The Company has adopted a Share Dealing Code given the importance of having a clear and effective policy that sets out the rules and procedures for share dealings by the Directors and other applicable employees.

Principle 10 – Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Board is committed to maintaining good communication with its shareholders and in promoting effective dialogue regarding the Company's strategic objectives and performance. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback via meetings with the Company. The Annual General Meeting and any other General Meetings that are held throughout the year are for shareholders to attend and question the Directors on the Company's performance.

Extensive information is provided on the Company's website, www.immupharma.com and the Company has email and twitter accounts: investors@immupharma.com

ImmuPharma also periodically holds Investor Evenings to meet with shareholders and provide updates on corporate developments.

The Directors also periodically promote ImmuPharma's activities, following the publication of regulatory announcements, through various media platforms such as Directors Talk, VOX Markets and Proactive Investors.

Directors' Report

Company Number: 03929567

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 2018.

Principal activities

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

Results and Dividends

The Consolidated Income Statement is set out on page 39.

The directors do not recommend the payment of a dividend.

Business review, research and development and future developments

The Strategic Report includes a review of the business, as well as a commentary regarding research and development, and future developments (see page 10). The principal risks and uncertainties facing the Group are considered on pages 17 to 20.

Subsequent Events

Details of subsequent events are given in note 24 of the financial statements.

Directors

The following directors of the Company have held office since 1 January 2018:

Mr Tim McCarthy
 Mr Dimitri Dimitriou
 Dr Robert Henri Zimmer
 Dr Franco Di Muzio
 Dr Stephane Mery

Directors Remuneration

The following amounts were payable to the Directors of ImmuPharma plc across the Group in relation to the year ended 31 December 2018:

Director	Salary/Fees £	Cash Benefits £	Total remuneration 2018 £	Total remuneration 2017 £
Tim McCarthy	260,000	-	260,000	260,000
Dimitri Dimitriou	244,091	61,023	305,114	308,474
Robert Zimmer	398,802	99,701	498,503	494,326
Franco di Muzio	55,047	-	55,047	56,261
Stephane Mery	45,000	-	45,000	45,000
Total	1,002,940	160,724	1,163,664	1,164,061

The Company does not operate a pension plan, health plan or company car plan. The Company has considered the pensions auto-enrolment legislation in this ongoing position. Directors are paid a cash benefit as detailed in the table above and encouraged to make their own arrangements. There were no bonus payments to directors in 2018. As referred to in note 22, the £165,114 received by D Dimitriou and the £260,000 received by T McCarthy in lieu of directors' fees for the year ended 31 December 2018 are included in the table above.

Directors' Report (continued)

The following share options were outstanding to the directors of ImmuPharma plc in relation to the year ended 31 December 2018 (see note 20 for more detail):

Director	Options granted on 4 February 2009	Options granted on 2 June 2016	Options granted on 30 March 2017	Options granted on 12 July 2017	Options granted on 24 November 2017	Share options outstanding 2018	Share options outstanding 2017
Tim McCarthy	-	500,000	-	1,000,000	1,500,000	3,000,000	3,000,000
Dimitri Dimitriou	140,000	-	1,000,000	-	1,500,000	2,640,000	2,640,000
Robert Zimmer	150,000	-	1,000,000	-	1,500,000	2,650,000	2,650,000
Franco di Muzio	100,000	100,000	-	200,000	300,000	700,000	700,000
Stephane Mery	-	100,000	-	200,000	300,000	600,000	600,000
Total	390,000	700,000	2,000,000	1,400,000	5,100,000	9,590,000	9,590,000

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.

Substantial shareholdings

As at 30 April 2019, the Directors are not aware of any interest of 3% or more in the share capital of the Company other than the person noted below.

	Number of ordinary 10p shares	% of issued share capital	Options to acquire ordinary shares
Dr Robert Zimmer	25,344,514	18.17%	2,650,000

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.

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.

Auditors

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

On behalf of the Board

Tracy Weimar

Secretary

23 May 2019

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with 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. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 are also responsible for ensuring that they meet their responsibilities under the AIM Rules.

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

Independent auditor's report To the members of ImmuPharma plc

Opinion

We have audited the financial statements of ImmuPharma plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter – Fair value of Group's and Parent Company's other investments, carrying value of Parent Company's investments in subsidiaries and Parent Company's receivables due from group undertakings

We draw attention to the disclosures made in note 12 to the Group financial statements concerning the fair value of the investment in Incanthera Limited, the disclosures made in note 12 and 13 to the Parent Company financial statements concerning the fair value of the investment in Incanthera Limited and the carrying value of investments in subsidiaries. We also draw your attention to the disclosures made in note 14 to the Parent Company financial statements concerning the carrying value of the receivables due from group undertakings. The fair value of the £2 million investment in Incanthera Limited is based on the use of a discounted cash flow model. The carrying value of £39.5 million investments in subsidiaries and £9.5 million receivables due from group undertakings is dependent on future sales within the Group, which are dependent on obtaining regulatory approval and being taken to market, including their successful commercialisation.

The ultimate outcome of these matters cannot presently be determined, and the Group and Parent Company financial statements do not reflect any adjustments that may be required if the fair value of the £2 million investment in Incanthera Limited proves inaccurate or the £39.5 million investments in subsidiaries and £9.5 million receivables due from group undertakings cannot be recovered in full. Our opinion is not modified in respect of these matters.

Key audit matters

We identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

Independent auditor's report

To the members of ImmuPharma plc (continued)

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Going concern

Description of risk

The Group does not generate any cash from revenue, aside from receiving grants, as its pipeline products are currently at research and development stage. The Group is therefore reliant on external funding in order to finance its operations, as explained further by management in their assessment of principal risks and uncertainties, within the Strategic Report on page 19. If the Group is unable to raise sufficient funds, there is a risk that it will not be able to continue as a going concern.

How the matter was addressed in the audit and key observations arising with respect to that risk

We considered management's assessment of the Group to continue as a going concern and as part of our procedures we:

- Reviewed the future cash flow forecasts prepared by management, including under different scenarios, and challenged the inputs and assumptions included in the forecasts. Where appropriate we corroborated the inputs and assumptions to supporting information.
- Enquired with management the future plans and funding requirements for the research and development programme on the current product development and corroborated to supporting information.
- Reviewed the current cash reserves compared to the cash outflows required over the next 12 months from the date of signing the annual report.

Carrying value of the Parent Company's investment in subsidiaries and receivables due from group companies (see note 13 and note 14)

Description of risk

The Parent Company has significant balances relating to investments in subsidiaries and receivables due from group companies.

The investments are largely represented by the ownership of ImmuPharma (France) SA, Elro Pharma SARL and Ureka SARL and amounts owed by those companies. The carrying value of the investment in and receivables due from those companies is underpinned by the future financial viability of those companies.

How the matter was addressed in the audit and key observations arising with respect to that risk

We reviewed management's assessment of impairment of investments in subsidiaries and the recoverability of receivables due from group companies. We challenged assumptions and assertions made by management in their assessment and considered whether the presence of impairment indicators should result in an impairment charge.

As part of our procedures we:

- Discussed with management the underlying future planned activities, including research and development programmes, for ImmuPharma (France) SA, Elro Pharma SARL and Ureka SARL.
- Considered the implications of market capital being below the carrying amount as an indicator of impairment.
- Reviewed any third party reports such as investor analysis.
- Reviewed working papers and discussion with component auditor relating to the assessment of the viability and going concern of ImmuPharma (France) SA, Elro Pharma SARL and Ureka SARL.
- Reviewed the discounted cash flow model for valuation purposes. The assumptions to which the model was most sensitive were the discount rate, growth rates, exchange rates, tax rate and probability weighting of successful product launches. As part of this work we corroborated where reasonably practical management's assumptions with reference to historical data and external data.
- Performed sensitivity analysis on the key assumptions used in the model.
- Corroborated management's assertions where reasonably practicable, such as discussions with the component auditor.

Independent auditor's report

To the members of ImmuPharma plc (continued)

Investment in Incanthera Limited

Description of risk

As described in note 12, the Group and Parent Company has an investment in Incanthera Limited stated at £2million. The investment is stated at its fair value at the year-end which was based on a discounted cash flow model.

How the matter was addressed in the audit and key observations arising with respect to that risk

We reviewed management's assessment of the fair value of the investment. We challenged assumptions and assertions made by management in their assessment of the fair value.

As part of our procedures we:

- Reviewed the accounting treatment of the investment in Incanthera Limited.
- Reviewed the discounted cash flow model for valuation purposes. The assumptions to which the model was most sensitive were the discount rate, probability weighting of successful product launches, royalty rates and exchange rates. As part of this work we corroborated where reasonably practical management's assumptions with reference to historical data and external data. We also discussed with our internal valuation specialists the appropriateness of the fair value of the investment.
- Performed sensitivity analysis on the key assumptions used in the model.

Materiality

The materiality for the Group financial statements as a whole was set at £795,000. This has been determined with reference to the benchmark of the Group's gross expenditure, which we consider to be one of the principal considerations for members of the Parent Company in assessing the performance of the Group. Materiality represents 10% of the Group's gross expenditure as presented on the face of the Consolidated Income Statement.

The materiality for the Parent Company financial statements as a whole was set at £636,000. This has been determined with reference to the benchmark of the Parent Company's total assets, which we consider to be an appropriate measure as the Parent Company exists only as a holding company for the Group and carries on no trade in its own right. Materiality represents 1% of total assets as presented on the face of the Parent Company's Statement of Financial Position.

An overview of the scope of our audit

Of the Group's five reporting components, three were subject to audit for group reporting purposes. The three components covered: 80% of Group revenue, 94% of Group loss before tax and 96% of Group net assets.

For the remaining components, we performed analysis at a Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

Two out of the three components subject to audit were based in France and their audits were carried out by a component auditor in France. We held a telephone meeting with the component auditor in France as part of planning and discussed the component auditor's risk assessments and directed their planned audit approach. In addition to this meeting, we sent detailed instructions to the component audit teams and reviewed their key audit working papers.

Other information

The other information comprises the information included in the Report and Consolidated Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report

To the members of ImmuPharma plc (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Bond
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY
23 May 2019

Consolidated Income Statement

for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Continuing operations			
Revenue	1 & 3	81,281	150,462
Research and development expenses		(4,697,284)	(5,121,388)
Administrative expenses		(1,660,408)	(1,520,356)
Share based expense		(1,803,769)	(742,752)
Operating loss	5	(8,080,180)	(7,234,034)
Finance costs	6	(4,783)	(3,858)
Finance income	7	129,808	240,447
Loss before taxation		(7,955,155)	(6,997,445)
Tax	8	748,606	774,244
Loss for the year		(7,206,549)	(6,223,201)
Attributable to:			
Equity holders of the parent company		(7,206,549)	(6,223,201)
Loss per ordinary share			
Basic and diluted	9	(5.19p)	(4.75p)

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Loss for the financial year	(7,206,549)	(6,223,201)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(88,256)	(91,568)
Other comprehensive loss for the year, net of tax	(88,256)	(91,568)
Total comprehensive loss for the year	(7,294,805)	(6,314,769)

Consolidated Statement of Financial Position

as at 31 December 2018

	Notes	31 December 2018 £	31 December 2017 £
Non-current assets			
Intangible assets	10	483,039	482,268
Property, plant and equipment	11	164,661	161,399
Financial asset	12	2,000,000	-
Total non-current assets		2,647,700	643,667
Current assets			
Trade and other receivables	14	331,487	736,212
Cash and cash equivalents	15	4,911,448	2,729,468
Current tax asset		767,121	907,916
Total current assets		6,010,056	4,373,596
Current liabilities			
Financial liabilities - borrowings	16	(98,340)	(142,393)
Trade and other payables	17	(913,907)	(929,569)
Provisions	18	-	(57,517)
Total current liabilities		(1,012,247)	(1,129,479)
Net current assets		4,997,809	3,244,117
Non-current liabilities			
Financial liabilities - borrowings	16	(22,470)	(117,297)
Provisions	18	-	(195,989)
Net assets		7,623,039	3,574,498
EQUITY			
Ordinary shares	19	13,946,744	13,252,299
Share premium		27,320,145	18,728,519
Merger reserve		106,148	106,148
Other reserves		(991,998)	(2,961,017)
Retained earnings		(32,758,000)	(25,551,451)
Total equity		7,623,039	3,574,498

The financial statements were approved by the Board of Directors and authorised for issue on 23 May 2019.
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 2018

	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 2017	12,463,836	15,678,054	106,148	(3,541,203)	(1,609,673)	1,777,131	(19,328,250)	5,546,043
Loss for the financial year	-	-	-	-	-	-	(6,223,201)	(6,223,201)
Exchange differences on translation of foreign operation	-	-	-	-	(91,568)	-	-	(91,568)
Transactions with owners: Share based payments	-	-	-	-	-	504,296	-	504,296
New issue of equity capital	788,463	3,311,542	-	-	-	-	-	4,100,005
Costs of new issue of equity capital	-	(261,077)	-	-	-	-	-	(261,077)
At 31 December 2017	13,252,299	18,728,519	106,148	(3,541,203)	(1,701,241)	2,281,427	(25,551,451)	3,574,498
Loss for the financial year	-	-	-	-	-	-	(7,206,549)	(7,206,549)
Exchange differences on translation of foreign operations	-	-	-	-	(88,256)	-	-	(88,256)
Transactions with owners: Share based payments	-	-	-	-	-	2,057,275	-	2,057,275
New issue of equity capital	694,445	9,305,555	-	-	-	-	-	10,000,000
Costs of new issue of equity capital	-	(713,929)	-	-	-	-	-	(713,929)
At 31 December 2018	13,946,744	27,320,145	106,148	(3,541,203)	(1,789,497)	4,338,702	(32,758,000)	7,623,039
Attributable to:-								
Equity holders of the parent company	13,946,744	27,320,145	106,148	(3,541,203)	(1,789,497)	4,338,702	(32,758,000)	7,623,039

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Cash flows from operating activities			
Cash used in operations	21	(5,606,138)	(5,439,079)
Tax received		889,787	1,021,915
Interest paid	6	(4,783)	(3,858)
Net cash used in operating activities		(4,721,134)	(4,421,022)
Investing activities			
Purchase of property, plant and equipment		(102,880)	(25,491)
Purchase of investments		(2,000,000)	-
Interest received	7	12,491	772
Net cash used in investing activities		(2,090,389)	(24,719)
Financing activities			
(Decrease)/increase in bank overdraft		(72)	(290)
Loan repayments		(138,809)	(114,386)
Settlements from Sharing Agreement		-	1,667,380
Gross proceeds from issue of new share capital		10,000,000	4,100,005
Share capital issue costs		(713,929)	(261,077)
Net cash generated from financing activities		9,147,190	5,391,632
Net increase in cash and cash equivalents		2,335,667	945,891
Cash and cash equivalents at beginning of year	15	2,729,468	1,876,718
Effects of exchange rates on cash and cash equivalents		(153,687)	(93,141)
Cash and cash equivalents at end of year	15	4,911,448	2,729,468

Company Statement of Comprehensive Income

for the year ended 31 December 2018

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Loss for the financial year	(3,159,748)	(1,769,478)
Total comprehensive loss for the year	(3,159,748)	(1,769,478)

Company Statement of Financial Position

as at 31 December 2018

	Notes	31 December 2018 £	31 December 2017 £
Non-current assets			
Property, plant and equipment	11	16,590	19,222
Financial asset	12	2,000,000	-
Investment in subsidiaries	13	39,472,023	39,225,431
Total non-current assets		41,488,613	39,244,653
Current assets			
Trade and other receivables	14	9,566,666	5,935,536
Cash and cash equivalents	15	4,379,345	2,211,018
Total current assets		13,946,011	8,146,554
Current liabilities			
Trade and other payables	17	(229,536)	(116,211)
Provisions	18	-	(57,517)
Total current liabilities		(229,536)	(173,728)
Net current assets		13,716,475	7,972,826
Non-current liabilities			
Provisions	18	-	(195,989)
Net assets		55,205,088	47,021,490
EQUITY			
Ordinary shares	19	13,946,744	13,252,299
Share premium		27,320,145	18,728,519
Merger reserve		19,093,750	19,093,750
Equity shares to be issued		4,338,702	2,281,427
Retained earnings		(9,494,253)	(6,334,505)
Total equity		55,205,088	47,021,490

The Company's loss for the year ended 31 December 2018 was £3,159,748 (2017: loss of £1,769,748).

The financial statements were approved by the Board of Directors and authorised for issue on 23 May 2019.

They were signed on its behalf by:

Robert Zimmer
Director

Dimitri Dimitriou
Director

Company Statement of Changes in Equity

for the year ended 31 December 2018

	Share capital £	Share premium £	Merger reserve £	Equity shares to be issued £	Retained earnings £	Total equity £
At 1 January 2017	12,463,836	15,678,054	19,093,750	1,777,131	(4,565,027)	44,447,744
Loss for the financial year	-	-	-	-	(1,769,478)	(1,769,478)
Transactions with owners:						
Share based payments	-	-	-	504,296	-	504,296
New issue of equity	788,463	3,311,542	-	-	-	4,100,005
Cost of new issue of equity capital	-	(261,077)	-	-	-	(261,077)
At 31 December 2017	13,252,299	18,728,519	19,093,750	2,281,427	(6,334,505)	47,021,490
Loss for the financial year	-	-	-	-	(3,159,748)	(3,159,748)
Transactions with owners:						
Share based payments	-	-	-	2,057,275	-	2,057,275
New issue of equity	694,445	9,305,555	-	-	-	10,000,000
Costs of new issue of equity capital	-	(713,929)	-	-	-	(713,929)
At 31 December 2018	13,946,744	27,320,145	19,093,750	4,338,702	(9,494,253)	55,205,088

Company Statement of Cash Flows

for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Cash flows from operating activities			
Cash used in operations	21	(1,541,381)	(1,169,104)
Interest paid		(4,663)	(3,416)
		(1,546,044)	(1,172,520)
Investing activities			
Purchase of property, plant and equipment		(5,100)	(14,598)
Purchase of investments		(2,000,000)	-
Finance income		12,451	720
Loans issued		(3,579,049)	(3,565,043)
Net cash used in investing activities		(5,571,698)	(3,578,921)
Financing activities			
Gross proceeds from issue of share capital		10,000,000	4,100,005
Share capital issue costs		(713,929)	(261,077)
Settlements from Sharing Agreement		-	1,667,380
Net cash generated from financing activities		9,286,069	5,506,308
Net increase/(decrease) in cash and cash equivalents		2,168,327	754,866
Cash and cash equivalents at beginning of year	15	2,211,018	1,456,152
Cash and cash equivalents at end of year	15	4,379,345	2,211,018

Notes to the Consolidated Financial Statements

for the year ended 31 December 2018

ImmuPharma plc (the "Company") is a public limited company registered in England and Wales (company number 03929567). The Company is limited by shares and the registered office of the Company is located at 50 Broadway, London SW1H 0RG. ImmuPharma plc and its subsidiaries focus on the research, development and commercialisation of pioneering and novel drugs in specialist therapeutic areas within the pharmaceutical industry.

1 Accounting policies

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

The financial statements have been prepared under the historical cost convention and on a going concern basis. Further commentary on the Group's plan for the continuing funding of activities is provided in the Strategic Report.

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.

Going concern

Information on the Group's product pipeline and the factors underpinning the Group's future prospects are included in the Chairman's Statement and Strategic Report. The directors confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future, which for these purposes consider to be at least twelve months from the date of approval of the financial statements, based on the current cash resources available. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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.

Management have had to make judgements in the following areas:

- Financial instruments – fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)

- Level 2: Observable direct or indirect inputs other than Level 1 inputs

- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

1 Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

- Financial asset – Other investments**
 The Group and Company hold approximately 15% of the issued share capital in Incanthera Limited. Judgement is required to assess whether the holding in Incanthera Limited should be accounted as an investment in an associate or accounted at fair value.

 In assessing the above, the directors have considered that although T McCarthy is a director and shareholder of the Company and also a director and shareholder of Incanthera Limited, the Company has no significant influence over Incanthera Limited and therefore the investment in Incanthera Limited is recognised at fair value.
- Share options and related National Insurance provision**
 As described under the accounting policy on provisions on page 51, a provision is recognised for National Insurance contributions on share option gains. There is an accounting policy judgement required regarding whether the provision should be recognised fully on the date the share options were granted or spread over the vesting period of the share options. The accounting policy adopted is to recognise the provision over the vesting period.

Management have applied estimates the following areas:

- Investment in Subsidiaries**
 For the Company Statement of Financial Position, management has considered whether there has been any impairment to the carrying value and has applied estimates including taking account of various factors and available evidence in assessing the recoverable amounts in arriving at the conclusion.

 At 31 December 2018, the Company's investment in its subsidiary, ImmuPharma SAS, was £30,173,140. The directors have assessed the carrying value of the Company's investment in subsidiaries taking into account the various factors and available evidence as at that date and concluded that no impairment is required against this investment at the year-end date.
- Amounts owed by group undertakings**
 For the Company Statement of Financial Position, management needs to consider whether these balances are recoverable or an impairment is required and applies estimates including taking account of various factors and available evidence in arriving at the conclusion.

 At 31 December 2018, ImmuPharma Plc was due £7,736,887 from its subsidiary ImmuPharma SAS. At that date, ImmuPharma SAS had net liabilities of £7,272,797 and is not in a position to repay this balance without realising value from its intangible investment in Lupuzor™. Following the announcement of the results of the Lupuzor™ clinical trial during the year, the directors have reviewed the future prospects of ImmuPharma SAS using information which would have been available at 31 December 2018 and believe that going forward, there is sufficient value in its underlying activities and will generate sufficient cash to enable this balance to be repaid. As a result, no impairment of this debt is considered necessary at the year-end date.
- Financial asset – Other Investments**
 For the Group and Company Statement of Financial Position, the £2 million investment in Incanthera Limited is stated at fair value as at 31 December 2018 and is based on the use of discounted cash flow valuation model. The valuation model requires the use of estimates and assumptions in respect of the inputs included in the model. See note 12 for further details.

Changes in accounting policies and disclosures

(a) New and amended Standards and Interpretations adopted by the Group and Company

There were a number of Amendments to Standards adopted in the current year, but none of these had a material impact on the Group in the current period.

IFRS 9 "Financial instruments" has been effective for the current year ended 31 December 2018, the main impact of which being the impact on the classification of financial assets. The adoption of this standard has not had a material impact as at 1 January 2018 on the consolidated financial statements. For the year ended 31 December 2018 the financial assets as described in note 12, the directors have made an irrevocable election to classify the financial asset as Fair Value through Other Comprehensive Income.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

1 Accounting policies (continued)

Changes in accounting policies and disclosures (continued)

IFRS 15 "Revenue from contracts with customers" has been effective for the year ended 31 December 2018. The adoption of this standard has not had a material impact on the consolidated 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.

(b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2018

There were a number of Amendments to Standards not yet effective in the current year, but none of these are expected to have a material impact on the Group in the following period.

IFRS 16 "Leases" will be effective for the year ending 31 December 2019 onwards and the impact on the financial statements is not expected to be material.

Basis of consolidation

Both the consolidated and the Company's financial statements are for the year ended 31 December 2018 and present comparative information for the year ended 31 December 2017. All intra-group transactions, balances, income and expenditure are eliminated upon consolidation.

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 to obtain benefits from its activities. The financial statements of these other entities cease to be included in the Group financial statements from the date that control ceases.

Revenue

Grant income

Revenue is recognised under IAS 20 and relates to grants received by Ureka SARL, Elro Pharma SARL and ImmuPharma plc (in respect of work to be undertaken by Elro Pharma SARL). In respect of certain grants, the proportion of the grant received recognised as revenue in the year 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 reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Any gains or losses arising on translation are taken to the Income Statement as finance income or costs.

ii) 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 reporting 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

1 Accounting policies (continued)

Taxation

The tax expense or credit represents the sum of the tax currently payable and any deferred tax less tax credits recognised in relation to research and development tax incentives.

The tax currently receivable is based on tax credits for the year. Taxable loss differs from net loss 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 receivable for current tax is calculated using tax rates that have been enacted or substantially enacted by the year-end 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 Statement of Financial Position 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 reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Investments in subsidiaries

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

Whenever events or changes in circumstances indicate that the carrying amount of an investment in a subsidiary undertaking may not be recoverable the investment is reviewed for impairment. An investment's carrying value is written down to its estimated recoverable amount if that is less than the investment's carrying amount.

Intangible assets

Research and development expenditure is charged to the Income Statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable. Property, plant and equipment used for research and development is capitalised and depreciated in accordance with the Group's policy.

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 because 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 stated 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 year-end 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 Company issues equity-settled share based payments to certain employees and third parties. 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. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

1 Accounting policies (continued)

Provisions

In respect of National Insurance contributions on share option gains, the Company provides in full for all vested options and on a pro-rata basis over the vesting period for options that have not yet vested 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.

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.

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 differences arising on the retranslation of overseas subsidiaries 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 Statement of Financial Position 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.

Investments other than investments in subsidiaries are classified as either held-for-trading or not at initial recognition. Those investments and financial assets are initially measured at fair value less transaction costs and are subsequently measured at fair value. At the year-end date all investments are classified as not held for trading. An irrevocable election has been made to recognise changes in fair value in other Comprehensive Income.

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 for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

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.

Non-interest bearing loans and overdrafts are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Derivative financial assets are initially measured at fair value less transaction costs and are subsequently measured at fair value.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

2 Financial risk management

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

Financial risk factors

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

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Sterling, the Euro, the Swiss Franc and the US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets, 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 significant. The directors will review this policy as appropriate in the future.

b) Credit risk

The Group has no significant concentrations of credit risk because the majority of the debtors are government bodies.

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 non-interest bearing.

e) Equity price risk

The Group is exposed to equity price risk due to the possibility that the value of the Company's shares will fluctuate. This can affect the amount of any proceeds in any fundraise the Company might undertake.

f) Exposure to equity investments

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the Statement of Financial Position at fair value.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

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 consider 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.

Revenue of £77,338 (2017: £150,462) originates in France and £3,943 (2017: £nil) originates in Switzerland. Of the loss before taxation, £3,813,218 (2017: £4,483,729) originates in France, with losses before taxation of £4,137,698 (2017: £3,499,187) and £4,239 (2017: profit of £2,701) originating in the United Kingdom and Switzerland respectively.

Of the total non-current assets, £631,110 (2017: £142,175) originates in France and £2,016,590 (2017: £19,222) from the United Kingdom.

4 Staff costs

The average monthly number of employees across the Group and the Company (including executive directors) was:

	Group Year ended 31 December 2018 No.	Group Year ended 31 December 2017 No.	Company Year ended 31 December 2018 No.	Company Year ended 31 December 2017 No.
Drug research and development, and commercial operations	8	7	1	1
Administration and management	3	3	3	3
	11	10	4	4

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

4 Staff costs (continued)

The aggregate remuneration comprised:

	Group Year ended 31 December 2018 £	Group Year ended 31 December 2017 £	Company Year ended 31 December 2018 £	Company Year ended 31 December 2017 £
Wages and salaries	1,618,729	1,637,545	1,130,664	1,197,473
Social security costs	147,117	102,589	37,862	40,955
Share-based payment	2,057,275	504,296	1,810,687	444,080
	3,823,121	2,244,430	2,979,213	1,682,508

Directors' emoluments

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

	Group Year ended 31 December 2018 £	Group Year ended 31 December 2017 £	Company Year ended 31 December 2018 £	Company Year ended 31 December 2017 £
Fees	525,162	529,735	525,162	529,735
Salaries and benefits	638,502	634,326	638,502	634,326
	1,163,664	1,164,061	1,163,664	1,164,061

Please refer to information in the Directors report on page 32 in respect for amounts paid to individual directors.

Refer to note 22 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 are:

	Group Year ended 31 December 2018 £	Group Year ended 31 December 2017 £	Company Year ended 31 December 2018 £	Company Year ended 31 December 2017 £
Salaries and benefits	498,503	494,326	498,503	494,326
	498,503	494,326	498,503	494,326

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

4 Staff costs (continued)

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 key management of the Group and the Company 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 the Company and are stated in accordance with IFRS:

	Group Year ended 31 December 2018 £	Group Year ended 31 December 2017 £	Company Year ended 31 December 2018 £	Company Year ended 31 December 2017 £
Short-term employee benefits (salaries and benefits)	1,181,821	1,164,061	1,181,821	1,164,061
Share based payments	1,175,473	295,984	1,175,473	295,984
Directors' emoluments	2,357,294	1,460,045	2,357,294	1,460,045

5 Operating loss

- Group

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Operating loss is stated after charging/(crediting):		
Share based payments charge	2,057,275	504,296
Employers National Insurance provision in respect of share based payments charge	(253,506)	238,456
Depreciation of property, plant and equipment		
- owned	99,588	105,183
Amortisation of intangible assets		
- patents	33,492	33,015
Services provided by Company auditors:		
- Audit services	58,000	53,000
- Other services relating to tax compliance services	4,550	4,475
- Other services relating to taxation advisory services	5,150	5,755
- Audit services – interim review	9,500	14,800
Audit services provided by other auditors	10,722	19,569

6 Finance costs

- Group

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Interest payable on loans and overdraft	4,783	3,858
	4,783	3,858

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

7 Finance income

- Group

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Bank interest receivable	12,491	772
Gain on foreign exchange	117,317	127,161
Gain on derivative financial asset	-	112,514
	<u>129,808</u>	<u>240,447</u>

8 Taxation

- Group

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Current tax:		
Corporation tax	(748,606)	(774,244)
Total current tax credit for the year	<u>(748,606)</u>	<u>(774,244)</u>

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

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Loss before taxation	(7,955,155)	(6,997,445)
Tax on loss on ordinary activities (at the average rate 19%) (2017: 19.25%)	(1,511,490)	(1,347,008)
Effects of:		
Expenses not allowable for tax purposes	(5,212)	(2,755)
Capital allowances in excess of depreciation	24,934	24,589
Rate differences	1,192	(520)
Research and development tax credit	(748,606)	(774,244)
Current year losses carried forward	1,490,952	1,325,694
Current tax credit for year	<u>(748,606)</u>	<u>(774,244)</u>

As at 31 December 2018, the Group has unused tax losses of £32,615,994 (2017: £25,409,445) 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 2018

9 Loss per share

- Group

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Loss		
Loss for the purposes of basic loss per share being net loss after tax attributable to equity shareholders	(7,206,549)	(6,223,201)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	138,839,576	130,902,857
Basic loss per share	(5.19)p	(4.75)p
Diluted loss per share	(5.19)p	(4.75)p

The Group has granted share options in respect of equity shares to be issued, the details of which are disclosed in note 20.

There is no difference between basic loss per share and diluted loss per share as the share options are anti-dilutive.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

10 Intangible assets

- Group

	In process research and development £	Patents £	Total £
Cost			
At 1 January 2017	404,095	459,683	863,778
Exchange rate movements	-	17,360	17,360
At 1 January 2018	404,095	477,043	881,138
Exchange rate movements	-	5,948	5,948
At 31 December 2018	404,095	482,991	887,086
Amortisation			
At 1 January 2017	-	352,690	352,690
Exchange rate movements	-	13,165	13,165
Charge for the period	-	33,015	33,015
At 1 January 2018	-	398,870	398,870
Exchange rate movements	-	(28,315)	(28,315)
Charge for the period	-	33,492	33,492
At 31 December 2018	-	404,047	404,047
Net book amount			
At 31 December 2018	404,095	78,944	483,039
At 31 December 2017	404,095	78,173	482,268

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

11 Property, plant and equipment

- Group

	Fixtures, fittings and equipment £
Cost	
At 1 January 2017	604,254
Exchange rate movements	22,680
Additions	25,491
At 1 January 2018	652,425
Exchange rate movements	6,396
Additions	102,880
At 31 December 2018	761,701
Depreciation	
At 1 January 2017	372,353
Exchange rate movements	13,490
Charge for the period	105,183
At 1 January 2018	491,026
Exchange rate movements	6,426
Charge for the period	99,588
At 31 December 2018	597,040
Net book amount	
At 31 December 2018	164,661
At 31 December 2017	161,399

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

11 Property, plant and equipment (continued)

- Company

	Fixtures, fittings and equipment £
Cost	
At 1 January 2017	40,513
Additions	14,598
At 1 January 2018	55,111
Additions	5,100
At 31 December 2018	60,211
Depreciation	
At 1 January 2017	28,828
Charge for the period	7,061
At 1 January 2018	35,889
Charge for the period	7,732
At 31 December 2018	43,621
Net book amount	
At 31 December 2018	16,590
At 31 December 2017	19,222

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

12 Financial asset

- Group and Company

	Other investments £
Valuation	
At 31 December 2017	-
Additions	2,000,000
At 31 December 2018	2,000,000

Investments are recorded at cost, which is the fair value of the consideration paid.

In September 2018, the Company purchased 363,637 shares in Incanthera Limited, an unquoted company, at a price of £5.50 per share. The Company made the investment at the same time as entering into discussions to enter into a collaboration on the Company's Nucant program. At the same time, Incanthera Limited granted the Company warrants for a further 363,637 shares at £5.50 per share.

The investments included above represent investments in unquoted equity securities. Under IFRS 7 Financial instruments: Disclosures and IFRS 13 Fair value measurement this is classified under the fair value hierarchy as level 3. These are the only financial assets which the Group and Company carry at fair value. These are strategic investments and the Group considers classification as fair value through other comprehensive income to be more relevant than classification as fair value through profit or loss given the Group's primary focus is on earning revenue from licensing and drug sales rather than through investment in shares. No dividends were received and no transfers were made.

The fair value of this investment as at 31 December 2018 is based on a discounted cash flow model. The discounted cash flow model involves projecting future cash flows of Incanthera Limited's development programs. Key assumptions used included the discount rate, probability weighting on the successful product launches, royalty rates and exchange rates.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

13 Investment in subsidiaries

- Company

	Shares in subsidiary undertakings £
Cost and fair value	
At 31 December 2017	39,225,431
Additions	246,592
At 31 December 2018	39,472,023

Details of the Company's subsidiaries as at 31 December 2018 are as follows:

Name of company	Holding	% voting rights and shares held	Nature of business & country of incorporation	Registered Office Address
ImmuPharma (France) SA	Ordinary	100	Pharmaceutical research and development – France	5 rue du Rhone 68100 Mulhouse France
ImmuPharma AG	Ordinary	100	Pharmaceutical research and development – Switzerland	Poststrasse 10 CH-6060 Sarnen OW Switzerland
Ureka SARL	Ordinary	99.97	Pharmaceutical research and development – France	5 rue du Rhone 68100 Mulhouse France
Elro Pharma SARL	Ordinary	99.97	Pharmaceutical research and development – France	5 rue du Rhone 68100 Mulhouse France

Investments are recorded at cost, which is the fair value of the consideration paid.

The Company assessed the fair value of its Investment in Subsidiaries as at 31 December 2018 and has concluded that there has been no impairment to their value and that the carrying value remains as stated above. In order to reach this conclusion, the directors considered several points. Central to this assessment was a discounted cash flow analysis of the Group's lead program that supported this conclusion. Key assumptions included the discount rate, growth rate, exchange rate, tax rate as well as probability weighting. These assumptions were tested for sensitivity, which supported the conclusion of no impairment. Sensitivity analysis of the key assumptions showed that an adverse 10% change to any of these factors did not change this conclusion.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

14 Trade and other receivables

	Group 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2018 £	Company 31 December 2017 £
Amounts owed by group undertakings	-	-	9,453,609	5,874,561
Other debtors	176,511	90,880	58,856	30,773
Prepayments	154,976	645,332	54,201	30,202
	331,487	736,212	9,566,666	5,935,536

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

The Company's receivables due from Group undertakings are intercompany loan balances due from its three French subsidiaries. As of 31 December 2018, the Company believes that there has been no impairment to these values. This assessment is based on the Company's oversight of the subsidiaries' financial position as well as an assessment of the future prospects of the subsidiaries' underlying development programs.

The Company considers that the amounts included in receivables due from group companies will prove recoverable. However, the timing of and the ultimate repayment of these amounts will depend primarily on the growth of revenues for the relevant group companies. Currently, the Company expects the amounts to be repaid over a number of years.

The total carrying amount of financial assets for the Group is £7,087,959 (2017: £2,820,348), consisting of trade and other receivables of £176,511 (2017: £90,880), £2,000,000 (2017: £nil) investment and £4,911,448 (2017: £2,729,468) cash and cash equivalents.

The total carrying amount of financial assets for the Company is £15,891,820 (2017: £8,116,352), consisting of trade and other receivables of £9,512,474 (2017: £5,905,334), £2,000,000 (2017: £nil) and £4,379,345 (2017: £2,211,018) cash and cash equivalents.

15 Cash and cash equivalents

	Group 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2018 £	Company 31 December 2017 £
Cash and cash equivalents	4,911,448	2,729,468	4,379,345	2,211,018

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.

Included within the above is £50,000 held separately in a Royal Bank of Scotland bank account in respect of a charge held over cash balances with reference to the Company's credit card facility.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

16 Financial liabilities – borrowings

- Group

	31 December 2018 £	31 December 2017 £
Total borrowings within one year comprises:		
Bank overdraft	511	583
Loans	97,829	141,810
	98,340	142,393
Total borrowings after more than one year comprises:		
Loans	22,470	117,297
	22,470	117,297

Please refer to note 23 for details of maturity.

All loans are non-interest bearing. The Directors consider that the carrying amount of short and long-term liabilities approximates to their fair value.

The non-interest bearing loans referred to above is a conditional advance from the French Government and repayments began in 2012. 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.

17 Trade and other payables

	Group 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2018 £	Company 31 December 2017 £
Trade payables	719,860	753,381	139,633	32,361
Other taxes and social security	106,917	91,241	5,166	6,202
Accruals	87,130	84,947	84,737	77,648
	913,907	929,569	229,536	116,211

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 2018

18 Provisions

- Group and Company

	31 December 2018 £	31 December 2017 £
At 1 January	253,506	15,050
Amount credited during the year	(253,506)	238,456
At 31 December	-	253,506

	31 December 2018 £	31 December 2017 £
Due within one year	-	57,517
Due after one year	-	195,989
At 31 December	-	253,506

Provisions relate to a provision for National Insurance on share options, the timing of which is dependent on the exercise date of the share options (see note 20).

The provision in place as at 31 December 2017 arose due to the share price exceeding the exercise price on share options. As at 31 December 2018, all exercise prices exceeded the share price and therefore no provision was required.

19 Share capital

	Group and Company Called up, issued and fully paid 31 December 2018		Group and Company Called up, issued and fully paid 31 December 2017	
	Number of shares	£	Number of shares	£
Ordinary shares of 10p each	139,467,430	13,946,744	132,522,985	13,252,299

At 31 December 2018, the Company had no limit on its authorised share capital.

6,944,445 new ordinary shares were issued at a value of £0.10 as a result of a share placing in January 2018. Of the proceeds, £694,445 has been recorded in the share capital and £8,591,626 has been recorded in the share premium account; after deduction of expenses of £713,929.

Please refer to note 20 for details of share based payments granted by the Company.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

20 Share based payments

Equity-settled share options and warrants

The Company adopted a new share option plan in March 2017 to replace the previous scheme, which had expired.

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

	Number of share options	Weighted average exercise price (£)
Outstanding as at 31 December 2017	16,368,850	0.811
Expired during the year	-	
Granted during 2018	-	
Outstanding as at 31 December 2018	16,368,850	0.811
Exercisable as at 31 December 2017	1,093,850	0.785
Expired during the year	-	
Granted during 2018	-	
Exercisable as at 31 December 2018	1,093,850	0.785

The options and warrants outstanding as at 31 December 2018 had a weighted average remaining contractual life of 8 years.

The options and warrants outstanding as at 31 December 2018 had exercise prices between £0.439 and £1.530 (2017: £0.439 and £1.530).

Equity-settled share option scheme

The total value of options granted during the prior year was calculated using the Economic Research Institute's Black-Scholes pricing model. The inputs into the pricing model were as follows:-

Option grant date	30 March 2017	13 July 2017	24 November 2017	1 December 2017
Option value	£833,000	£400,950	£3,928,838	£707,760
Share price at grant date	£0.5025	£0.5675	£0.9862	£1.5300
Exercise price	£0.5025	£0.5675	£0.9862	£1.5300
Volatility	47%	47%	51%	52%
Vesting period	3 years	3 years	3 years	3 years
Expected life	7 years	7 years	7 years	7 years
Expected dividend yield	0%	0%	0%	0%
Risk free interest rate	0.382%	0.382%	0.382%	0.382%

Expected volatility was determined by calculating the historical volatility of the Company's share price to the date of the grant over a 3 year period. Expected life was determined by examining the exercise history of the Company's option holders. No market-based conditions were used as inputs into the pricing model.

The total value of options granted during the prior year was calculated and noted as above as £5,870,548. Of this amount, £1,956,849 has been charged in the financial statements for the year ended 31 December 2018. The total charged to date is £2,360,719 and the remaining £3,509,829 will be charged in the financial statements over the years ending 31 December 2019 and 2020.

The total value of options granted during the year ended 31 December 2016 was calculated as £301,280. Of this amount, £100,426 has been charged in the financial statements for the year ended 31 December 2018. The total charged to date is £274,604 and the remaining £26,676 will be charged in the financial statements over the year ending 31 December 2019.

The total value of all other options granted in previous years has been fully charged in the financial statements in prior years.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

21 Cash used in operations

	Group 31 December 2018 £	Group 31 December 2017 £	Company 31 December 2018 £	Company 31 December 2017 £
Operating loss	(8,080,180)	(7,234,034)	(3,290,599)	(2,001,120)
Depreciation and amortisation	133,080	138,198	7,732	7,061
Share-based payments	2,057,275	504,296	1,810,687	444,080
(Increase)/decrease in trade and other receivables	404,725	643,466	(52,087)	(1,975)
Increase in trade and other payables	15,151	143,378	113,328	22,571
Increase/(decrease) in provisions	(253,506)	238,456	(253,506)	238,456
Gain on foreign exchange	117,317	127,161	123,064	121,824
Cash used in operations	(5,606,138)	(5,439,079)	(1,541,381)	(1,169,104)

22 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 £165,114 (2017: £168,474) for the provision of management services by Dragon Finance AG. D Dimitriou is a director of ImmuPharma (France) SA and ImmuPharma plc. All amounts received by D Dimitriou via Dragon Finance AG are incorporated in the remuneration table in the Directors Report on page 30.

T McCarthy receives his remuneration through a service company owned by him, Unnamed Ltd. During the year ImmuPharma plc was charged £260,000 (2017: £260,000) for the provision of Chairman's fees by Unnamed Ltd. All amounts received by T McCarthy via Unnamed Ltd are incorporated in the remuneration table in the Directors Report on page 27.

During the year, an amount of £129,000 (2017: £122,753) was paid to the wife of Dr R Zimmer in respect of services provided to ImmuPharma plc, ImmuPharma (France) SA, Elro Pharma SARL and Ureka SARL.

b) Company

During the year ended 31 December 2018, management charges of £583,923 (2017: £561,102) were rendered by ImmuPharma plc to ImmuPharma (France) SA. This amount was due to the Company at 31 December 2018. The Company and loaned the sum of £1,985,446 (2017: £2,407,897) to ImmuPharma (France) SA during the year ended 31 December 2018. The total balance due to the Company from ImmuPharma (France) SA at 31 December 2018 was £7,736,887 (2017: £5,043,002).

During the year ended 31 December 2018, management charges of £145,981 (2017: £140,276) were rendered by ImmuPharma plc to Ureka SARL. This amount was due to the Company at the 31 December 2018. The Company also loaned the amount of £569,687 (2017: £216,977) to Ureka SARL during the year ended 31 December 2018. The total balance due to the Company from Ureka SARL at 31 December 2018 was £1,329,864 (2017: £587,427).

The Company loaned the sum of £135,409 (2017: £98,494) to Elro Pharma during the year ended 31 December 2018. The total balance due to the Company from Elro Pharma at 31 December 2018 was £386,858 (2017: £244,136).

During the year ended 31 December 2018, management charges of £187,918 (2017: £187,352) were rendered by ImmuPharma AG to ImmuPharma plc.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

23 Financial instruments

The Group's financial instruments comprise of cash and cash equivalents, investment in Incanthera Limited, 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, equity price 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 Company's finance department implements the policies set by the Board of Directors.

The principal financial instruments used by the Group from which financial instrument risk arises are as follows:-

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Trade and other receivables	176,511	90,880
Investments	2,000,000	-
Cash and cash equivalents	4,911,448	2,729,468
Total financial assets	7,087,959	2,820,348
Financial liabilities – borrowings due within 1 year	97,829	142,393
Trade and other payables	719,860	753,381
Financial liabilities – borrowings due after 1 year	22,470	117,297
Total financial liabilities	840,159	1,013,071

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 2018			
6 months or less	719,860	52,889	772,749
6 – 12 months	-	44,940	44,940
1 – 2 years	-	22,470	22,470
2 – 5 years	-	-	-
Total contractual cash flows	719,860	120,299	840,159
Carrying amount of financial liabilities measured at amortised cost	719,860	120,299	840,159

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

23 Financial instruments (continued)

Liquidity risk (continued)

Group

	Trade payables £	Borrowings £	Total £
At 31 December 2017			
6 months or less	753,381	86,894	840,275
6 – 12 months	-	55,499	55,499
1 – 2 years	-	72,898	72,898
2 – 5 years	-	44,399	44,399
Total contractual cash flows	753,381	259,690	1,013,071
Carrying amount of financial liabilities measured at amortised cost	753,381	259,690	1,013,071

Company

The Company's financial liabilities comprise trade payables with a carrying amount equal to gross cash flows payable of £139,633 (2017: £32,361), all of which are payable within 6 months.

Interest rate risk

Group

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise cash and cash equivalents denominated in Sterling, the Euro, the Swiss Franc and the US Dollar which earn interest at a variable rate. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

During the year, the Group's cash and cash equivalents earned interest at a variable rate between 0.0% and 0.5% (2017: 0.0% and 0.5%).

As at 31 December 2018, if LIBOR had increased by 0.5% with all other variables held constant, the post-tax profit and equity would have been higher by £28,000 (2017: £14,500). 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 £28,000 (2017: £14,500).

Details of the terms of the Group's borrowings are disclosed in note 16.

The Group has only non-interest bearing 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% (2017: 0.0% and 0.5%).

As at 31 December 2018, 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 £30,500 (2017: £11,500). 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 £30,500 (2017: £11,500).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

23 Financial instruments (continued)

Foreign exchange rate risk

Group

The Group is exposed to foreign exchange rate risk as a result of having cash balances in Euros, Swiss Francs and US Dollars. During the year, the Group did not enter into any arrangements to hedge this risk, as the Directors did not consider the exposure significant given the short-term nature of the balances. The Group will review this policy as appropriate in the future.

As at 31 December 2018, 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 £49,000 (2017: £49,000). 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 £49,000 (2017: £49,000).

As at 31 December 2018, if the US Dollar had weakened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been lower by £50 (2017: £30). Conversely, if the US Dollar had strengthened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been higher by £50 (2017: £30).

As at 31 December 2018, if the Swiss Franc had weakened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been lower by £8,000 (2017: £7,500). Conversely, if the Swiss Franc had strengthened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been higher by £8,000 (2017: £7,500).

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 Dollars. During the year, the Company did not enter into any arrangements to hedge this risk, as the Directors did not consider the exposure significant. The Company will review this policy as appropriate in the future.

As at 31 December 2018, 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 £8,000 (2017: £4,500). 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 £8,000 (2017: £4,500).

As at 31 December 2018, if the US Dollar had weakened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been lower by £50 (2017: £40). Conversely, if the US Dollar had strengthened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been higher by £50 (2017: £40).

Equity price risk

Group and Company

As at 31 December 2018, the Group and Company held 363,637 shares in Incanthera Limited at a value of £5.50 per share. The Group and Company is exposed to equity price risk as the sale of any Incanthera Limited shares will fluctuate depending on the terms of future share sales.

If the Incanthera Limited sold shares for 10% less than the price paid by the Group and Company, this would indicate a reduction in value of £200,000 which would increase the Group's and Company's Other Comprehensive Loss by £200,000.

If Incanthera Limited sold shares for 10% more than the price paid by the Group and Company, this would indicate an increase in fair value of £200,000 which would decrease the Group's and Company's Other Comprehensive Loss by £200,000.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

23 Financial instruments (continued)

Fair values of financial assets and liabilities

The following is a comparison by category of the carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2018. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	Carrying amount 2018 £	Fair Value 2018 £	Carrying amount 2017 £	Fair Value 2017 £
Trade and other receivables at amortised cost	176,511	176,511	90,880	90,880
Financial liabilities at amortised cost	(840,159)	(840,159)	(1,013,071)	(1,013,071)
Other investments at fair value	2,000,000	2,000,000	-	-
	1,336,352	1,336,352	(922,191)	(922,191)

Trade and other receivables at amortised cost

The fair value approximates to the carrying amount because of the short maturity of these instruments.

Financial liabilities at amortised cost

The fair value approximates to the carrying amount because the majority are associated with variable-rate interest payments that are re-aligned to market rates at intervals of less than one year.

Other investments at fair value

The balances are recorded at fair value and are determined by using published price quotations in an active market or using a valuation technique based on the price of recent investment methodology.

Fair value measurement

The Group measures the fair value of its financial assets and liabilities in the Statement of Financial Position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:-

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 fair value measurements are those derived from inputs, other than quoted prices included within level 1, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's financial assets that are measured at fair value at 31 December 2018:

	Level 1 £	Level 2 £	Level 3 £	Total £
Other investments	-	-	2,000,000	2,000,000

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2018

23 Financial instruments (continued)

Fair values of financial assets and liabilities (continued)

The following table presents the changes in Level 3 financial liabilities for the year ended 31 December 2018:

	Total £
As at 1 January 2018	-
Purchase of investment	2,000,000
As at 31 December 2018	2,000,000

The fair value measurement is based on a discounted cash flow model. The main level 3 inputs used by the Group are derived and evaluated as follows:

- A discount rate of 17% has been used which has been determined by current market assessments of the time value of money and the risk specific to the asset. If the discount rate increased by 10%, this would reduce the fair value by £0.52m.
- A probability weighting factor of 14.5% for successful product launches has been estimated based on market information for similar types of projects. If the factor decreased to 13%, this would reduce the fair value by £0.21m.
- The exchange rate used of US\$ 1.27 is based on current and historical market data. If the exchange rate increased to US\$ 1.40, this would reduce the fair value by £0.19m.
- Royalties of 12% have been estimated using market data. If the royalties decreased to 11%, this would reduce the fair value by £0.04m.

Capital Risk

Group and Company

The Group and Company considers its capital under management to be its cash and cash equivalents, share capital and reserves. The Group and Company's overall objective in managing its capital is to support the strategic objectives of the business: the development of potential new drugs. Decisions regarding the management of capital are taken by the Board in conjunction with regular strategic planning and budget reviews.

24 Subsequent events

There have been no subsequent events.

Glossary of Technical Terms

'biomarkers'	measurable biological responses used as predictors of clinical effects.
'CRO'	contract research organisation.
'drug-like'	having the potential to become a drug product candidate due to its physical and chemical characteristics.
'Lupus'	an autoimmune inflammatory disease of unknown etiology.
'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 2019 Annual General Meeting of ImmuPharma plc

(The "Company")

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of the Company will be held at the offices of Capital Access Group, 107 Cheapside, London, EC2V 6DN on 27 June 2019 at 10:30 am (London time) 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 2018 together with the reports thereon of the directors and auditors of the Company.
2. To re-appoint Dr Franco di Muzio as a director of the Company.
3. To re-appoint Mr Tim McCarthy as a director of the Company
4. To re-appoint 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 an aggregate nominal amount of £5,578,697 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 £5,578,697.

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 upon them by Resolution 5 above" were omitted.

Date: 28 May 2019
Registered Office: 50 Broadway
London
SW1H 0RG

BY ORDER OF THE BOARD

Tracy Weimar
Secretary

Notice of the 2019 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 0370 707 1014 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 2019 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 23 May 2019, the Company's issued share capital comprised 139,467,430 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 23 May 2019 is 139,467,430.

Documents on display

12. The following documents will be available for inspection at 107 Cheapside, London, EC2V 6DN 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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