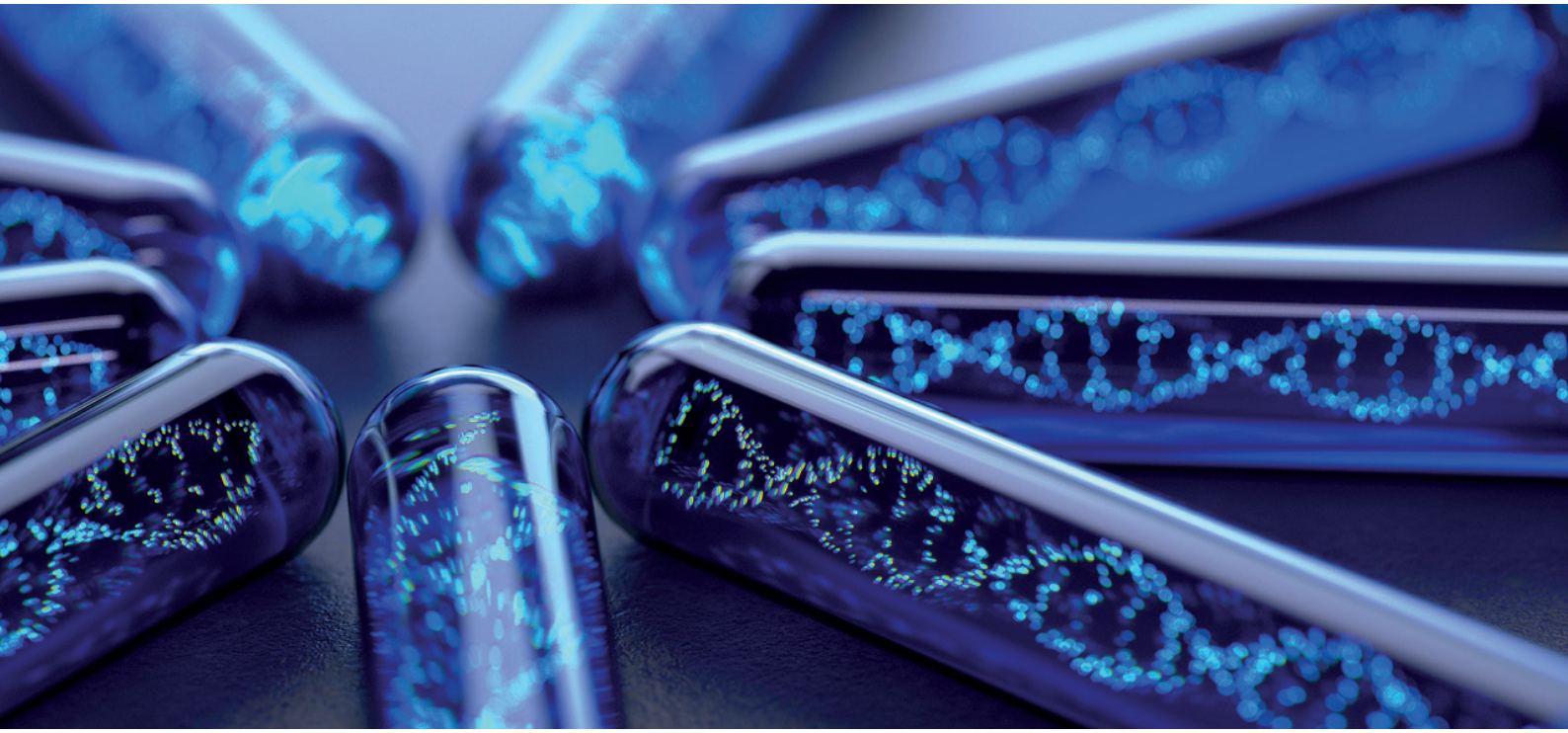
ImmuPharma



ImmuPharma plc

Report and Consolidated Financial Statements
For the Year Ended 31 December 2019

Contents

Chairman's Report

Chairman's Report

The first half of 2019 saw the successful completion of the analysis of the results from the Open Label Extension six month study from its original Phase III trial of Lupuzor™, ImmuPharma's lead program for lupus, a potential life threatening auto immune disease. The key finding from this study confirmed the robust safety profile of Lupuzor™ whilst also reporting no serious adverse events. Furthermore, we announced the successful completion of a subscription and Sharing Agreement ("Sharing Agreement") raising approximately £2.66 million with an institutional investor Lanstead Capital Investors LP ("Lanstead"), see note 14 for further details.

During the second half of 2019, we continued discussions with potential commercial partners for Lupuzor™, resulting in the signed Trademark, License and Development Agreement ("Agreement") with Avion Pharmaceuticals LLC ("Avion"), for the exclusive rights to Lupuzor™ in North America (United States). The Agreement allows completion of a new optimised international Phase III trial, which will be fully funded by Avion. Outside of lupus, the Agreement also includes the option for Avion to explore the peptide's potential in other auto-immune diseases for the US market.

ImmuPharma retains the rights to Lupuzor™ for all territories outside of the US and positive discussions with a number of potential commercial partners of Lupuzor™ in other key territories outside of the US are continuing.

In light of the recently emerged Covid-19 outbreak, the Company has put in place mitigating measures against medium term plans. Such measures are detailed in the Strategic Report (page 26).

Lupuzor™ Phase III open label extension results

Following requests from both investigators and patients involved in the Phase III trial completed in 2018, 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 were gathered as an "extension" open label study, independent of the pivotal Phase III trial. The study results announced in June 2019, confirmed that the primary endpoint, which was the safety and tolerability of Lupuzor™, were successfully met.

The open label extension study followed the pivotal Phase III clinical trial for Lupuzor™, the results of which were announced in April 2018. The data showed that Lupuzor™ demonstrated a superior response rate over the placebo (52.5% vs 44.6% "responders") in the primary analysis on the Full Analysis Set of all 202 patients. However, due to the high response rate in the placebo group, this superior response did not allow statistical significance to be reached (p = 0.2631) and the trial's primary end point was not met. However, 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=0.0218). 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.

Scientific literature indicates that approximately 60% - 70% of patients diagnosed for lupus are anti-dsDNA autoantibody positive. These proportions were seen in the Europe cohort (60.8% of patients) and could therefore be considered as representative of the overall lupus population. In those patients who were anti-dsDNA autoantibody negative, there was almost no difference in disease activity reduction between the active group and the comparator group. Anti-dsDNA autoantibodies are a recognised biomarker for Systemic Lupus Erythematosus.

This finding indicates that the activity of Lupuzor™ could be correlated with the presence of anti-dsDNA autoantibodies in lupus patients. ImmuPharma believes that predictive biomarkers, such as anti-dsDNA autoantibodies, could allow identification of patients that are more likely to respond positively to treatment with Lupuzor™.

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.

ImmuPharma 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.

The Board is confident that there are a number of routes to market for Lupuzor™, including corporate collaborations. Such a collaboration was successfully completed at the end of November 2019, resulting in a signed exclusive Trademark, License and Development Agreement with Avion Pharmaceuticals LLC ("Avion") in North America. Positive discussions with a number of potential commercial partners for Lupuzor™ in key territories outside of the US are continuing.

Chairman's Report (continued)

Agreement with Avion Pharmaceuticals LLC

On 28 November 2019 Avion Pharmaceuticals LLC ("Avion") and ImmuPharma signed a Trademark, License and Development Agreement ("Agreement") for the exclusive rights to Lupuzor™ in North America (United States).

With important insights gained from the initial pivotal Phase III Lupuzor™ trial concluded by ImmuPharma in 2018, a new Phase III clinical trial design with Avion has been identified. The ability to select the most responsive patients by biomarker profile has enabled Avion and ImmuPharma to agree the most robust way forward for Lupuzor™ in lupus patients. The Agreement allows completion of this new optimised international Phase III trial. Avion and ImmuPharma have assessed and agreed an expected level of funding required to complete the international Phase III trial, which Avion has agreed to fund in full up to $25 million, in return for full licensing rights over the drug within the US. ImmuPharma will receive milestone payments of up to $70 million, of which $5 million payment will be paid on regulatory approval and a further $65 million will be based on achievement of overall sales targets. Additionally, ImmuPharma will receive from Avion double-digit royalties up to 17%, according to pre-specified annual US sales targets. Avion and ImmuPharma will co-develop Lupuzor™ to allow registration for marketing in the United States, Europe and elsewhere. Avion will commercialise Lupuzor™ in the United States exclusively.

Avion also has the right to explore clinical development for other auto-immune indications within US territories. Additional milestone payments of $5 million will be paid to ImmuPharma for each disease indication, outside of lupus, receiving regulatory approval. All existing clinical data and any future joint Intellectual Property will be shared between the two parties for their respective regions. ImmuPharma retains all rights to commercialise Lupuzor™ outside of the US, either through commercial partnerships or directly by ImmuPharma.

Avion Pharmaceuticals LLC

Established in 2007, Avion is a US-based speciality pharmaceutical company formed to develop, acquire and market a portfolio of innovative pharmaceutical products in Women's Health and other therapeutic categories. Avion has a deep in-house expertise within medical and regulatory affairs and late-stage clinical development, together with a strong marketing and commercialisation operation. Avion's sales team reaches throughout North America with more than 100 sales representatives with significant specialist therapeutic experience. Since 2012, Avion has launched more than 55 New Drug Candidates (NDCs) and 20+ generic product extensions. Avion's launch earlier this year of a new gout product (Gloperba®) for adults is an excellent sales and marketing fit for the future commercialisation of Lupuzor™, as rheumatologists are the core prescribers and therapeutic influencers in both gout and lupus.

Post review period

On 30 March 2020 ImmuPharma confirmed that its partner Avion had strengthened its team of advisors for the Phase III trial, entering into a collaboration with a leading lupus patient group and the formation of a Board of Key Opinion Leaders all of whom are senior respected consultants within the lupus and autoimmune community in the US and Europe.

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. Through this partnership, CNRS will be entitled to

Chairman's Report (continued)

receive from ImmuPharma, low double-digit royalty payments of funds received by ImmuPharma from Avion through the Licence and Development Agreement.

Pipeline Overview

ImmuPharma's pipeline includes novel peptide-based therapeutics within four therapy areas: Autoimmunity; Anti-Infectives; Metabolism and Cancer.

Autoimmunity / Lupuzor™ / Forigerimod / P140 Platform

Lupuzor™, is also known by its chemical name '*Forigerimod*' *or* '*P140*'. Outside of Lupuzor™ for lupus, 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. One disease of key interest to ImmuPharma's team is Chronic Inflammatory Demyelinating Polyneuropathy ("CIDP"). CIDP is a neurological disorder targeting the body's nerves. Further assessment continues with the objective of moving CIDP forward into a Proof of Concept study, based on the strong data already gained within ImmuPharma's lupus dossier.

Nucant and Peptide program combined to form Ureka Pharma SAS

On 15 February 2020, the Company combined its two subsidiaries, Ureka Pharma SAS ('Ureka') and Elro Pharma SARL ('Elro') into one entity Ureka Pharma SAS ("Ureka Pharma"). The intention of this is to maximise value from the combined entity whilst retaining an interest in any future commercial success. Within this newly formed entity, and as further announced in a R&D update on 30 March 2020, there are three therapy areas: Cancer, Metabolism and Anti-Infectives.

Cancer

Within this therapy area is ImmuPharma's Nucant cancer program, IPP-204106, which is focused on combination cancer therapy approaches. 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.

Metabolism & Urelix™ technology

This therapy area has been developing lead compounds from its novel and patented peptide technology platform Urelix™. The laboratories are 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 oligourea foldamers as a tool to improve the pharmaceutical properties of peptides. One of the first focus areas 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 this technology.

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.

Chairman's Report (continued)

Metabolism | 'BioGlucagon' (new program)

ImmuPharma announced on 30 March 2020 that it has developed a new product, BioGlucagon, as a potential new rescue therapy for low sugar events in diabetes. Existing glucagon products have poor solubility and are inconvenient with variable dosing due to poor solubility creating risks for patients. BioGlucagon has 100% solubility, can be formulated in pre-filled syringe pens and could be used in insulin pumps. The next step will be to progress towards a bio equivalence study for BioGlucagon, which if successful could result with a potential market launch date in 2022. Partnering discussions will now progress in parallel.

Anti-Infectives (new therapy area)

As also announced on 30 March 2020, ImmuPharma has recently started exploring opportunities in research and development of anti-viral, anti-fungal and anti-bacterial programs.

Of specific interest is within anti-fungal. ImmuPharma has recently developed BioAMP-B, a novel peptide-based drug that offers a potential improvement on Amphotericin-B ("Amp-B"). Amp-B is one of the few effective treatments for many serious and life threatening fungal infections such as aspergillosis (lung infection). However, the leading AMP-B, 'Ambisome' is known to cause serious kidney toxicity in 14-15% of patients. ImmuPharma's BioAMP-B's target profile has a superior safety profile to Ambisome. Sales of Ambisome in 2019 were $407 million. The next step is lead candidate optimisation and in parallel opening up partnering discussions. Further information regarding these programs are described in detail within the Strategic Report.

Capital Subscription

In June 2019, as part of a placing that raised, in aggregate, £2.66 million (before expenses) ImmuPharma issued 26,565,200 new ordinary shares to Lanstead Capital Investors LP ('Lanstead') at a price of 10p per share for £2.66 million. All of the shares with full voting rights were allotted to Lanstead on 2 July 2019. ImmuPharma simultaneously entered into a Sharing Agreement with Lanstead for 100% of these shares with a reference price of 13.33p per share price. The Sharing Agreement is for a 24 month period. The actual consideration is variable depending upon ImmuPharma's share price and provides the opportunity for ImmuPharma to benefit from a positive future share price performance. On 2 July 2019, ImmuPharma also issued, in aggregate, a further 1,328,290 new ordinary shares to Lanstead as a value payment in connection with entering into the Sharing Agreement. At the end of financial year 2019, the fair value of Lanstead derivative financial asset was recalculated, resulting in finance gain of £58k.

Post review period

On 30 March 2020 ImmuPharma announced subscriptions to raise £1.5 million (the "Subscriptions") through the issue of 15,000,000 new ordinary shares of 10 pence each in ImmuPharma ("Ordinary Shares") (the "Subscription Shares") at a price of 10p per Ordinary Share ("Issue Price"). The Subscriptions comprise a £200,000 subscription from Dr Robert Zimmer, (Director, President & Chief Scientific Officer of ImmuPharma) through Luca and Associates AG ("Luca") (a company to which he is connected) and a further £1.3 million subscription with Lanstead", an institutional investor and substantial shareholder, together with a related Sharing Agreement, to raise in aggregate £1.5 million before expenses.

The subscriptions from Lanstead represent further supportive investments in the Company by Lanstead following the £4.43 million investment in February 2016, from which the Company ultimately received just over £5.0 million from Lanstead including the additional funds received through the Sharing Agreement over time.

These funding initiatives had been undertaken in order to further strengthen the Company's financial position and to support further investment in ImmuPharma's research and development ("R&D") programs.

Chairman's Report (continued)

Dual Listing on Euronext Growth Brussels

On 19 December 2019 ImmuPharma's shares were admitted to trading on Euronext Growth Brussels ("Euronext") under ticker 'ALIMM'. The intention of this listing was to further increase the visibility of ImmuPharma's shares in continental Europe where the Company is conducting its operational activities in France and Switzerland. It also allowed ImmuPharma to join the number one European stock exchange for Life Sciences and the world's second biggest for biotech companies after the United States.

Interest in Incanthera plc

In September 2018, ImmuPharma signed a Heads of Terms agreement with Incanthera Ltd "Incanthera" regarding a potential collaboration on the Nucant program. Discussions were ultimately terminated. At the same time, ImmuPharma invested £2 million to purchase 363,637 shares at £5.50 per share in Incanthera and received warrants for a further 363,637 shares at £5.50. This investment represented a holding of approximately 15% in Incanthera in 2018.

On 26 February 2020 Incanthera entered into Share Exchange Agreement with its shareholders, whereby each shareholder in Incanthera agreed to exchange their original shares for shares in the new Company – Incanthera Plc, resulting in the allotment of 48,564,280 ordinary shares.

On 28 February 2020 Incanthera's shares were admitted to trading on Aquis Stock Exchange ("AQSE", formerly NEX Exchange) under the ticker (TIDM: INC). Following Admission to trading, ImmuPharma retains 7,272,740 (from 363,637 held previously, subject of 1:20 sub-division) ordinary shares in Incanthera, representing 11.9% of Incanthera's enlarged issued ordinary share capital. As for all Incanthera's major shareholders, ImmuPharma has entered a standard "lock-in" agreement for these shares, for a period up to 12 months following Admission.

ImmuPharma also has 7,272,740 warrants at an exercise price of 9.5p pence, being the price at which new shares have been issued in the Placing accompanying Incanthera's listing ("Issue Price").

In addition, ImmuPharma has entered into a Subscription Agreement with Incanthera. Under the Subscription Agreement, ImmuPharma has the right, at any time prior to 31 October 2020, to subscribe for 2,631,579 new Ordinary Shares in Incanthera at the Issue Price (an amount of £250,000). Should ImmuPharma not exercise their right to subscribe by 31 October 2020, Incanthera may serve notice to ImmuPharma requiring exercise within 10 business days.

As a major shareholder ImmuPharma remains supportive of Incanthera and its diverse oncology pipeline but is especially excited of the potential near term commercialisation of Incanthera's lead product Sol, for skin cancer and other topical indications.

Current Activities and Outlook

The Board has been focused on delivering a business strategy, which provides the optimum route forward for ImmuPharma and its shareholders, based on its current assets, knowhow, collaborations and funding, including taking into account risks related to Covid-19 outbreak, discussed in further detail on page 26. In the medium term, we remain focussed on achieving the full regulatory approval of Lupuzor™ in conjunction with our US partner, Avion, which we believe has the potential to be a ground breaking drug for lupus patients with blockbuster potential in commercial terms. Both companies are focused on expediting Lupuzor™ into a new optimised international Phase III study. Avion's strengthening of its team of advisors to include a collaboration with a leading lupus patient group and the formation of KOLs, all of whom are senior respected consultants within the lupus and autoimmune community in the US and Europe, only enhances this strategy. In parallel, discussions are continuing with a number of potential commercial partners for Lupuzor™ outside of the US.

Chairman's Report (continued)

"Within the P140 Lupuzor™ platform and having confidence in the data gained from the lupus trials already completed, we can see real opportunities by expanding the disease targets and are now focussing our efforts on a Proof of Concept study in CIDP patients."

"In also broadening our R&D programs (with additional investment from Lanstead and Dr Robert Zimmer), through newly formed entity Ureka Pharma SAS, we are excited by the potential of our anti-fungal Bio-AMP-B therapy and our new BioGlucagon program, both have the potential of progressing quickly through initial bio-equivalence trials whilst in parallel opening up discussions for potential partnering opportunities. These initiatives continue to create further opportunities in the medium to long term to enhance shareholder value."

"We are in a new chapter within ImmuPharma's history, with the investment thesis for the Company and specifically Lupuzor™ being repositioned and we look forward to providing further updates on progress with shareholders over the next period."

"Lastly, the Board would like to thank its shareholders, including Lanstead for their support as well as its staff, corporate and scientific advisers and our partners including Simbec-Orion, CNRS and our new partner for Lupuzor™, Avion for their continued efforts and collaborative expertise."

Tim McCarthy
Non-Executive Chairman

Financial Review

Financial Review

The financial results of the ImmuPharma plc Group in this report cover the year ended 31 December 2019. The Group principal activity is that of research and development of novel drugs to treat serious medical conditions.

Income Statement

The operating loss for the year ended 31 December 2019 was £6.3 million, down from £8.1 million for the year ended 31 December 2018. The research and development expenditure was £2.7 million, substantially down from £4.7 million in 2018. Administrative expenses were £1.8 million (2018: £1.7 million). Fair value loss of £1.3 million (2018: Nil) on investment in Incanthera has been charged to Statement of Comprehensive Income. Finance income has decreased from £130k in 2018 to £64k in 2019. Finance costs amounted to £527k, up from £5k in 2018. Total comprehensive loss for the year was £7.0 million, a decrease from £7.3 million in 2018.

Statement of Financial Position

The Group cash and cash equivalents at 31 December 2019 amounted to £1.4 million (2018: £4.9 million). Financial borrowings were £27k (2018: £121k). 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 June 2019, ImmuPharma signed a subscription agreement with Lanstead, raising approximately £2.66 million, spread over 24 months. At 31 December 2019 Lanstead derivative financial asset amounted to £2.3 million (2018: £Nil). Investment in Incanthera amounted to £691k (2018: £2.0 million).

Results

The Group recorded a loss for the year of £6.1 million (2018: £7.2 million). Basic and diluted loss per share was 3.99p (2018: 5.19p). In accordance with the Group's loss making position no dividend is proposed.

Total Voting Rights

The Company has a total of 167,360,920 ordinary shares in issue at 31 December 2019 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.

On behalf of the Board
Dimitri Dimitriou
Director

Strategic Report

Strategic Report

The Board of ImmuPharma plc present their Strategic Report for the Group for the year ended 31 December 2019.

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 specialty biopharmaceutical company that discovers and develops peptide-based therapeutics, headquartered in London and listed on both the AIM market of the London Stock Exchange (IMM) and Euronext Growth Brussels (ALIMM). 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's portfolio includes novel peptide therapeutics within autoimmunity, metabolism, anti-infectives and cancer. The lead program, Lupuzor™, is a first-in class autophagy immunomodulator which is in Phase III development for the treatment of lupus. Preclinical analysis suggests therapeutic activity for many other autoimmune diseases that share the same autophagy mechanism of action. ImmuPharma and Avion Pharmaceuticals LLC ("Avion") signed on 28 November 2019, an exclusive Licence and Development Agreement and Trademark Agreement for Lupuzor™ to fund a new optimised international Phase III trial for Lupuzor™ and commercialise in the US (North America).

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

Strategic Report (continued)

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 Pharmaceuticals in 2009 and most recently with Avion Pharmaceuticals signed in 2019, encompassing an exclusive Agreement for Lupuzor™, our lead drug candidate for the treatment of lupus, to fund a new international Phase III trial and commercialise in the US, are successful examples 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 dually listed (LSE:AIM & Euronext Growth Brussels) and a Group with European subsidiaries and operations, ImmuPharma continue to consider and monitor the Brexit process. At this stage of the Group's development, ImmuPharma does not believe that Brexit will significantly impact the Group's operations or future plans.

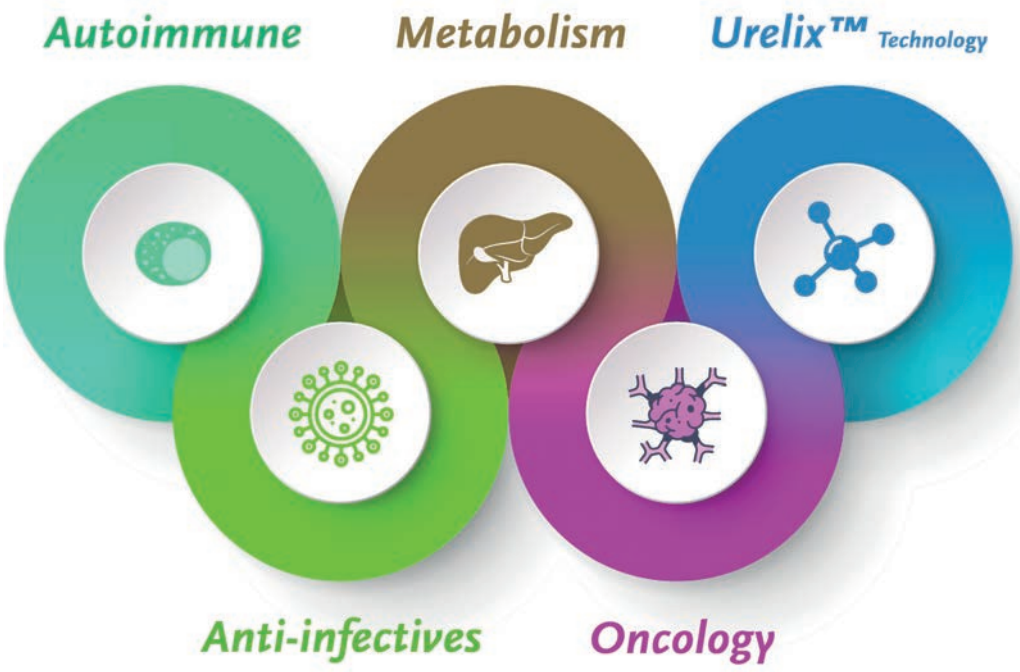
Strategic Report (continued)

Pipeline Overview

ImmuPharma currently has four therapy areas covering:

- Autoimmunity
- Metabolism
- Anti-Infectives
- Cancer

Each of these programs and respective drug candidates, many being novel peptide therapeutics, are proprietary and represent a novel approach to therapy. The Company believes each has significant commercial potential if successfully developed.



ImmuPharma Therapeutic Areas

Strategic Report (continued)
Product Pipeline

Autoimmunity / Lupuzor™ for Lupus and CIDP

ImmuPharma's lead product candidate, Lupuzor™, also known by its scientific name Forigerimod / '*P140*', targets lupus, an autoimmune disease for which there is currently no cure or specific treatment. Lupuzor™ was successfully licensed to US Cephalon Pharmaceuticals 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™. More recently on 28 November 2019, ImmuPharma and Avion Pharmaceuticals signed an exclusive trademark, licence and development agreement for Lupuzor™ to fund a new optimised international Phase III trial for Lupuzor™ and commercialise in the US. Avion will fund the Phase III trial and pay ImmuPharma milestones and tiered double digit royalties.

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$35,000 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, previous 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™ successfully completed Phase IIb clinical trials demonstrating a response rate of 65% after 3 months treatment and has also 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.

Chronic Inflammatory Demyelinating Polyneuropathy ("CIDP")

Outside of lupus the unique mechanism of action of Lupuzor™ (also known as Forigerimod or P140) has demonstrated in a number of pre-clinical trials that it has the potential to also be effective within other auto-immune diseases. One disease of key interest to ImmuPharma's team is Chronic Inflammatory Demyelinating Polyneuropathy ("CIDP") where compelling pre-clinical data* has been generated. CIDP could potentially be granted 'Orphan Drug Designation' due to the unmet clinical need and with around 50,000 to 100,000 confirmed cases in the US and Europe, which would provide a fast approval process. The sales potential however could be greater than $500 million annually, with currently no effective approved drug on the market.

ImmuPharma is planning to commence a Proof of Concept study in CIDP patients based on the strong data already gained within the Company's lupus dossier.

*Results were published in 2018 in the 'Journal of Autoimmunity' entitled: "An autophagy-targeting peptide to treat chronic inflammatory demyelinating polyneuropathies".

Anti-Infectives

There is growing resistance to antibiotics and antifungal agents, and more recently, the Covid-19 outbreak has highlighted mankind's unpreparedness and susceptibility to more aggressive infectious microorganisms, not only from a health perspective but also from an economic and social impact. Surviving cancer and other fatal diseases is undoubtedly vital but without sufficient ammunition against bugs (viral, fungal or bacterial) we survive to face a bigger problem.

The World Health Organisation has stated that resistance to antibiotics is one of the biggest threats to global health, costs and mortality. Pandemic disease events could cost the global economy over $6 trillion in the 21st century (National Academy of Medicine: 2016).

Strategic Report (continued)
Product Pipeline (continued)

However, despite the obvious threats to the health and wellbeing of the world's population, anti-infectives is a therapy area that attracts one of the lowest R&D spends in the biopharma industry. For example, there are three trials in oncology for one in anti-infectives, even though anti-infective drug development is faster and less expensive. Trials are generally much shorter for anti-infection versus chronic disease, so this is an attractive therapy area for speed to market and lower cost of trials.

Antiviral opportunity
The Company through its subsidiary Ureka Pharma SAS has recently become a partner in a consortium dedicated to the development of novel peptides intended to block the fusion of COVID-19 and other viruses to the target cell, an approach similar to Fuzeon (enfuvirtide) by Roche.

Drugs that target viral entry into the host cell have been proven effective against a wide range of viral diseases. The aim is to apply the results of fundamental research to the development of novel inhibitors of SARS-CoV-2 entry into target cells using the Urelix™ patented technology of Ureka Pharma SAS together with contributions from the other members of the consortium. The strategy is based on inhibiting viral entry, using peptides specific for the viral fusion protein.

Anti-fungal opportunity / 'BioAMP-B'
ImmuPharma has recently developed BioAMP-B, a novel peptide-based drug that offers a potential improvement on Amphotericin-B ("Amp-B"). Amp-B is one of the few effective treatments for many serious and life threatening fungal infections such as aspergillosis (lung infection). However, the leading AMP-B, 'Ambisome' is known to cause serious kidney toxicity in 14-15% of patients. ImmuPharma's BioAMP-B's target profile has a superior safety profile to Ambisome. Sales of Ambisome in 2019 were $407 million. Next step is lead candidate optimisation.

Anti-bacterial opportunity / 'IPP-203101'
IPP-203101 is ImmuPharma's novel peptide-based antibiotic for the treatment of MRSA ("methicillin-resistant Staphylococcus aureus" or "superbug") and other severe and hospital acquired multi-resistant infections. MRSA infections are increasingly resistant to even the last lines of drug defence such as 'vancomycin' and 'teicoplanin', which are two commonly used antibiotics. IPP-203101 causes bacterial cell death by a two-step mechanism involving interaction with the lipid component of the membrane followed by membrane breakdown. IPP-203101's target profile is to be as efficacious as vancomycin, but with a better safety profile, weekly administration, less susceptible resistance and a better efficacy profile for certain strains. Next step is lead candidate optimisation.

Metabolism & Urelix™ technology
ImmuPharma continues the development of its novel and innovative peptide technology platform 'Urelix™', through its 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 '**Urelix™**' has the ability to mimic protein structures, allowing for the preservation (or enhancement) of function while significantly increasing

Strategic Report (continued)
Product Pipeline (continued)

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.

Metabolism | 'BioGlucagon' (new program)

ImmuPharma has developed a new product, BioGlucagon, as a potential new rescue therapy for low sugar events in diabetes. Existing glucagon products have poor solubility and are inconvenient with variable dosing due to poor solubility creating risks for patients. BioGlucagon has 100% solubility, can be formulated in pre-filled syringe pens and could be used in insulin pumps. The next step will be to progress towards a bio equivalence study for BioGlucagon, which if successful could result with a potential market launch date in 2022. Partnering discussions will now progress in parallel.

Cancer | (IPP-204106)

The Nucant cancer 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, 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.

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

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.

On 28 November 2019 ImmuPharma signed a US Trademark, Licensing and Development Agreement with Avion Pharmaceuticals LLC for exclusive rights in US to Lupuzor™. Summary of the agreement is provided in the Key objectives and performance table below.

ImmuPharma incurred an overall loss for the year ended 31 December 2019 of £6.1 million (2018: £7.2 million). During 2019, research and development expenditure was £2.7 million (2018: £4.7 million). The R&D decrease was in line with expectation, due to completion of the Lupuzor Phase III trials within prior year with reduced work on Lupuzor and other projects during 2019, focusing on signing Lupuzor licencing agreement with Avion.

The foreign exchange losses of £523k within finance cost were due to weakening of the pound, leading to a foreign exchange loss (2018: gain of £117k), primarily in relation to intercompany receivables.

Other operating income of £120k (2018: £Nil) relates to amounts received from Avion Pharmaceuticals during 2019, as part of Trademark, Licensing and Development Agreement signed with ImmuPharma.

The derivative financial asset of £2.3m (2018: £Nil) is in relation to the Sharing Agreement with Lanstead Capital. The investment of £691k (2018: £2 million) relates to an 11.9% shareholding in Incanthera plc. Following Incanthera listing, post 2019 year-end and with quoted information available, the directors considered that the fair value based on a quoted share price is more appropriate than on a discounted cash flow model. The fair value of investment as at 31 December 2019 equated to £691k resulting in a fair value loss of £1.3m recognised through Other Comprehensive Income. At 31 December 2019 the Group's cash reserves have decreased to £1.4m (2018: £4.9m). This is due to an operating cash outflow of £4.3m.

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.

Going Concern

The Company and Group do not generate any cash revenues as its pipeline products are currently at research and development stage and therefore are reliant on external finance in order to fund its operation. As set out in this annual report, in June 2019 the Company placed shares for proceeds of £2.66m, which are subject to the Lanstead Sharing Arrangement and again on 30 March 2020 the Company placed further shares for proceeds of £1.5m, of which £1.3m is subject to a Lanstead Sharing Arrangement.

The directors have prepared cashflow forecasts covering a period of more than 12 months from the date of approval of these financial statements. These forecasts include several assumptions, including possible impacts of COVID-19 and expected cash receipts under the Lanstead Sharing Agreements. The proceeds from the Lanstead agreements are dependent on ImmuPharma's future share price and therefore the Directors have assessed a number of different reasonable scenarios, which include where cash outflows can be reduced, if required. These forecasts and scenarios indicate that both the Company and Group will have sufficient funds to meet their liabilities as they fall due. As a result, the directors have prepared these financial statements on the going concern basis.

Strategic Report (continued)

Review of Group Activity (continued)

Key objectives and performance

Objective	Key progress during the period
Successfully find a suitable partner(s) for and/or sufficient funding for the clinical development of Lupuzor™	• Exclusive US license and commercial partnership with "Avion" to fund a new optimised Phase III clinical trial for Lupuzor™ for up to $25 million with up to $70 million milestone payments and tiered double digit royalties on US sales.
Develop potential product portfolio	• First joint steering committee "JSC" of Avion and ImmuPharma completed in December 2019, confirming agreed new optimised Phase III study design for Lupuzor™. JSC agreed to progress Lupuzor™ into its second international Phase III clinical trial in 2020. • Collaboration with the European Institute of Chemistry and Biology at the University of Bordeaux continues to develop the Group's peptide technology platform. • Merger of Elro (Nucant) and Ureka (Peptide Platform) into a stronger combined company, Ureka Pharma SAS, overseeing development of 3 programs: metabolism, anti-infectives (including anti-viral, anti–bacterial, anti-fungal) and cancer.
Maintain strong cash position	• Consolidated cash balance at 31 December 2019 was £1.36 million. • Two subscription agreements with "Lanstead". First in June 2019 securing approximately £2.66 million over 24 months. Second subscription in March 2020 securing approximately £1.3 million over 24 months. • £200,000 subscription from Dr Robert Zimmer, (Director) through "Luca". • Continued tight financial control to ensure effective overall expenditure.

Strategic Report (continued)
Review of Group Activity (continued)

Directors duties in relation to s172 Companies Act 2006

The directors consider, that they have acted in the way they believe, in good faith, to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term,
- the interests of the Company's employees,
- the need to foster the Company's business relationships with suppliers, customers and others,
- the impact of the Company's operations on the community and environment,
- the desirability of the Company maintaining a reputation for high standards of business conduct, and
- the need to act fairly between the shareholders of the Company.

Long term value

The aim of all business resources allocation is to create a long-term value, being a development and commercialisation of novel drugs.

Our people

Being a small group with only on average 17 employees (including Executive Directors), there is a high level of visibility between Board and employees. For further details, please see pages 29 - 33.

Business relationships

The Board is aware of the importance of maintaining good relationship with its key suppliers whilst safeguarding its resources. For further details, please see page 41 for stakeholder engagement.

Community and environment

The Board seeks to support as many interactions with research and development community as possible through regular meetings and continuous collaborations. For further details, please see page 41 for stakeholder engagement.

Shareholders

One of our major Shareholders is represented on our Board, providing regular feedback on Shareholder views on events and decisions. Shareholder communications are conducted via press releases or annual and interim reports on timely manner. For further details, please see page 41 for stakeholder engagement.

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	Mitigating factors
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.	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	Mitigating factors
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.	Since its inception, ImmuPharma has 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	Mitigating Factors
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.	ImmuPharma operates 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	Mitigating factors
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.	It is essential that ImmuPharma complies 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	Mitigating factors
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.	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	Mitigating factors
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.	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	Mitigating factors
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.	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 are quoted and the price which investors may realise their share positions, can be influenced by a number of factors, which could include: the performance of both ImmuPharma's and its competitor's research and development programs, large purchases or sales of the Company's shares, legislative changes in the healthcare environment and general economic conditions. The volume of share trading on AIM or Euronext Growth Brussels markets can be limited and this may restrict the ability of shareholders to dispose of their shareholding at any particular time. Investment in shares traded on AIM, Euronext Growth Brussels or AQSE (where shares in Incanthera are traded and where ImmuPharma owns 11.9%) 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. Moreover, the fluctuation of the Company share price can affect the value of the future cash flows due from the Lanstead derivative financial asset. Lastly, uncertainty around Covid-19 virus pandemic is a key driver behind the market declines, seen across almost all industries at the first half of 2020. The magnitude of the impact will depend on the ability to contain the virus in the coming months. All risks described above could also impact on the Company's ability to conduct an equity fundraising.	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. Progressive news flow is key to this strategy as well as regular investor meetings, media commentary and interviews and analyst coverage.

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.

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

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.

Competition

Risk	Mitigating factors
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.	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	Mitigating factors
ImmuPharma is a UK, AIM and Euronext Growth Brussels 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.	The Group continues to monitor and assess the implications of Brexit implementation. The Board actively considers future plans in light of the Brexit process.

Covid-19

Risk	Mitigating factors
COVID-19 has spread to multiple countries, including the countries in which we may have planned our clinical trials. We may experience disruptions that could impact our business, including a delay in the timing of any action by the FDA, such as: • delays or difficulties in enrolling patients in our clinical trials; • difficulties in recruiting clinical site staff; • diversion of healthcare resources and hospitals serving as our clinical trial sites; • limitations in employee resources that would otherwise be focused on the conduct of our clinical trials, because of sickness of employees / their families or the desire of employees to avoid contact with large groups of people; • interruption of key clinical trial activities, such as clinical trial site monitoring, because of limitations of travel.	The Group actively assesses its contingency planning, including securing cash reserves to cover potential delays of clinical trials up to a period of c. 3 years, expanding its product pipeline into anti-infective therapies, where there are potential partnering opportunities and remote working of administrative personnel. It is also important to note that the Phase III trial for ImmuPharma's lead program, Lupuzor™ is being fully funded, up to $25 million, by its US partner, Avion Pharmaceuticals.

Strategic Report (continued)

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 AIM and Euronext Growth Brussels 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
29 April 2020

Board of Directors

Board of Directors

Tim McCarthy, FCCA, MBA
Non-Executive Chairman

Mr McCarthy has over 35 years' international experience 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 plc and 4basebio 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 raised 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 Stephane 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 stepped down from her roles in April 2020.

Orana Corporate LLP "Orana"
On 29 April 2020 ImmuPharma appointed "Orana" as a Company Secretary. "Orana" is a boutique corporate advisory and service practice. Their team consists of Chartered Accountants and Corporate Finance professionals (FINSIA), all of whom have extensive experience dealing with quoted and private companies operating in variety sectors and jurisdictions.

Scientific Collaborators

Scientific Collaborators

Prof Sylviane Muller, PhD

Co-founder of ImmuPharma France SA

Professor Muller is Professor at the Institute of Advanced Studies of the Strasbourg University where she holds the chair in Therapeutic immunology; emeritus Research Director at the Centre National de la Recherche Scientifique; former Director of the CNRS Unit Immunopathology and therapeutic chemistry (2001-2017) and former Director of the CNRS Institute of Molecular and Cellular Biology (2016-2017). She is the current Director of the Drug discovery Center for cancer and inflammation Medalis awarded 'Laboratory of Excellence' (2011-2020; with 200 persons) and future Director of the Strasbourg Institute for drug development and discovery (2021-2028; 250 persons). She received several awards (CNRS Silver Medal, CNRS Innovation Award, Léon Velluz Prize from the French Academy of Sciences, finalist of the 2017 European Inventor Award). In 2020, she became an elected member of the European Academy of Sciences. 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 over 30 patents and published more than 380 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 (stepped down in April 2020)
Orana Corporate LLP
Eccleston Yards
25 Eccleston Pl
London SW1W 9NF

Investor Relations
Lisa Baderoon

Registered Office
50 Broadway
London
SW1H 0RG

Nominated Adviser
SPARK Advisory Partners Limited
5 St John's Lane
London EC1M 4BH

Joint Broker
Stanford Capital Partners
15-17 Eldon Street
London EC2M 7LD

Joint Broker
SI Capital
46 Bridge Street
Godalming
Surrey GU7 1HL

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

Solicitors
BDB Pitmans
50 Broadway
London SW1H 0BL

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

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

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, pages 38-39 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.

Key activities and discussions in 2019, in relation to strategy and performance were revolving around product pipeline (see Strategic Report on pages 15 - 20 for more information), licensing agreement with "Avion" (see Chairman Statement on page 4 for further detail), Ureka Pharma SAS formation (see Chairman Statement on page 5 for more information) and Incanthera partnership (discussed in further detail on page 7 of Chairman Statement).

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, regular announcements regarding the Company's clinical trial progress, the Annual General Meeting and numerous one-on-one meetings. These meetings seek to foster a mutual understanding of both the Company's and shareholders' objectives. Such meetings are conducted in a format to protect price sensitive information that has not already been made generally available to all the Company's shareholders. Similar guidelines also apply to other communications between the Company and other parties, such as financial analysts, brokers and the media.

In addition, the Board is provided with market summary reports which detail share price and share register movements.

All members of the Board are scheduled to attend the Annual General Meeting. Notice of the Meeting is dispatched to shareholders at least 21 working days before the Meeting. The information sent to shareholders includes a summary of the business to be covered, with a separate resolution prepared for each substantive matter. When a vote is taken on a show of hands, the level of proxies received for and against the resolution and any abstentions are disclosed at the Meeting. The results of votes lodged for and against each resolution are announced to the London Stock Exchange, Euronext Growth Brussels and displayed on the Company's website. At the Meeting there will be an opportunity, following the formal business, for informal communications between shareholders and directors.

Corporate Governance Report (continued)

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. See stakeholder engagement within Strategic Report for further details on the page 41.

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.

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 23 - 26. 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.

Where a material new risk or opportunity is identified, or an existing risk escalates, the Board will communicate and meet outside of the regular Board meetings to ensure the required actions are taken and are effective.

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 29 and 31. 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 was supported in its governance and finance responsibilities by Tracy Weimar, Company Secretary and Vice President, Operations & Finance and who is not a Director (Stepped down in April 2020).

The Board is supported by a team of Scientific Collaborators, further details of which can be found on page 33.

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 the Senior independent non-executive director 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.

Corporate Governance Report (continued)

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 2019, the Board met 9 times with the attendance records of the directors as follows:

Mr Tim McCarthy, Non-Executive Chairman – 9/9
Mr Dimitri Dimitriou, Chief Executive Officer – 9/9
Dr Robert Zimmer, President and Chief Scientific Officer – 9/9
Dr Franco di Muzio, Senior Non-Executive Director – 9/9
Dr Stephane Mery, Non-Executive Director – 9/9

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

The Board has extensive mixture of skills and experience, which enable the delivery of Group's strategy for the shareholders over the medium to long-term. These include scientific expertise, public market requirements, business acumen and financial knowledge. Please refer to Director biographies on pages 29 and 31.

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 review takes 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. Senior management appointments are discussed at the Board Meetings and are managed by the Chief Executive Officer and Chief Science Officer with additional support from the Chairman and non-executive directors where appropriate.

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.

Upon joining the Company, employee has an induction meeting in relation to the Company's code of conduct and ethics. This includes example behaviours that are considered unacceptable by the Group.

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.

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 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 2019, 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.

In 2019 Audit Committee has deliberated two times. At these meetings the main point of discussion were annual and interim financial statements and working capital, the presentation of the annual report, audit report from Nexia Smith & Williamson, the audit fees and audit plan, updates on cash position, financial instruments and overall function of the committee and its members. Audit Committee members also assisted the Board in risk management activities.

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

Corporate Governance Report (continued)

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.

In 2019 the Remuneration Committee met twice and hasn't implemented any changes to the remuneration of the Company's executive Board members.

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. The results of any general meetings are released through LSE AIM RNS and Euronext Growth Brussels news as soon as practically possible. The Annual Reports and notice of all general meetings are available on the Group's website.

The directors also periodically promote ImmuPharma's activities, following the publication of regulatory announcements, through various media platforms such as 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 2019.

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 50.

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. The principal risks and uncertainties facing the Group are considered on pages 23 - 26.

Subsequent Events

Details of subsequent events are given in note 25 of the financial statements.

Directors

The following directors of the Company have held office since 1 January 2019:

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

Directors' Report (continued)

Stakeholder engagement

The Board seeks to understand and consider the views of the Group's key stakeholders in Board discussions and decision making.

Key Stakeholders and concerns	Board Considerations	Key Outcomes
Employees Our present and future employees are key for the future success of the business	Executive directors update the Board with details of employee changes, concerns and recruitment prospects. An open, collaborative working environment with attractive remuneration packages aligns employees' with shareholders' goals.	Staff turnover has been very low. All our employees participate in share based incentives.
Shareholders Our Shareholders have been highly supportive. We are actively encouraging retention of their investment whilst trying to secure new Shareholders and funding	The Board is in regular communication with its Shareholders via press releases, Annual and Interim Report.	The Company meets periodically with its Shareholders. Summary of these events are below: • AGM, June 2019 • Investor conferences, San Francisco USA, January 2019 • Interviews: both audio and TV with Proactive Investor, Directors Talk, Vox Markets and Investor meet Company.
Business Partners We have worked closely with our suppliers to set up new commercial and development agreements	The Board is aware of the importance of maintaining good relationships with key suppliers while safeguarding the Group's assets. It receives regular updates on main supply agreements.	New supplier agreements with material threshold need to be approved by two directors.
Research and Development Community The Collaboration with CNRS, University of Bordeaux, Simbec Orion and others is at the heart of our business	The Board seeks to support as many interactions with research and development community as possible through regular meetings and continuous collaborations.	With the budgets, the Board supported the research and development community to meet these objectives.
Environment The Group is conscious of the need to protect the environment	ImmuPharma's operations are relatively low in their impact on the environment.	During the year, employees reduced their travel wherever reasonably practical, using phone - conferencing instead.
Reputation Maintaining a strong reputation and acting within laws and regulations impacts the Group's relationships with all stakeholders	Policies and procedures approved by the Board are concentrated on maintaining the strong reputation of the Group within its employees, Shareholders, suppliers, regulators and other key stakeholders.	ImmuPharma continuously monitors and assesses all regulatory developments to ensure that any issues are being addressed in decision making.

Directors' Report (continued)

Directors Remuneration

The following amounts were payable to the directors of ImmuPharma plc across the Group in relation to the year ended 31 December 2019:

Director	Salary/Fees £	Cash Benefits £	Total remuneration 2019 £	Total remuneration 2018 £
Robert Zimmer	398,548	99,637	498,185	498,503
Dimitri Dimitriou	247,832	61,958	309,790	305,114
Tim McCarthy	260,000	-	260,000	260,000
Franco di Muzio	55,328	-	55,328	55,047
Stephane Mery	45,000	-	45,000	45,000
Total	1,006,708	161,595	1,168,303	1,163,664

The Company does not operate a health plan or company car plan and the directors don't receive pension contributions. There were no bonus payments to directors in 2019. As referred to in note 23, the £169,790 received by D Dimitriou and the £260,000 received by T McCarthy in lieu of directors' fees for the year ended 31 December 2019 are included in the table above.

The following share options were outstanding to the directors of ImmuPharma plc in relation to the year ended 31 December 2019 (see note 21 for more detail):

Director	Options granted 2 June 2016	Options granted 30 March 2017	Options granted 12 July 2017	Options granted 24 November 2017	Share options outstanding 2019	Share options outstanding 2018
Tim McCarthy	500,000	-	1,000,000	1,500,000	3,000,000	3,000,000
Dimitri Dimitriou	-	1,000,000	-	1,500,000	2,500,000	2,640,000
Robert Zimmer	-	1,000,000	-	1,500,000	2,500,000	2,650,000
Franco di Muzio	100,000	-	200,000	300,000	600,000	700,000
Stephane Mery	100,000	-	200,000	300,000	600,000	600,000
Total	700,000	2,000,000	1,400,000	5,100,000	9,200,000	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 31 March 2020 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.

Shareholder	Number of ordinary 10p shares	% of issued share capital	Options to acquire ordinary shares
Dr Robert Zimmer	24,551,553	14.67%	2,500,000
Lanstead Capital Investors LP	18,116,676	10.82%	-

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.

Directors' Report (continued)

Disclosure of information to the Auditors

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

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

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

Auditors

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

On behalf of the Board
Dimitri Dimitriou
Director
29 April 2020

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 and Euronext Growth Brussels 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 2019 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 2019 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 – Going concern

We draw attention to the disclosures made in note 1 to the financial statements regarding going concern.

The directors have prepared cashflow forecasts covering a period of more than 12 months from the date of approval of these financial statements. These forecasts include several assumptions, including possible impacts of COVID-19 and expected cash receipts under the Lanstead Sharing Agreements.

The proceeds from the Lanstead agreements are dependent on ImmuPharma's future share price and therefore the Directors have assessed a number of different reasonable scenarios, which include where cash outflows can be reduced, if required. These forecasts and scenarios indicate that both the Company and Group will have sufficient funds to meet their liabilities as they fall due.

Our opinion is not modified in respect of this matter.

Emphasis of matter – Valuation of the Parent Company's receivables and investments in subsidiaries

We draw attention to the disclosures made in note 13 to the financial statements concerning the carrying values of investments in subsidiaries and to the disclosures made in note 15 concerning the carrying value of the receivables due from group undertakings. The carrying value of £40.9 million investments in subsidiaries and £10.0 million receivables due from group undertakings is dependent on future pharmaceutical 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 provision that may be required if the £40.9 million investments in subsidiaries and £10.0 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.

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 (see note 1)

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 the directors in their assessment of principal risks and uncertainties, within the Strategic Report on page 25. 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

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 and challenged the inputs and assumptions included in the forecasts. Where appropriate we corroborated the inputs and assumptions to supporting information.
- Assessed sensitivity analysis performed by management and performed additional stress testing of the forecasts.
- 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 and available financing facilities and compared to the cash outflows required from the date of signing the annual report.
- Considered management's assessment of the impact of COVID-19 on the going concern status of the entity.

Carrying value of the Parent Company's investment in subsidiaries and receivables due from group companies (see note 13 and note 15)

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 Pharma SAS 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

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 Pharma SAS.
- Considered the implications of the level of market capitalisation of the Parent Company for the valuation of these balances.
- Reviewed any third party reports such as investor analysis.
- 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 management's assumptions with reference to historical data and external data.
- Performed sensitivity analysis on the key assumptions used in the model.

Investment in Incanthera Limited (see note 12)

Description of risk

As described in note 12, in September 2018 ImmuPharma plc purchased 363,637 shares in Incanthera Limited representing a 15% shareholding for £2m. On 28 February 2020, following the admission to a traded market, ImmuPharma exchanged these 363,637 shares for 7,272,740 ordinary shares in Incanthera Plc in a share-for-share exchange, representing 11.9% of Incanthera Plc's enlarged issued ordinary share capital.

The fair value of this investment has been assessed at 31 December 2019 and based on the ImmuPharma Plc's shareholding of Incanthera plc, and the share issue price on 28 February 2020 of 9.5 pence.

Therefore, there is a risk that the fair value of the investment included in the financial statements may be misstated as this requires judgement, particularly if the post year-end listing does not give evidence of conditions at the year-end date.

How the matter was addressed in the audit

As part of our procedures we:

- Reviewed the accounting treatment of the investment in Incanthera Limited.
- Reviewed management's assessment of the fair value of the investment and considered the appropriateness of using the post year-end listing to measure fair value at year-end.
- Challenged assertions made by management in their assessment of the fair value, and corroborated inputs to external documentation.

Materiality

The materiality for the Group financial statements as a whole was set at £620,000. 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 £496,000. 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.

Independent auditor's report
To the members of ImmuPharma plc (continued)

An overview of the scope of our audit
Of the Group's five reporting components, four were subject to audit for group reporting purposes. The four components covered: 70% of Group revenue, 100% of Group loss before tax and 99% of Group net assets.

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

Three out of the four 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.

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.

Independent auditor's report
To the members of ImmuPharma plc (continued)

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 44, 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.

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

25 Moorgate
London
EC2R 6AY

29 April 2020

Consolidated Income Statement

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Continuing operations			
Revenue	1 & 3	77,925	81,281
Other operating income		119,901	-
Research and development expenses		(2,664,550)	(4,697,284)
Administrative expenses		(1,831,395)	(1,660,408)
Share based expense		(1,983,525)	(1,803,769)
Operating loss	5	(6,281,644)	(8,080,180)
Finance costs	6	(526,734)	(4,783)
Finance income	7	64,014	129,808
Loss before taxation		(6,744,364)	(7,955,155)
Tax	8	620,774	748,606
Loss for the year		(6,123,590)	(7,206,549)
Attributable to:			
Equity holders of the parent company		(6,123,590)	(7,206,549)
Loss per ordinary share			
Basic and diluted	9	(3.99p)	(5.19p)

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Loss for the financial year	**(6,123,590)**	(7,206,549)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value loss on investments	**(1,309,090)**	-
Exchange differences on translation of foreign operations	**438,810**	(88,256)
Other comprehensive loss for the year, net of tax	**(870,280)**	(88,256)
Total comprehensive loss for the year	**(6,993,870)**	(7,294,805)

Consolidated Statement of Financial Position

for the year ended 31 December 2019

	Notes	31 December 2019 £	31 December 2018 £
Non-current assets			
Intangible assets	10	**478,960**	483,039
Property, plant and equipment	11	**206,744**	164,661
Derivative financial asset	14	**843,147**	-
Financial asset	12	**690,910**	2,000,000
Total non-current assets		**2,219,761**	2,647,700
Current assets			
Trade and other receivables	15	**153,609**	331,487
Derivative financial asset	14	**1,456,714**	-
Cash and cash equivalents	16	**1,364,840**	4,911,448
Current tax asset		**606,157**	767,121
Total current assets		**3,581,320**	6,010,056
Current liabilities			
Financial liabilities - borrowings	17	**(26,778)**	(98,340)
Trade and other payables	18	**(505,089)**	(913,907)
Total current liabilities		**(531,867)**	(1,012,247)
Net current assets		**3,049,453**	4,997,809
Non-current liabilities			
Financial liabilities - borrowings	17	**-**	(22,470)
Net assets		**5,269,214**	7,623,039
EQUITY			
Ordinary shares	20	**16,736,093**	13,946,744
Share premium		**27,187,316**	27,320,145
Merger reserve		**106,148**	106,148
Other reserves		**1,430,337**	(991,998)
Retained earnings		**(40,190,680)**	(32,758,000)
Total equity		**5,269,214**	7,623,039

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2020
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 2019

	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 2018	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 operation	-	-	-	-	(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
Loss for the financial year	-	-	-	-	-	-	(6,123,590)	(6,123,590)
Exchange differences on translation of foreign operations	-	-	-	-	438,810	-	-	438,810
Transactions with owners: Share based payments	-	-	-	-	-	1,983,525	-	1,983,525
New issue of equity capital	2,789,349	-	-	-	-	-	-	2,789,349
Costs of new issue of equity capital	-	(132,829)	-	-	-	-	-	(132,829)
Fair value loss on investments	-	-	-	-	-	-	(1,309,090)	(1,309,090)
At 31 December 2019	16,736,093	27,187,316	106,148	(3,541,203)	(1,350,687)	6,322,227	(40,190,680)	5,269,214
Attributable to:-								
Equity holders of the parent company	16,736,093	27,187,316	106,148	(3,541,203)	(1,350,687)	6,322,227	(40,190,680)	5,269,214

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Cash flows from operating activities			
Cash used in operations	22	(4,963,710)	(5,606,138)
Tax received		746,369	889,787
Interest paid	6	(4,045)	(4,783)
Net cash used in operating activities		(4,221,386)	(4,721,134)
Investing activities			
Purchase of property, plant and equipment		(107,111)	(102,880)
Purchase of investments		-	(2,000,000)
Interest received	7	5,743	12,491
Net cash generated/(used) in investing activities		(101,368)	(2,090,389)
Financing activities			
Decrease in bank overdraft		(14)	(72)
Loan repayments		(89,205)	(138,809)
Settlements from Sharing Agreement		414,930	-
Gross proceeds from issue of new share capital		2,656,520	10,000,000
Share capital issue costs		-	(713,929)
Funds deferred per Sharing Agreement		(2,656,520)	-
Net cash generated from financing activities		325,711	9,147,190
Net (decrease)/increase in cash and cash equivalents		(3,997,043)	2,335,667
Cash and cash equivalents at beginning of year	16	4,911,448	2,729,468
Effects of exchange rates on cash and cash equivalents		450,435	(153,687)
Cash and cash equivalents at end of year	16	1,364,840	4,911,448

Company Statement of Comprehensive Income

for the year ended 31 December 2019

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Loss for the financial year	**(4,036,897)**	(3,159,748)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value loss on investments	**(1,309,090)**	-
Other comprehensive loss for the year, net of tax	**(1,309,090)**	-
Total comprehensive loss for the year	**(5,345,987)**	(3,159,748)

Company Statement of Financial Position

as at 31 December 2019

	Notes	31 December 2019 £	31 December 2018 £
Non-current assets			
Property, plant and equipment	11	**11,215**	16,590
Financial asset	12	**690,910**	2,000,000
Derivative financial asset	14	**843,147**	-
Investment in subsidiaries	13	**40,872,730**	39,472,023
Total non-current assets		**42,418,002**	41,488,613
Current assets			
Trade and other receivables	15	**10,031,037**	9,566,666
Derivative financial asset	14	**1,456,714**	-
Cash and cash equivalents	16	**834,464**	4,379,345
Total current assets		**12,322,215**	13,946,011
Current liabilities			
Trade and other payables	18	**(241,071)**	(229,536)
Total current liabilities		**(241,071)**	(229,536)
Net current assets		**12,081,144**	13,716,475
Net assets		**54,499,146**	55,205,088
EQUITY			
Ordinary shares	20	**16,736,093**	13,946,744
Share premium		**27,187,316**	27,320,145
Merger reserve		**19,093,750**	19,093,750
Equity shares to be issued		**6,322,227**	4,338,702
Retained earnings		**(14,840,240)**	(9,494,253)
Total equity		**54,499,146**	55,205,088

The Company's loss for the year ended 31 December 2019 was £4,036,897 (2018: loss of £3,159,748).

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2020.

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 2019

	Share capital £	Share premium £	Merger reserve £	Equity shares to be issued £	Retained earnings £	Total equity £
At 1 January 2018	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
Cost 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
Loss for the financial year		-	-	-	(4,036,897)	(4,036,897)
Transactions with owners: Share based payments	-	-	-	1,983,525	-	1,983,525
Fair value loss on investments	-	-	-	-	(1,309,090)	(1,309,090)
New issue of equity capital	2,789,349	-	-	-	-	2,789,349
Costs of new issue of equity	-	(132,829)	-	-	-	(132,829)
At 31 December 2019	16,736,093	27,187,316	19,093,750	6,322,227	(14,840,240)	54,499,146

Company Statement of Cash Flows

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Cash flows from operating activities			
Cash used in operations	22	(2,308,227)	(1,541,381)
Interest paid		(3,935)	(4,663)
		(2,312,162)	(1,546,044)
Investing activities			
Purchase of property, plant and equipment		(1,932)	(5,100)
Purchase of investments		-	(2,000,000)
Finance income		5,303	12,451
Loans issued		(1,651,020)	(3,579,049)
Net cash used in investing activities		(1,647,649)	(5,571,698)
Financing activities			
Gross proceeds from issue of share capital		-	10,000,000
Share capital issue costs		-	(713,929)
Settlements from Sharing Agreement		414,930	-
Gross proceeds from issue of new share capital		2,656,520	-
Funds deferred per Sharing Agreement		(2,656,520)	-
Net cash generated from financing activities		414,930	9,286,069
Net (decrease)/increase in cash and cash equivalents		(3,554,881)	2,168,327
Cash and cash equivalents at beginning of year	16	4,379,345	2,211,018
Cash and cash equivalents at end of year	16	834,464	4,379,345

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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

The Company and Group do not generate any cash revenues as its pipeline products are currently at research and development stage and therefore are reliant on external finance in order to fund its operation. As set out in this annual report, in June 2019 the Company placed shares for proceeds of £2.66m, which are subject to the Lanstead Sharing Arrangement and again on 30 March 2020 the Company placed further shares for proceeds of £1.5m, of which £1.3m is subject to a Lanstead Sharing Arrangement.

The directors have prepared cashflow forecasts covering a period of more than 12 months from the date of approval of these financial statements. These forecasts include several assumptions, including possible impacts of COVID-19 and expected cash receipts under the Lanstead Sharing Agreements. The proceeds from the Lanstead agreements are dependent on ImmuPharma's future share price and therefore the Directors have assessed a number of different reasonable scenarios, which include where cash outflows can be reduced, if required. These forecasts and scenarios indicate that both the Company and Group will have sufficient funds to meet their liabilities as they fall due. As a result, the directors have prepared these financial statements on the going concern basis.

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 Statement of financial position 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 2019

1 Accounting policies (continued)

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

- Financial asset – Other investments
  The Group and the Company hold 11.9% of the issued share capital in Incanthera plc. Incanthera plc investment is held at fair value through other comprehensive income. The investment included above represents investments in quoted equity securities. Under IFRS 7 Financial instruments: Disclosures and IFRS 13 Fair value measurement this is classified under the fair value hierarchy as level 2. This strategic investment is classified as fair value through other comprehensive income. The fair value has been assessed at 31 December 2019 and is based on the share price and holding at 28 February 2020 on the ImmuPharma plc shareholding of Incanthera plc. The value of ImmuPharma's retained 7,272,740 shares at an exercise price of 9.5p pence, (being the price at which new shares have been issued in the placing accompanying Incanthera's listing) amounted to £690,910, being the fair value of the investment in Incanthera plc as of 31 December 2019. Fair value loss of £1.3 million has been recorded in Other Comprehensive Income.
- Derivative financial asset
  The Group and the Company has placed shares with Lanstead and at the same time entered into a Sharing Agreement. The amount receivable under the Sharing Agreement each month, over a 24 month period will be dependent on the Company's share price performance. The nature of the Sharing Agreement with Lanstead requires the calculation of the fair value as at the end of the accounting period and it is based on the estimation of the Company's share price and discount rate. Under IFRS 7 Financial instruments: Disclosures and IFRS 13 Fair value measurement, the Company's share price has been assessed under the fair value hierarchy as Level 2 input. At each period end the amount receivable is restated to fair value. Any change in the fair value of the derivative financial asset is reflected in the Income Statement. The derivative was initially recognised at the date the Sharing Agreement was entered into and was subsequently re-measured to its fair value at the reporting date. The resulting gain or loss was recognised in finance income within profit and loss. As at 31 December 2019, the Company completed a calculation of fair value of the derivative financial asset that resulted in a finance gain of £58,271. At the reporting date, the derivative had a positive fair value and therefore is recognised as a financial asset, whereas if it had a negative fair value it would be recognised as a financial liability. The derivative is presented as both current asset and non current asset.
- Warrants financial asset
  In September 2018, the Group and the Company has been issued warrants for 363,637 shares at £5.50 of Incanthera. These warrants represent financial asset, measured at fair value through Income Statement. At the reporting date, warrants financial asset was revalued to its fair value and the valuation was immaterial. The fair value was measured using the "Black – Scholes" valuation model, in which there were several inputs, based on details specified in warrant agreement and estimations described further in Note 12.

Management have applied estimates in 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 2019, the Company's investment in its subsidiary, ImmuPharma (France) SA was £30,380,205. 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

1 Accounting policies (continued)

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

At 31 December 2019, ImmuPharma Plc was due £8,597,241 from its subsidiary ImmuPharma (France) SA. At that date, ImmuPharma (France) SA had net liabilities of £8,153,851 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 in April 2018, the directors have reviewed the future prospects of ImmuPharma (France) SA, using information which would have been available at 31 December 2019 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.

- Derivative Financial Asset – the nature of the Sharing Agreement with Lanstead requires the calculation of the fair value as at the end of the accounting period and it is based on the estimation of the Company's share price and discount rate.

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 16 "Leases" has been effective for the year ended 31 December 2019. The adoption of this standard has not had a material impact on the financial statements.

(b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2019
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.

Basis of consolidation

Both the consolidated and the Company's financial statements are for the year ended 31 December 2019 and present comparative information for the year ended 31 December 2018. 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'). The control principle in IFRS 10 sets out the following three elements of control: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and. the ability to use power over the investee to affect the amount of those returns. 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 Pharma SAS and 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

1 Accounting policies (continued)

Foreign currency (continued)

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.

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 substantively 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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

1 Accounting olicies (continued)

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.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

1 Accounting policies (continued)

Financial instruments (continued)

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision for impairment is established based on lifetime expected credit losses. 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.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

2 Financial risk management (continued)

Financial risk factors (continued)

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.

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 £54,749 (2018: £77,338) originates in France and £23,176 (2018: £3,943) originates in Switzerland. Of the loss before taxation, £1,738,750 (2018: £3,813,218) originates in France, with losses before taxation of £5,004,410 (2018: £4,137,698) and £1,203 (2018: £4,239) originating in the United Kingdom and Switzerland respectively.

Of the total non-current assets, £674,486 (2018: £631,110) originates in France and £1,734,529 (2018: £2,016,590) 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 2019 No.	Group Year ended 31 December 2018 No.	Company Year ended 31 December 2019 No.	Company Year ended 31 December 2018 No.
Drug research and development, and commercial operations	14	14	1	1
Administration and management	3	3	3	3
	17	17	4	4

The aggregate remuneration comprised:	Group Year ended 31 December 2019 £	Group Year ended 31 December 2018 £	Company Year ended 31 December 2019 £	Company Year ended 31 December 2018 £
Wages and salaries	1,681,159	1,618,729	1,133,456	1,130,664
Social security costs	173,801	147,117	40,773	37,862
Share-based payment	1,983,525	2,057,275	1,736,937	1,810,687
	3,838,485	3,823,121	2,911,166	2,979,213

During the year ended 31 December 2018, there was a reversal of National Insurance provision of £253,506 made against Social security costs. No such provision was in place for the year ended 31 December 2019.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

4 Staff costs (continued)

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 2019 £	Group Year ended 31 December 2018 £	Company Year ended 31 December 2019 £	Company Year ended 31 December 2018 £
Fees	**530,118**	525,162	**530,118**	525,162
Salaries and benefits	**638,185**	638,502	**638,185**	638,502
	1,168,303	1,163,664	**1,168,303**	1,163,664

Please refer to information in the Directors Report on page 42 in respect for amounts paid to individual directors.

Refer to note 23 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 2019 £	Group Year ended 31 December 2018 £	Company Year ended 31 December 2019 £	Company Year ended 31 December 2018 £
Salaries and benefits	**498,185**	498,503	**498,185**	498,503
	498,185	498,503	**498,185**	498,503

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, including National Insurance, 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 2019 £	Group Year ended 31 December 2018 £	Company Year ended 31 December 2019 £	Company Year ended 31 December 2018 £
Short-term employee benefits (salaries and benefits)	**1,168,303**	1,181,821	**1,168,303**	1,181,821
Share based payments	**1,143,207**	1,175,473	**1,143,207**	1,175,473
Directors' emoluments	**2,311,510**	2,357,294	**2,311,510**	2,357,294

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

5 Operating loss

- Group

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Operating loss is stated after charging/(crediting):		
Share based payments charge	1,983,525	2,057,275
Employers National Insurance provision in respect of share based payments charge	-	(253,506)
Depreciation of property, plant and equipment - owned	61,091	99,588
Amortisation of intangible assets - patents	29,227	33,492
Services provided by Company auditors: - Audit services	72,500	58,000
- Other services relating to tax compliance services	3,500	4,550
- Other services relating to taxation advisory services	-	5,150
- Audit services – interim review	14,650	9,500
Audit services provided by other auditors	23,086	10,722

6 Finance costs

- Group

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Interest payable on loans and overdraft	4,045	4,783
Loss on foreign exchange	522,689	-
	526,734	4,783

7 Finance income

- Group

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Bank interest receivable	5,743	12,491
Gain on foreign exchange	-	117,317
Gain on derivative financial asset	58,271	-
	64,014	129,808

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

8 Taxation

- Group

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Current tax:		
Corporation tax	(620,774)	(748,606)
Total current tax credit for the year	(620,774)	(748,606)

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 2019 £	Year ended 31 December 2018 £
Loss before taxation	(6,744,364)	(7,955,155)
Tax on loss (at the average rate 19%) (2018: 19%)	(1,281,429)	(1,511,490)
Effects of:		
Expenses not allowable for tax purposes	4,463	(5,212)
Depreciation in excess of capital allowances	19,364	24,934
Rate differences	229	1,192
Research and development tax credit	(620,774)	(748,606)
Current year losses carried forward	1,257,373	1,490,952
Current tax credit for year	(620,774)	(748,606)

As at 31 December 2019, the Group has unused tax losses of £39,360,358 (2018: £32,615,994) 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 2019

9 Loss per share

- Group

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Loss		
Loss for the purposes of basic loss per share being net loss after tax attributable to equity shareholders	(6,123,590)	(7,206,549)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	153,452,385	138,839,576
Basic loss per share	(3.99)p	(5.19)p
Diluted loss per share	(3.99)p	(5.19)p

The Group has granted share options in respect of equity shares to be issued, the details of which are disclosed in note 21.

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 2019

10 Intangible assets

- Group

	In process research and development £	Patents £	Total £
Cost			
At 1 January 2018	404,095	477,043	881,138
Exchange rate movements	-	5,948	5,948
At 1 January 2019	404,095	482,991	887,086
Exchange rate movements	-	(24,660)	(24,660)
At 31 December 2019	404,095	458,331	826,426
Amortisation			
At 1 January 2018	-	398,870	398,870
Exchange rate movements	-	(28,315)	(28,315)
Charge for the period	-	33,492	33,492
At 1 January 2019	-	404,047	404,047
Exchange rate movements	-	(49,807)	(49,807)
Charge for the period	-	29,227	29,227
At 31 December 2019	-	383,467	383,467
Net book amount			
At 31 December 2019	404,095	74,865	478,960
At 31 December 2018	404,095	78,944	483,039

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

11 Property, plant and equipment

- Group

	Fixtures, fittings and equipment £
Cost	
At 1 January 2018	652,425
Exchange rate movements	6,396
Additions	102,880
At 1 January 2019	761,701
Exchange rate movements	(34,323)
Additions	110,580
Disposals	(3,468)
At 31 December 2019	834,490
Depreciation	
At 1 January 2018	491,026
Exchange rate movements	6,426
Charge for the period	99,588
At 1 January 2019	597,040
Exchange rate movements	(28,105)
Charge for the period	61,091
Depreciation eliminated on disposals	(2,280)
At 31 December 2019	627,746
Net book amount	
At 31 December 2019	206,744
At 31 December 2018	164,661

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

11 Property, plant and equipment (continued)

- Company

	Fixtures, fittings and equipment £
Cost	
At 1 January 2018	55,111
Additions	5,100
At 1 January 2019	60,211
Additions	3,476
Disposals	(1,543)
At 31 December 2019	62,144
Depreciation	
At 1 January 2018	35,889
Charge for the period	7,732
At 1 January 2019	43,621
Charge for the period	7,617
Eliminated on disposal	(309)
At 31 December 2019	50,929
Net book amount	
At 31 December 2019	11,215
At 31 December 2018	16,590

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

12 Financial asset

- Group and Company

	Other investments £
Valuation	
At 31 December 2018	2,000,000
Additions	-
Fair value loss	(1,309,090)
At 31 December 2019	690,910

In September 2018 ImmuPharma purchased 363,637 shares in Incanthera Limited representing a 15% shareholding for £2 million. This investment was initially recorded at cost (when purchased and at the 2018 year end, which was the fair value of the consideration paid). On 28 February 2020, following the admission to trading on AQSE ImmuPharma exchanged these 363,637 shares for 7,272,740 ordinary shares in Incanthera Plc in a share-for-share exchange, representing 11.9% of Incanthera Plc's enlarged issued ordinary share capital.

The fair value of this investment has been assessed at 31 December 2019 and it is based on the ImmuPharma Plc's shareholding of Incanthera plc, and the share issue price on 28 February 2020 of 9.5 pence.

In the year ended 31 December 2018, Incanthera Limited was an unquoted company and determining an appropriate market price of its shares is difficult. Management used a discounted cash flow model to determine the fair value of the investment which equated to £2.0m. As at the year ended 31 December 2019, the directors were aware of Incanthera imminent listing (furthermore, there was no other shares issued or significant changes between year end and 28 February 2020), the post year end admission to trading denotes to be the best evidence of fair value of investment in Incanthera Limited at the year ended 31 December 2019.

Under IFRS 7 Financial instruments: Disclosures and IFRS 13 Fair value measurement this is classified under the fair value hierarchy as level 2. The fair value of ImmuPharma's 7,272,740 shares held in Incanthera Plc equated to £690,910 as at 31 December 2019, which has resulted in a fair value loss of £1.3m recognised through other comprehensive income.

Warrants in Incanthera Ltd

In September 2018, ImmuPharma has been also issued warrants for 363,637 shares at £5.50 per share of Incanthera ltd. These warrants represent financial asset, measured at fair value through Income Statement. At the year end 2019, the warrants were revalued to its fair value and the valuation was deemed immaterial. The fair value was measured using the "Black – Scholes" valuation model, in which there were several inputs, based on the contractual details and estimations. The inputs below have been taken into account in 2019:

- Expected volatility of share price – 30%
- Risk free rate – 0.605%
- Market value of share price at issue - £1.9

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

13 Investment in subsidiaries

- Company

	Shares in subsidiary undertakings £
Cost and fair value	
At 31 December 2018	39,472,023
Additions	1,400,707
At 31 December 2019	40,872,730

Details of the Company's subsidiaries as at 31 December 2019 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 Pharma SAS (formerly 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 2019 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 2019

14 Derivative financial asset

	Group 31 December 2019 £	Group 31 December 2018 £	Company 31 December 2019 £	Company 31 December 2018 £
Value of derivative at inception	2,656,520	-	2,656,520	-
Settlements received	(414,930)	-	(414,930)	-
Gains recognised through income statement	58,271	-	58,271	-
	2,299,861	-	2,299,861	-

	31 December 2019 £	31 December 2018 £
Due within one year	1,456,714	-
Due after one year	843,147	-
At 31 December	2,299,861	-

As part of the placement completed in June 2019, the Company issued 26,565,200 new ordinary shares to Lanstead Capital Investors L.P. ("Lanstead") at a price of 10p per share for an aggregate subscription price of £2.66 million before expenses. The Subscription proceeds were pledged under a Sharing Agreement under which Lanstead made and will continue to make, subject to the terms and conditions of that Sharing Agreement, monthly settlements to the Company that are subject to adjustment upwards or downwards depending on the Company's share price performance.

On 2 July 2019, the Company also issued, in aggregate, a further 1,328,290 new ordinary shares to Lanstead as a value payment in connection with the Share Subscription and the Sharing Agreement.

ImmuPharma received four monthly settlements during 2019. Monthly settlements under the Sharing Agreement will continue in 2020 and 2021 and complete in August 2021.

At the end of the accounting period the amount receivable is restated to fair value based upon the share price of the Company at that date. Any change in the fair value of the derivative financial asset is reflected in the income statement. As at 31 December 2019, the Company completed a calculation of fair value of the derivative financial asset that resulted in a finance gain of £58,271, which was recorded in the income statement. The restatement to fair value will be calculated at the end of each accounting period during the course of the Sharing Agreement and will vary according to the Company's share price performance.

15 Trade and other receivables

	Group 31 December 2019 £	Group 31 December 2018 £	Company 31 December 2019 £	Company 31 December 2018 £
Amounts owed by group undertakings	-	-	9,950,510	9,453,609
Other debtors	102,924	176,511	42,327	58,856
Prepayments	50,685	154,976	38,200	54,201
	153,609	331,487	10,031,037	9,566,666

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

15 Trade and other receivables (continued)

The Company's receivables due from Group undertakings are intercompany loan balances due from its three French subsidiaries. As of 31 December 2019, 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 £4,458,535 (2018: £7,087,959), consisting of trade and other receivables of £102,924 (2018: £176,511), £690,910 (2018: £2,000,000) investment, £2,299,861 (2018: £nil) derivative and £1,364,840 (2018: £4,911,448) cash and cash equivalents.

The total carrying amount of financial assets for the Company is £13,818,072 (2018: £15,891,820), consisting of trade and other receivables of £9,992,837 (2018: £9,512,474), £690,910 (2018: £2,000,000) investment, £2,299,861 (2018: £nil) derivative and £834,464 (2018: £4,379,345) cash and cash equivalents.

16 Cash and cash equivalents

	Group 31 December 2019 £	Group 31 December 2018 £	Company 31 December 2019 £	Company 31 December 2018 £
Cash and cash equivalents	**1,364,840**	4,911,448	**834,464**	4,379,345

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.

17 Financial liabilities – borrowings

- Group

	31 December 2019 £	31 December 2018 £
Total borrowings within one year comprises:		
Bank overdraft	**471**	511
Loans	**26,307**	97,829
	26,778	98,340
Total borrowings after more than one year comprises:		
Loans	-	22,470
	-	22,470

Please refer to note 24 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

17 Financial liabilities – borrowings (continued)

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.

18 Trade and other payables

	Group 31 December 2019 £	Group 31 December 2018 £	Company 31 December 2019 £	Company 31 December 2018 £
Trade payables	329,701	719,860	136,816	139,633
Other taxes and social security	71,133	106,917	-	5,166
Accruals and other creditors	104,255	87,130	104,255	84,737
	505,089	913,907	241,071	229,536

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

19 Provisions

- Group and Company

	31 December 2019 £	31 December 2018 £
At 1 January	-	253,506
Amount credited during the year	-	(253,506)
At 31 December	-	-

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 21).

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 and 2019, all exercise prices exceeded the share price and therefore no provision was required.

20 Share capital

	Group and Company Called up, issued and fully paid 31 December 2019 Number of shares	£	Group and Company Called up, issued and fully paid 31 December 2018 Number of shares	£
Ordinary shares of 10p each	167,360,920	16,736,093	139,467,430	13,946,744

At 31 December 2019, the Company had no limit on its authorised share capital.

27,893,495 new ordinary shares were issued at a value of £0.10 as a result of a new Sharing Agreement with Lanstead Capital Investors LP. Of the proceeds, £2,789,349 has been recorded in the share capital and £132,829 has been deducted from the share premium account in relation to value payment shares.

Please refer to note 21 for details of share based payments granted by the Company and note 14 for further details around this Sharing Agreement.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

21 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 2018	16,368,850	0.811
Expired during the year	-	
Granted during 2019	-	
Outstanding as at 31 December 2019	16,368,850	0.811
Exercisable as at 31 December 2018	1,093,850	0.785
Expired during the year	-	
Granted during 2019	-	
Exercisable as at 31 December 2019	1,093,850	0.785

The options and warrants outstanding as at 31 December 2019 had a weighted average remaining contractual life of 8 years.

The options and warrants outstanding as at 31 December 2019 had exercise prices between £0.439 and £1.530 (2018: £0.439 and £1.530).

Equity-settled share option scheme

The total value of options granted during 2017 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 2017 was calculated as above at £5,870,548. Of this amount, £1,956,849 has been charged in the financial statements for the year ended 31 December 2019. The total charged to date is £4,317,568 and the remaining £1,552,980 will be charged in the financial statements over the year ending 31 December 2020.

The total value of options granted during the year ended 31 December 2016 was calculated as £301,280. The remaining balance of £26,676 has been charged in the financial statements for the year ended 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 2019

22 Cash used in operations

	Group 31 December 2019 £	Group 31 December 2018 £	Company 31 December 2019 £	Company 31 December 2018 £
Operating loss	(6,281,644)	(8,080,180)	(3,575,225)	(3,290,599)
Depreciation and amortisation	88,038	133,080	7,310	7,732
Share-based payments	1,983,525	2,057,275	1,736,938	1,810,687
(Increase)/decrease in trade and other receivables	177,878	404,725	32,530	(52,087)
Increase/(decrease) in trade and other payables	(408,818)	15,151	11,533	113,328
Increase/(decrease) in provisions	-	(253,506)	-	(253,506)
(Gain)/loss on foreign exchange	(522,689)	117,317	(521,313)	123,064
Cash used in operations	(4,963,710)	(5,606,138)	(2,308,227)	(1,541,381)

23 Related party transactions

a) Group

D Dimitriou receives part of his remuneration through a consultancy company owned by him, Dragon Finance AG. During the year ImmuPharma AG was charged £169,790 (2018: £165,114) 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 42.

T McCarthy receives his remuneration through a service company owned by him, Unnamed Ltd. During the year ImmuPharma plc was charged £260,000 (2018: £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 42.

During the year, an amount of £117,361 (2018: £129,000) 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 Pharma SAS.

b) Company

During the year ended 31 December 2019, management charges of £610,644 (2018: £583,923) were rendered by ImmuPharma plc to ImmuPharma (France) SA. This amount was due to the Company at 31 December 2019. The Company also loaned the sum of £684,135 (2018: £1,985,446) to ImmuPharma (France) SA during the year ended 31 December 2019. The total balance due to the Company from ImmuPharma (France) SA at 31 December 2019 was £8,597,241 (2018: £7,736,887).

During the year ended 31 December 2019, management charges of £152,661 (2018: £145,981) were rendered by ImmuPharma plc to Ureka Pharma SAS. This amount was due to the Company at the 31 December 2019. The Company also loaned the sum of £528,930 to Ureka Pharma SAS during the year ended 31 December 2019. The total balance due to the Company from Ureka Pharma SAS at 31 December 2019 was £815,786 (2018: £1,329,864).

The Company loaned the sum of £173,852 (2018: £135,409) to Elro Pharma SARL during the year ended 31 December 2019. The total balance due to the Company from Elro Pharma SARL at 31 December 2019 was £537,484 (2018: £386,858).

During the year ended 31 December 2019, management charges of £169,901 (2018: £187,918) were rendered by ImmuPharma AG to ImmuPharma plc of which no balance was owed at the year end (2018: £nil).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

24 Financial instruments

The Group's financial instruments comprise of cash and cash equivalents, investment in Incanthera plc, derivative financial asset, 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 2019 £	Year ended 31 December 2018 £
Trade and other receivables	102,924	176,511
Investments	690,910	2,000,000
Derivative financial asset	2,299,861	-
Cash and cash equivalents	1,364,840	4,911,448
Total financial assets	**4,458,535**	**7,087,959**
Financial liabilities – borrowings due within 1 year	26,307	97,829
Trade and other payables	433,956	806,990
Financial liabilities – borrowings due after 1 year	-	22,470
Total financial liabilities	**460,263**	**927,289**

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 and other payables £	Borrowings £	Total £
At 31 December 2019			
6 months or less	-	-	-
6 – 12 months	433,956	26,307	460,263
1 – 2 years	-	-	-
2 – 5 years	-	-	-
Total contractual cash flows	433,956	26,307	460,263
Carrying amount of financial liabilities measured at amortised cost	433,956	26,307	460,263

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

24 Financial instruments (continued)

Liquidity risk (continued)

Group (continued)

	Trade and other payables £	Borrowings £	Total £
At 31 December 2018			
6 months or less			
6 – 12 months	806,990	52,889	859,879
1 – 2 years	-	44,940	44,940
2 – 5 years	-	22,470	22,470
Total contractual cash flows	806,990	120,299	927,289
Carrying amount of financial liabilities measured at amortised cost	806,990	120,299	927,289

Company

The Company's financial liabilities comprise trade and other payables with a carrying amount equal to gross cash flows payable of £136,816 (2018: £139,633) and accrued purchases with a carrying amount of £104,255 (2018: £84,737), 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% (2018: 0.0% and 0.5%).

As at 31 December 2019, if LIBOR had increased by 0.5% with all other variables held constant, the post-tax profit and equity would have been higher by £13,170 (2018: £28,000). Conversely, if LIBOR had fallen by 0.5% with all other variables held constant, the post-tax profit and equity would have been lower by £13,170 (2018: £28,000)

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

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% (2018: 0.0% and 0.5%).

As at 31 December 2019, 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 £11,000 (2018: £30,500). 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 £11,000 (2018: £30,500).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

24 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 2019, 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 £43,000 (2018: £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 £43,000 (2018: £49,000).

As at 31 December 2019, 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 £15,000 (2018: £50). 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 £15,000 (2018: £50).

As at 31 December 2019, 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 £7,500 (2018: £8,000). 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 £7,500 (2018: £8,000).

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 2019, 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 £1,500 (2018: £8,000). 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 £1,500 (2018: £8,000).

As at 31 December 2019, 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 £15,000 (2018: £50). 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 £15,000 (2018: £50).

Equity price risk

Group and Company

The Group holds the investment in shares in Incanthera, trading on AQSE, described in further detail in Note 12. The Group and Company are exposed to equity price risk as the sale of any Incanthera plc shares will fluctuate depending on the future share price. If ImmuPharma sold their shares in Incanthera for 10% less than the issue price of 9.5p, this would indicate a reduction in investment value of £69,091 which would increase the Group's and Company's loss by £69,091. If ImmuPharma sold their shares for 10% more than the issue price of 9.5p, this would indicate an increase in fair value of £69,091 which would decrease the Group's and Company's loss by £69,091.

The Group has also entered into a derivative transaction during the year 2019, details of which can be found at note 14. The risk associated with this transaction is the variable consideration receivable, which depends on the Company's share price. 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 balance. The Group will review this policy as appropriate in the future.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

24 Financial instruments (continued)

Equity price risk (continued)

Group and Company (continued)

If the Company's share price had weakened 10% with all other variables held constant, the post-tax loss would have been higher and equity would have been lower by £329,004. Conversely, if the Company's share price had strengthened by 10% with all other variables held constant, the post-tax loss would have been lower and equity would have been higher by £329,004.

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 2019. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	Carrying amount 2019 £	Fair Value 2019 £	Carrying amount 2018 £	Fair Value 2018 £
Trade and other receivables at amortised cost	**102,924**	**102,924**	176,511	176,511
Derivative financial asset	**2,299,861**	**2,299,861**	-	-
Financial liabilities at amortised cost	**369,584**	**369,584**	840,159	840,159
Other investments at fair value	**690,910**	**690,910**	2,000,000	2,000,000
	3,463,279	**3,463,279**	1,336,352	1,336,352

Trade and other receivables at amortised cost

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

Derivative financial asset

The asset is recorded at fair value and is calculated based on ImmuPharma's share price at the year end.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

24 Financial instruments (continued)

Fair values of financial assets and liabilities (continued)

Fair value measurement (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2019:

	Level 1 £	Level 2 £	Level 3 £	Total £
Other investments	-	690,910	-	690,910
Derivative financial asset	-	2,299,861	-	2,299,861
As at 31 December 2019	-	2,990,771	-	2,990,771

Summary of financial assets held at level 2 fair value:

	Other investments £
As at 1 January 2019	-
Revaluation at fair value	690,910
As at 31 December 2019	690,910

The fair value has been assessed at 31 December 2019 and is based on the share price of Incanthera, which 11.9% was owned by ImmuPharma as of 28 February 2020, when shares of Incanthera has been admitted to trading on AQSE market. The investment in Incanthera had previously been assessed as a Level 3 input, valued at £2 million and due to the above Admission to trading on AQSE it moved to a Level 2 input.

	Derivative financial asset £
Fair value at inception	2,656,520
Payments received under Sharing Agreement	(414,930)
Net gains recognised in Income Statement	58,271
As at 31 December 2019	2,299,861

The consideration receivable is variable depending on the Company's share price and the derivative financial asset is revalued through the Income Statement with reference to the Company's closing share price. The valuation methodology and inputs are detailed in note 14.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2019

25 Subsequent events

On 15 February 2020, following a review of options for progressing other ImmuPharma programs, the Company combined its two subsidiaries, Ureka Pharma SAS ('Ureka') and Elro SARL ('Elro') into one entity Ureka Pharma SAS. The intention of this is to maximise value from the combined entity whilst retaining an interest in any future commercial success.

On 28 February 2020 Incanthera's shares were admitted to trading on AQSE under the ticker (TIDM: INC). Following Admission to trading, ImmuPharma retains 7,272,740 (from 363,637 held previously) ordinary shares in Incanthera, representing 11.9% of Incanthera's enlarged issued ordinary share capital. As for all Incanthera's major shareholders, ImmuPharma has entered a standard "lock-in" agreement for these shares, for a period up to 12 months following Admission.

ImmuPharma also has 7,272,740 warrants at an exercise price of 9.5p pence, being the price at which new shares have been issued in the Placing accompanying Incanthera's listing ("Issue Price").

In addition, ImmuPharma has entered into a Subscription Agreement with Incanthera. Under the Subscription Agreement, ImmuPharma has the right, at any time prior to 31 October 2020, to subscribe for 2,631,579 new Ordinary Shares in Incanthera at the Issue Price (an amount of £250,000). Should ImmuPharma not exercise their right to subscribe by 31 October 2020, Incanthera may serve notice to ImmuPharma requiring exercise within 10 business days.

Due to this post balance sheet event, the Company' investment in Incanthera has been reassessed and the Company concluded that the fair value of this investment has decreased from £2m to £691k with the loss of £1.3m recorded in other comprehensive income.

On 30 March 2020 the Company announced subscriptions to raise £1.5 million (the "Subscriptions") through the issue of 15,000,000 new ordinary shares of 10 pence each in the Company ("Ordinary Shares") (the "Subscription Shares") at a price of 10p per Ordinary Share ("Issue Price"). The Subscriptions comprise a £200,000 subscription from Dr Robert Zimmer, (Director, President & Chief Scientific Officer of ImmuPharma) through Luca and Associates AG ("Luca") (a company to which he is connected) and a £1.3 million subscription with Lanstead"), an institutional investor and substantial shareholder, together with a related Sharing Agreement, to raise in aggregate £1.5 million before expenses.

The Covid-19 outbreak can cause some short term disruptions to ImmuPharma operations described in this Annual Report, within principal risk and uncertainties on page 26. The Group assessed its impact, (including going concern) taking into account its cash reserves, secured phase III trial funding for Lupuzor™ and its product expansion into anti-infective therapies. As the outbreak happened after the year end, the Group concluded that Covid-19 is not being treated as an adjusting event.

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.

Portrait photography: **Johnny Haddock** / www.johnnyhaddock.co.uk
Produced by: **Diversified Global Graphics Group - DG3** / www.dg3.com

ImmuPharma plc
50 Broadway
Westminster
London SW1H 0RG
UK

Tel: +44 20 7152 4080
Fax: +44 20 7152 4001
investors@immupharma.com
www.immupharma.com