ImmuPharma

ImmuPharma plc

Report and Consolidated Financial Statements
For the Year Ended 31 December 2020

Contents

Chairman's Report

Chairman's Report

The first half of 2020 saw a number of key developments for ImmuPharma, despite the disruptions caused by the Covid-19 global pandemic. These included progress within our flagship Lupuzor™ program, expansion of the R&D pipeline, particularly within our peptide platform technologies and securing strategic investments.

During the second half of 2020, ImmuPharma successfully raised, in response to investor demand, additional funding of £6.5m (gross), bringing the total funds raised for the year to £10.2m (gross). Additionally, ImmuPharma obtained further clarity regarding the Phase III clinical trial for Lupuzor™, working alongside its partner, Avion Pharmaceuticals. In parallel, outside of the US, ImmuPharma continued to explore opportunities with other potential commercial partners for Lupuzor™ and also within the Company's extended pipeline.

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 efficacy, 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 the US. Positive discussions with a number of potential commercial partners for Lupuzor™ in key territories outside of the US are continuing.

Lupuzor™ and Avion Pharmaceuticals

On 28 November 2019, ImmuPharma and Avion Pharmaceuticals ("Avion") signed an exclusive Trademark, License and Development Agreement for Lupuzor™, with Avion agreeing to fund a new international Phase III trial and commercialising Lupuzor™ in the US. Since then, both companies have been working closely on the clinical trial design and strategy, bolstered by consultation with an eminent group of key opinion leaders. This tripartite Phase III protocol development approach provided thorough and detailed support for developing the most relevant clinical trial for Lupuzor™ in systemic lupus erythematosus ("SLE") patients. Data and results from the first Phase III clinical study were analysed and considered in detail and, as a result, a new optimised international Phase III study protocol has been finalised.

Regulatory progress was announced in November 2020, whereby the FDA offered to accept submission for a Type 'A' Meeting Request, following which Avion submitted a full dossier on 6 November 2020 through the FDA Type 'A' route.

On 9 February 2021 ImmuPharma provided a progress update to the market in respect to the feedback post the 'Type A' meeting between the FDA and Avion. Based on the positive guidance and feedback from FDA, it was confirmed that there is now a clear regulatory pathway to commence the Phase III trial in H2 2021, fully funded by Avion, estimated to be around $25 million investment. As part of this feedback, Avion and ImmuPharma will develop and validate a bioanalytical assay in order to confirm the unique pharmacokinetic profile of Lupuzor™, prior to the commencement of the Phase III study. This will be presented at the final guidance meeting between Avion and the FDA currently scheduled for Q2 2021 as well as confirming the previously submitted data on study design, clinical end points and the pathway to approval.

Meanwhile, ImmuPharma has initiated the production of a new batch of Lupuzor™ clinical trial material specifically for the Phase III trial and it can be confirmed that this will be ready for the start of the trial.

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, former Research Director at the CNRS. Through this partnership, the CNRS will be entitled to receive from ImmuPharma, low double-digit royalty payments of funds received by ImmuPharma from Avion through the Licence and Development Agreement.

Chairman's Report (continued)

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 is exploring opportunities of expanding into other autoimmune indications that are directly linked to Lupuzor's™' unique mechanism of action, chaperone mediated autophagy (CMA). The first example of CMA action has been demonstrated in lupus with an excellent safety profile.

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.

Elro and Ureka combined to form Ureka Pharma SAS

On 1 January 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 was to maximise value from the combined entity through scale and synergies, whilst retaining an interest in any future commercial success. There are three therapy areas within Ureka: Anti-Infectives, Metabolism and Cancer.

Anti-Infectives

ImmuPharma has started exploring opportunities in research and development of anti-fungal and anti-viral programs.

Within anti-fungal, ImmuPharma has developed BioAMB, a novel peptide-based drug that offers a potential improvement on Amphotericin-B ("AMB"). AMB is one of the few effective treatments for many serious and life-threatening fungal infections (aspergillosis) caused by the aspergillus family of fungi.

Although highly effective against aspergillus, the existing AMB products are reserved for use after the azole (synthetic) class of drugs due to their poor safety and tolerability profile. The leading AMB, 'Ambisome' is known to cause serious kidney toxicity in 14-15% of patients. ImmuPharma's BioAMB target profile is to achieve a superior safety and tolerability profile compared to Ambisome.

Sales of Ambisome in 2020 were $436 million. The next step for ImmuPharma is to progress the lead optimised candidate through the relevant pre-clinical safety and efficacy studies in animals in comparison to existing AMB products. Following this, there is potential to go immediately into a bioequivalence study in humans and submission for marketing approval. Discussions for potential partnering opportunities continue.

Within anti-viral, we have been investigating the application of the Ureka peptide technologies, which suggests the potential to create effective anti-fusion peptides with the goal to prevent virus entry into the host cells, which may lead to novel peptide based anti-viral therapies. Further exploratory work continues on this program.

Chairman's Report (continued)

Metabolism | 'BioGlucagon'

BioGlucagon, is 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 is opening up partnering discussions.

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. This proof of technical capability was published in Nature Communications in 2019.

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.

Cancer

ImmuPharma's Nucant cancer program, IPP-204106, is focused on combination cancer therapy approaches. The molecule has also shown promising results in ophthalmology (age-related macular degeneration) models. Partnering discussions will be explored.

Capital Subscription

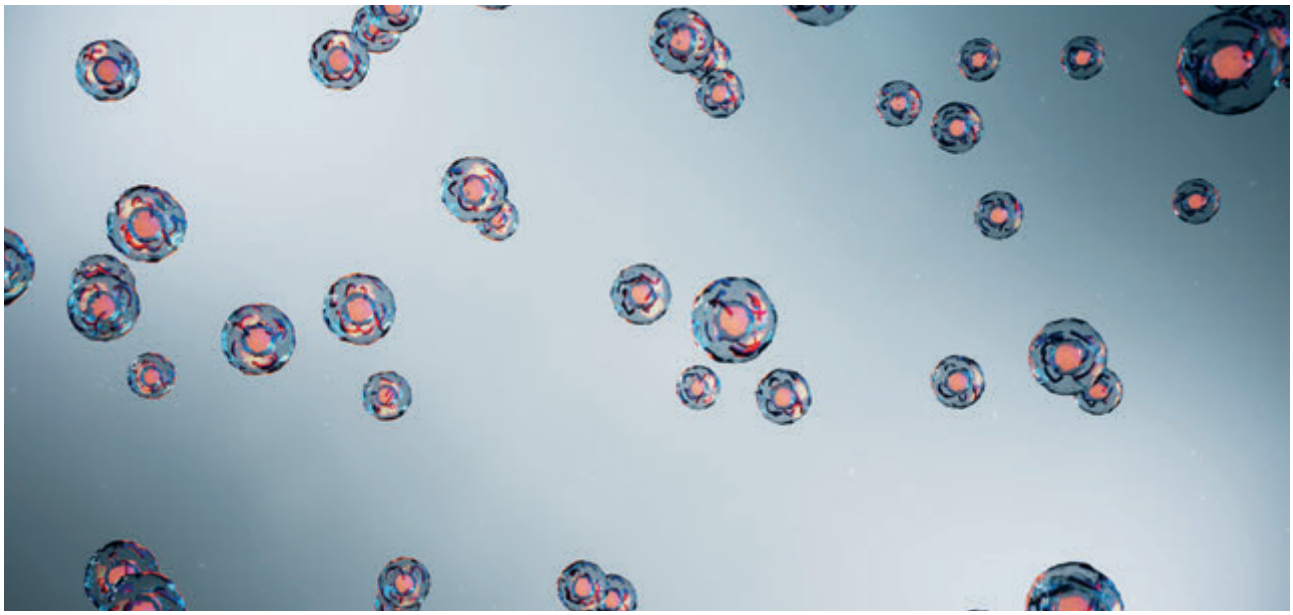
On 30 March 2020 ImmuPharma announced subscriptions to raise £1.5 million (the "Subscriptions") through the issue of 15,000,000 new ordinary shares of 10 pence each in ImmuPharma ("Ordinary Shares") (the "Subscription Shares") at a price of 10p per Ordinary Share ("Issue Price").

The Subscriptions comprised 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 Capital Investors LP ("Lanstead"), an institutional investor and substantial shareholder, together with a related Sharing Agreement, to raise in aggregate £1.5 million before expenses.

The £1.3 million gross proceeds of the Lanstead subscription was followed by the sharing agreement with Lanstead (the "Sharing Agreement") for 100% of these shares with a reference price of 13.33p per share. 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.

The Company also agreed to issue Lanstead 650,000 ordinary shares in connection with entering into the Sharing Agreement.

The new subscription from Lanstead followed the £2.66 million investment from Lanstead secured in June 2019.



Chairman's Report (continued)

On 8 September 2020, as a consequence of the convertible security deeds and option deeds with L1 Capital Global Opportunities Master Fund ("L1") and Lind Global Macro Fund LP ("Lind"), the benchmark price referred to in the two Lanstead sharing agreements has increased from 13.33p to 20p. The varied benchmark price of 20p applied to 13 monthly settlements remaining under the sharing agreement dated 26 June 2019 and 22 monthly settlements under the sharing agreement dated 30 March 2020.

Investment from US healthcare investors

On 10 June 2020 ImmuPharma entered into agreements with two specialist US healthcare investors for a total investment of up to $6.30 million (£4.94 million) comprising an issue of unsecured convertible securities ("Securities") and associated options to purchase shares in ImmuPharma Plc in the future. ImmuPharma issued $3 million (£2.35 million) in face value of Securities to L1 and Lind, managed by The Lind Partners, LLC ("the Investors") with a maturity period of 18 months. The Securities were issued for the gross proceeds of $2.7 million (£2.15 million).

According to the agreement, at any time, during the maturity period, the Investors may convert their Securities (in whole or in part) to 13,086,619 ordinary shares in the Company, in aggregate, at a price of 17.96p ("Conversion Price"), which is equivalent to 120% of the Volume Weighted Average Price ("VWAP") of the ordinary shares for 9 June 2020. During the maturity period, the Company may require the investors to convert their securities to ordinary shares, if the VWAP on each of at least 20 consecutive trading days shall be equal to or have exceeded 35.92p (200% of the Conversion Price).

Should ImmuPharma raise additional funds, the Investors may require the Company to repurchase any unconverted Securities, to the value of up to 25% of the gross proceeds of the financing, at 105% of face value.

Should any securities remain unconverted on 10 December 2021 the Company will repurchase, from the Investors, the outstanding face value of the unconverted Securities.

In addition, the Investors have been granted 15,703,942 Options in the Company, which may be exercised at any time up to 3 years, with an exercise price the same as the Conversion Price, which, if all exercised, would amount to $3.60 million (£2.82 million).

On 2 September 2020, as a consequence of the placement of new ordinary shares of £6.5 million (before expenses), pursuant to the terms of the convertible security deeds ("CSD") dated 10 June 2020 with each of Lind and L1: (i) the conversion price stated in the CSD (previously 17.96p) has been adjusted downwards to the placing price of 11p, meaning that, upon conversion in full of the CSD, 21,369,354 new ordinary shares (subject to adjustment at the time of conversion by reference to the sterling – US dollar exchange rate at the time) would be issued in aggregate to L1 and Lind (compared to 13,086,619 previously); and (ii) under the terms of the option deeds, both the option exercise price and the number of shares subject to the options will vary. In aggregate, following the placing, 25,640,254 ordinary shares (compared to 15,703,942 previously) will be subject to the option deeds at an option exercise price of 11p per share.

On 3 September 2020 L1 converted in total $150,000 (plus accrued but unpaid interest) of the convertible security. The conversion price was 11p per share resulting in the issue by the Company of 1,045,046 new ordinary shares of 10p each in the Company.

Chairman's Report (continued)

On 9 September 2020 L1 converted in total $200,000 (plus accrued but unpaid interest) of the convertible security. The conversion price was 11p per share resulting in the issue by the Company of 1,429,938 new ordinary shares of 10p each in the Company.

On 10 September 2020, Lind Global Macro Fund, LP converted $150,000 of the convertible security issued pursuant to the convertible security deed dated 10 June 2020. The conversion price is 11p per share resulting in the issue by the Company of 1,026,750 new ordinary shares of 10p each in the Company.

On 22 September 2020, following the share placing by ImmuPharma plc on 2 September 2020, in accordance with the terms of the convertible security deed, Lind has requested repayment of part of its convertible security. The amount repaid amounted to $1,068,762.

On 23 November 2020, L1 converted in total $200,000 (plus accrued but unpaid interest) of the convertible security. The conversion price was 11p per share resulting in the issue by the Company of 1,430,510 new ordinary shares of 10p each in the Company.

On 24 November 2020, Lind converted in total $355,112.50 (plus accrued but unpaid interest) of the convertible security. The conversion price was 11p per share resulting in the issue by the Company of 2,504,982 new ordinary shares of 10p each in the Company. All of the convertible security issued to Lind has now been repaid or converted.

Placement of £6.5m

On 2 September 2020 the Company announced that due to investor demand, it had successfully raised £6.5 million, (before expenses) via an oversubscribed placing of 59,090,909 new ordinary shares of 10p each in the Company at a price of 11p per share.

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 a 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 retained 7,272,740 (from 363,637 held previously, subject of 1:20 sub-division) ordinary shares in Incanthera, representing 15% of Incanthera's enlarged issued ordinary share capital.

ImmuPharma also has 7,272,740 warrants options in Incanthera plc 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 entered into a Subscription Agreement with Incanthera. Under the Subscription Agreement, ImmuPharma subscribed £250,000 for 2,631,579 new Ordinary Shares in Incanthera. Following the execution of the subscription, announced on

Chairman's Report (continued)

29 September 2020, ImmuPharma held 9,904,319, new Ordinary Shares, equating to 15.35% of Incanthera's enlarged share capital of 64,544,121 ordinary shares.

On the 23 March 2021 Incanthera raised £1,144,650 through the issue of 9,538,750 new placing shares. As a result, ImmuPharma's shareholding in Incanthera currently stands at 13.37%. As a major shareholder ImmuPharma remains supportive of Incanthera and its diverse oncology pipeline.

Incanthera recently announced that a new refined formulation of Sol, its lead product for skin cancer and other topical indications, demonstrated statistically significant greater dermal delivery compared with four known oral delivery comparator products.

Grant of Share Options and Warrants

On 25 November 2020, ImmuPharma approved the grant of options over a total of 9,625,000 ordinary shares of 10p each in the Company ("Ordinary Shares") to Directors, employees and consultants representing 3.8% of ImmuPharma's Ordinary Shares and total voting rights.

Upon the recommendation of the Company's remuneration committee, the Company has granted the Options pursuant to the Company's Share Option Plan which was adopted on 30 March 2017.

The exercise price for the Options is 20p being a 54% premium to the closing middle market share price of 13p on 25 November 2020. The Options will vest after three years and are exercisable between three and ten years from the date of grant.

On 30 March 2020, in connection with its services in relation to the Lanstead subscription, the Company has issued warrants over 915,205 Ordinary Shares with an exercise price of 10 pence per share to Stanford Capital Partners Limited ("SCP"), the Company's broker. These warrants have an exercise period of 10 years.

On 2 September 2020, in connection to the services related to £6.5m placing, each of Company's brokers; SCP and SI Capital Limited ("SI") received warrants over 1,213,920 of ImmuPharma's Ordinary Shares with an exercise price of 11p per share. These warrants have an exercise period of 10 years.

Current Activities and Outlook

Despite the continuing disruption of the Covid -19 pandemic, we remain focused, (in collaboration with our partner Avion) on expediting Lupuzor™ into a new optimised, international Phase III study in Lupus patients in H2 2021. The most recent positive feedback from the FDA confirms our envisaged roadmap forward.

In parallel, we continue to progress our other R&D programs which includes our anti-fungal BioAMB therapy, which has the potential of progressing quickly through initial bio-equivalence trials. Discussions for potential partnering opportunities are continuing. These initiatives create further opportunities in the medium to long term.

In response to strong investor interest last year, we were delighted to welcome new and returning institutional and private investors as part of three successful capital raisings. This has created a robust financial position with an anticipated cash runway until the end of 2023.

As we move our key asset, Lupuzor™ into a new international optimised Phase III trial and continue to progress our development pipeline, the investment thesis of ImmuPharma continues to strengthen and we look forward to providing further value enhancing progress updates over the next period to create long term shareholder value for our shareholders.

Finally, the Board would like to take this opportunity to thank its shareholders, new and longstanding, for their continued support as well as its staff, corporate and scientific advisers and our partners including CNRS and Avion.

Tim McCarthy
Non-Executive Chairman

Financial Review

Financial Review

The financial results of the ImmuPharma Group in this report cover the year ended 31 December 2020. 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 2020 was £5.6 million, down from £6.3 million for the year ended 31 December 2019. The research and development expenditure was £2.4 million, down from £2.7 million in 2019. Covid-19 disruption to laboratory work was the main reason for this reduction. Administrative expenses were £1.8 million (2019: £1.8 million). The total fair value gain of £1.5 million (2019: fair value loss of £1.3 million) comprises of the following components: fair value gain on Incanthera's shares of £852k (2019: fair value loss of £1,309k) and fair value gain on Incanthera's warrants of £626k (2019: £nil). This has been charged to Statement of Comprehensive Income. Finance income has decreased from £64k in 2019 to £41k in 2020. Finance costs amounted to £1.7 million, up from £527k in 2019, caused largely by the loss on the Lanstead derivative financial asset. Total comprehensive loss for the year was £5.3 million, a decrease from £7.0 million in 2019.

Statement of Financial Position

The Group cash and cash equivalents at 31 December 2020 amounted to £5.9 million with the increase related to successful fundraising activities in 2020 (2019: £1.4 million). The convertible loan notes amounted to £635k (2019: £nil), following the issue of two convertible loans as discussed on pages 6-7. The total value of the financial asset equated to £2.4 million, comprising of shares in Incanthera of £1.8 million (2019: £0.7 million) and warrants in Incanthera of £0.6 million (2019: £nil). At 31 December 2020 the Lanstead derivative financial asset amounted to £1.2 million (2019: £2.3 million). The decrease was caused by the increase to the share benchmark price from 13.33p to 20p and only 9 months remaining of the June 2019 Lanstead ("the Sharing Agreement") term.

Results

The Group recorded a loss for the year of £6.9 million (2019: £6.1 million). Basic and diluted loss per share was 3.43p (2019: 3.99p). In accordance with the Group's loss making position, no dividend is proposed.

Total Voting Rights

The Company had a total of 250,221,297 ordinary shares in issue at 31 December 2020 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 present their Strategic Report for the Group for the year ended 31 December 2020.

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 it in the United States.

Collaboration with Centre National de la Recherche Scientifique (CNRS)

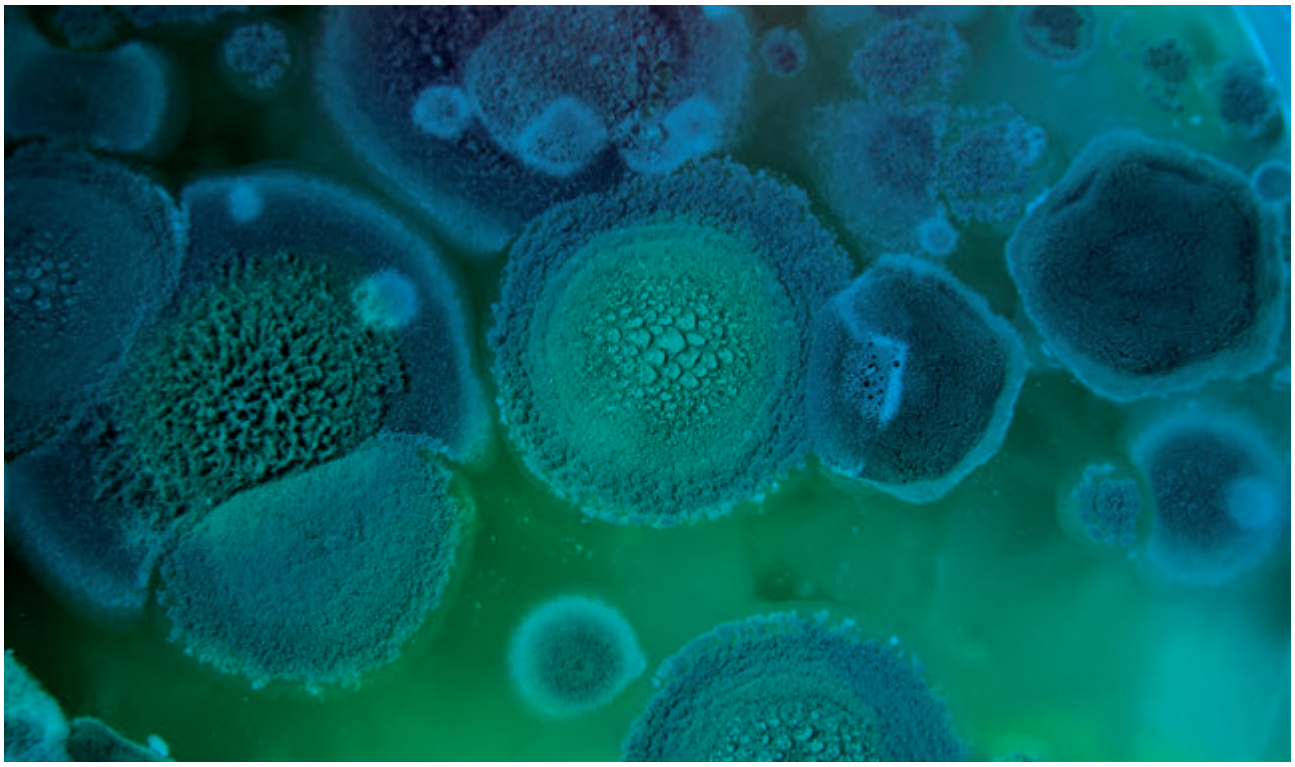
ImmuPharma has important collaboration arrangements with the Centre National de la Recherche Scientifique, the French National Council for Scientific Research

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 licences 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.

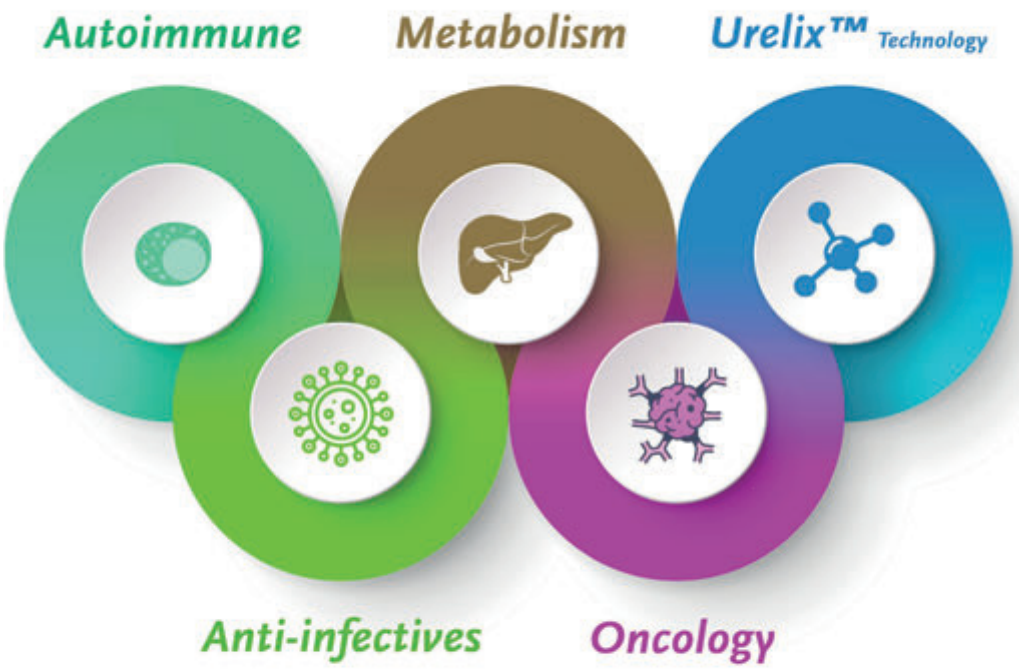
Strategic Report (continued)

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™. 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. Current guidance is that the Phase III trial will commence in H2 2021.

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$35k per patient per year, Lupuzor™ would be entering a market with the potential for multi-billion sales. Most recently, on 22 January 2021 FDA approved Aurinia Pharmaceutical's Voclosporin (Lupkynis™). According to Aurinia's predictions, Voclosporin expected average annualised net revenue per patient is US$65k, with potential peak annual U.S. net sales of greater than $1 billion.

ImmuPharma believes that Lupuzor™, which was invented by Professor Sylviane Muller, previous Chair of Therapeutic Immunology at the CNRS, has the potential to be a novel specific first-line drug therapy for the treatment of lupus

Strategic Report (continued)
Product Pipeline (continued)

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.

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".

Strategic Report (continued)
Product Pipeline (continued)

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).

It is worth to note that clinical trials within anti-infectives therapy area are generally much shorter than for chronic diseases, so this is an attractive therapy area for speed to market and lower cost of trials.

Antiviral opportunity
Within anti-viral, we have been investigating the application of the Ureka peptide technologies, which suggests the potential to create effective anti-fusion peptides with the goal to prevent virus entry into the host cells, which may lead to novel peptide based anti-viral therapies. Further exploratory work continues on this program.

Anti-fungal opportunity / 'BioAMB'
ImmuPharma has developed BioAMB, a novel peptide-based drug that offers a potential improvement on Amphotericin-B ("AMB"). AMB is one of the few effective treatments for many serious and life threatening fungal infections such as aspergillosis (lung infection). However, the leading AMB, 'Ambisome' is known to cause serious kidney toxicity in 14-15% of patients. ImmuPharma's BioAMB's target profile has a superior safety aand tolerability profile to Ambisome. Sales of Ambisome in 2020 were $436 million. The 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 protein stability. Jointly, ImmuPharma and the CNRS have filed a new co-owned patent controlling this breakthrough peptide technology.

Strategic Report (continued)
Product Pipeline (continued)

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 €400,000 to develop this technology.

Metabolism | 'BioGlucagon'
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. Partnering discussions will now progress.

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. Therefore, at present ImmuPharma is still incurring a loss and for the year ended 31 December 2020 the overall loss equated to £6.9 million (2019: £6.1 million). During 2020, research and development expenditure was £2.4 million (2019: £2.7 million). The R&D decrease was in line with expectation, caused by Covid -19 disruptions.

For the year ended 31 December 2020, ImmuPharma recorded the fair value gain of £1.5 million, which has been recognised through Other Comprehensive Income (2019: Fair value loss of £1.3 million). The fair value of gain related to the investment in Incanthera plc, which equated to £2.4 million at the year end (2019: £0.7 million), comprising of £1.8 million (2019: £0.7 million) Incanthera plc shares value and £0.6 million (2019: £nil) of warrants value.

At 31 December 2020, the Group's cash reserves have increased to £5.9 million (2019: £1.4 million). This was primarily due to the successful placements and convertible loan notes receipts. Two convertible loans as discussed on pages 6-7, resulted in the Convertible loan liability amounting to £0.6 million at the year end (2019: £Nil).

Key Performance Indicators

ImmuPharma 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 the Chairman's Report, in 2020 the Company secured a total of £8 million gross proceeds from issue of new share capital and $2.7 million (c. £2.15 million) gross proceeds from issue of convertible loan notes.

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 expected variable cash receipts under the Lanstead Sharing Agreement and repayment of the convertible loan notes. Sensitivity analysis have been performed on the key uncertainties (future share price and repayment of the convertible loan) indicating 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. • ImmuPharma's partner, Avion has had a number of progressive discussions with the FDA over 2020 culminating in a Type 'A' meeting on 4 December 2020. • Based on the positive guidance and feedback from FDA, it was confirmed that there is now a clear regulatory pathway to commence the Phase III trial in H2 2021. As part of this feedback, Avion and ImmuPharma will develop and validate a bioanalytical assay in order to confirm the unique pharmacokinetic profile of Lupuzor™, prior to the commencement of the Phase III study.
Develop potential product portfolio	• 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 and anti-fungal) and cancer.
Maintain strong cash position	• Consolidated cash balance at 31 December 2020 was £5.9 million. • Ongoing subscriptions agreement 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. • £200k subscription from Dr Robert Zimmer, (Director) through "Luca Associates". • Convertible loan proceeds of £2.15 million (gross) • Shares placement of £6.5 million (gross) • 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 18 employees (including Executive Directors), there is a high level of visibility between Board and employees. For further details, please see pages 28-30.

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 pages 40-41 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 pages 40-41 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 communication is conducted via press releases or annual and interim reports on a timely manner. For further details, please see pages 40-41 for stakeholder engagement.

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. The table below does not illustrate the list of all risks faced by ImmuPharma.

Strategic Report (continued)

Principal Risks and Uncertainties

Pharmaceutical Environment Risks

Drug Development	Mitigating factors	Change in year
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™.	↔

Failure to Protect Products	Mitigating factors	Change in year
The commercial success of ImmuPharma depends upon its ability to obtain patent protection for its products globally. 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. Competitors 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 of them on commercially favourable terms, if at all.	Since its inception, ImmuPharma has developed a significant patent portfolio. By utilising reputable external advisers, the Company mitigates the risk of patent infringement.	↔

Regulatory Framework	Mitigating factors	Change in year
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. External advice is sought after for new legislation or where resources are not available internally.	↔

Environmental Hazards	Mitigating factors	Change in year
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.	↔

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

Financial Risks

Availibility of Finance	Mitigating factors	Change in year
As ImmuPharma is not yet at the stage of generating profit, it relies on external funding to develop its programs. 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.	The Board remains focus on ensuring it has sufficient capital funds to progress its product portfolio. ImmuPharma successfully completed a number of equity raisings during the year, the most significant being the £6.5m (gross) raised in September 2020. Additionally, it has a good oversight on all major cash expenditures, including internal cash forecasting and quarterly reporting.	↓

Operational Risks

Political and Economic Disruption	Mitigating factors	Change in year
ImmuPharma faces risk of a change in a political and economic landscape. Despite the favourable prospects of funding within industry after the outbreak of COVID-19, there is a global economic recession as the aftermath of it.	ImmuPharma manages the risk of global unfavourable events by proactive monitoring of its impact on the strategy. With Brexit process now being implemented, the Board is continuously assessing its implications.	↔

Reliance on Third Parties	Mitigating factors	Change in year
ImmuPharma relies heavily upon other parties (including clinical research organisations) for many important stages of its drug development programmes, including execution of some pre-clinical studies and later-stage development for its compounds and drug candidates, management of its clinical trials, including medical monitoring and data management, management of its regulatory function, and manufacturing, sales, marketing and distribution of its drug candidates. Underperformance by any of these other parties could adversely impact the Company's ability to operate effectively.	ImmuPharma works with respected third party organisations and regularly monitors their performance.	↔

Reliance on Key Personnel	Mitigating factors	Change in year
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. The share option scheme available to ImmuPharma's employees alongside with training and development opportunities strengthen staff retention. The Group's virtual organisation structure has gained an increased popularity and as a consequence it made an attractive employment proposition.	↔

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

Competition	Mitigating factors	Change in year
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 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. It's expected that the level of competitive risk will continue to be significant. This awareness is factored into its decision making for its pipeline programs.	↔

Covid-19	Mitigating factors	Change in year
The COVID-19 outbreak has impacted ImmuPharma's operations throughout the financial year. As other organisations within life science sector, we are prone to experience the following disruptions: • delays in the timing of any action by the FDA; • delays of regulatory review process, due to staffing issues; • 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
28 April 2021

Board of Directors

Board of Directors

Tim McCarthy, FCCA, MBA
Non-Executive Chairman

Mr McCarthy has over 40 years' international experience in high growth biotech, healthcare and technology companies. He is also Chairman of Incanthera plc and 4basebio UK Societas. 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. Orana stepped down from its role in January 2021.

Ewa Flynn, FCCA
Financial Controller

Ewa Flynn held several lead financial positions in various listed and private companies, including online retailers, notably within the Amazon Group. Ewa has been an ACCA qualified Chartered Accountant since 2015 and holds an M.A. in International Relations from Jagiellonian University in Cracow. She was appointed as Company Secretary on 15 January 2021.

Management Team

Dr Tim Franklin, PhD, MBA
Chief Operating Officer

Dr Franklin has 30 years' experience in the biopharmaceutical industry. He worked in clinical research, sales & marketing, and global strategic marketing for Warner Lambert, Wellcome and SmithKline Beecham. He later moved to the capital markets where he became a top-ranked pharmaceuticals analyst at Dresdner Kleinwort investment bank. He applied his experience to stock selection at hedge funds and advised several small biotechnology companies on corporate and commercial strategy and access to capital. He holds a BSc in Medicinal Chemistry and a PhD in Pharmacology from Loughborough University and an MBA from Warwick Business School.

Lisa Baderoon
Head of Investor Relations

Lisa has spent over 25 years working within the City of London being involved with a diverse portfolio of clients from a variety of sectors but with a leaning towards emerging, high growth businesses advising both private and public companies on their financial and corporate strategies aligned to stakeholder and investor interests, as well as a strong acumen in media communication. During this time, she has been involved in a multitude of client transactions spanning private fund raisings, Initial Public Offerings (IPOs), secondary high profile capital raisings and mergers and acquisitions both in the UK and internationally.

Scientific Collaborators

Scientific Collaborators

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, 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, France's scientific research institution, and co-inventor of the heterocyclic ureas and oligoureas chemistry. He has extensive industry experience in peptide chemistry and synthesis in Peninsula, USA and was also a founder of NeoMPS, a leading peptide development and manufacturing company.

Financial and Corporate Information

Officers and Professional Advisers

Directors
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
Ewa Flynn

Investor Relations
Lisa Baderoon

Registered Office
1 Bartholomew Close
London EC1A 7BL

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, page 37 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 2020, in relation to strategy and performance were revolving around product pipeline (see Strategic Report on pages 15-19 for more information), Lupuzor regulatory progress towards phase III clinical trials (see Chairman Statement on pages 3-4 for further details), capital subscriptions and investments opportunities (see Chairman Statement on pages 5-7 for more information).

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 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 recognises 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 pages 40-41.

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 22-25. 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 28-30. 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 Ewa Flynn, Company Secretary and Financial Controller who is not a Director (Appointed as a Company Secretary in January 2021).

The Board is supported by a team of Scientific Collaborators, further details of which can be found on page 32.

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 2020, the Board met 15 times with the attendance records of the directors as follows:

Mr Tim McCarthy, Non-Executive Chairman – 15/15
Mr Dimitri Dimitriou, Chief Executive Officer – 15/15
Dr Robert Zimmer, President and Chief Scientific Officer – 10/15
Dr Franco di Muzio, Senior Non-Executive Director – 10/15
Dr Stephane Mery, Non-Executive Director – 10/15

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 28-30.

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 2020, 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 2020 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 2020 the Remuneration Committee met twice. Amongst others, it approved the implementation of the share option grant.

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 2020.

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 22 to 25.

Subsequent Events

There were no subsequent events.

Directors

The following directors of the Company have held office since 1 January 2020:

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.	• Continuing to focus on open culture creation, which motivates all employees. • In line with previous years, staff turnover has been very low. • All our employees participate in share based incentives. • In light of Covid-19, Company supported full employment, with no employees furloughed and flexibility to those with caring responsibilities. • Training and development opportunities.

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 Board receives updates on the views of shareholders through the feedbacks from brokers and other advisors.	The Company meets periodically with its Shareholders. Summary of these events are below:
		• AGM, June 2020
		• Investor conferences;
		  • EBD Biotech Showcase, San Francisco USA, January 2020
		  • VFB (Vlaamse Federatie van Beleggers), the Flemish Federation of Investors, September 2020
		  • Genesis Conference, December 2020
		• Interviews: audio, print and TV with Proactive Investor, Directors 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, remaining trustworthy, while safeguarding the Group's assets. It receives regular updates on main supply agreements and maintain long-term mutually beneficial co-operations.	New supplier agreements with material threshold need to be approved by two directors.
Research and Development Community The collaboration with the 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 in France and beyond to meet these objectives.

Directors' Report (continued)

Key Stakeholders and concerns	Board Considerations	Key Outcomes
Environment The Group is conscious of the need to protect the environment	ImmuPharma's operations are relatively low in their impact on the environment. The Board is committed to reduce further the environmental footprint.	During the year, employees reduced their domestic and international travel substantially, using digital technology enabled 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 Remuneration

The following amounts were payable to the directors of ImmuPharma plc across the Group in relation to the year ended 31 December 2020:

Director	Salary/Fees	Cash Benefits	Total remuneration 2020 £	Total remuneration 2019 £
Robert Zimmer	285,109	71,278	356,387	498,185
Dimitri Dimitriou	292,302	28,000	320,302	309,790
Tim McCarthy	260,000	-	260,000	260,000
Franco di Muzio	54,600	-	54,600	55,328
Stephane Mery	46,666	-	46,666	45,000
Total	938,677	99,278	1,037,955	1,168,303

The Company does not operate a health plan or company car plan and the directors do not receive pension contributions. There were no bonus payments to directors in 2020. As referred to in note 22, the £180,302 received by D Dimitriou, and the £260,000 received by T McCarthy in lieu of directors' fees for the year ended 31 December 2020 are included in the table above.

The following share options were outstanding to the directors of ImmuPharma plc as at 31 December 2020 (see note 20 for more detail):

Director	Options granted 2 June 2016	Options granted 30 March 2017	Options granted 12 July 2017	Options granted 24 November 2017	Options granted 25 November 2020	Share options outstanding 2020	Share options outstanding 2019
Tim McCarthy	500,000	-	1,000,000	1,500,000	1,500,000	4,500,000	3,000,000
Dimitri Dimitriou	-	1,000,000	-	1,500,000	1,500,000	4,000,000	2,500,000
Robert Zimmer	-	1,000,000	-	1,500,000	1,500,000	4,000,000	2,500,000
Franco di Muzio	100,000	-	200,000	300,000	300,000	900,000	600,000
Stephane Mery	100,000	-	200,000	300,000	300,000	900,000	600,000
Total	700,000	2,000,000	1,400,000	5,100,000	5,100,000	14,300,000	9,200,000

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.

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
28 April 2021

Statement of Director's 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 Accounting Standards in conformity with the requirements 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 2020 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements 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 2020 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- 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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the future cash flow forecast prepared by management and challenging the inputs and assumptions included in the forecast. Where appropriate, we corroborated the inputs and assumptions to supporting information.
- Reviewing the current cash reserves and comparing these to the cash outflows forecast over the period to December 2022.
- Reviewing sensitivity analysis prepared by management to assess the impact of changing key assumptions and performing additional stress testing of the forecast.

The most sensitive assumptions are the future share price and whether the remaining convertible loan notes will be converted or redeemed, and we requested management to perform further sensitivity analysis in these areas by considering different scenarios.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 Parent Company financial statements concerning the carrying values of investments in subsidiaries and to the disclosures made in note 15 to the Parent Company financial statements concerning the carrying value of the receivables due from group undertakings.

The carrying value of £41.1 million investments in subsidiaries and £11.8 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 £41.1 million investments in subsidiaries and £11.8 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.

Key audit matter	Description of risk	How the matter was addressed in the audit
Carrying value of the Parent Company's investment in subsidiaries and receivables due from group companies (note 13 and note 15)	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 and Ureka Pharma SAS and amounts owed by those companies. The carrying value of the investments in and receivables due from those companies is underpinned by the future financial viability of those companies.	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 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. • Reviewed sensitivity analysis performed by management. • Performed sensitivity analysis on the key assumptions used in the model.

Key audit matter	Description of risk	How the matter was addressed in the audit
Convertible loan notes (note 24)	The Parent Company issued material convertible loan notes during the year, which have been assessed as a compound instrument under IAS 32. The value of liability component and the equity conversion component were determined at the date the instrument was issued, as is required for compound instruments under IAS 32. The fair value of the liability was calculated based on future interest payments and final face value repayment, using a discount rate being a rate of interest for similar debt without the conversion option of 19.90%, as required under IAS 32. This discount rate is an estimate requiring judgment. Since the initial issue of these loans, there have been conversions and a redemption and the liability requires remeasurement after these transactions.	As part of our procedures we: • Reviewed the terms set out in the convertible loan notes agreements. • Reviewed and corroborated management's calculations of the fair value of the liability component, including key assumptions used in the valuation. • Performed substantive based audit procedures over the amounts received, repayments made and the conversions into shares, and the remeasurement of the resulting liability. • Used our internal valuations team to review the appropriateness of the interest rate used in the valuation. • Reviewed the disclosures to ensure these were compliant with relevant financial reporting standards.

Our application of materiality

The materiality for the Group financial statements as a whole ("group FS materiality") was set at £570,000. 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 ("parent FS materiality") was set at £456,000. 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 primarily as a holding company for the Group. This has been capped at Group performance materiality.

Performance materiality for the Group financial statements was set at £456,000, being 80% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds group FS materiality.

We judged this level to be appropriate based on our understanding of the Group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. It was set at 80% to reflect the fact that in our historical experience management are keen to process adjustments and there are few areas of judgement and estimation in the Group financial statements.

Performance materiality for the Parent Company financial statements was set at £364,800, being 80% of parent FS materiality. It was set at 80% to reflect the fact that in our historical experience management are keen to process adjustments and there some areas of judgement and estimation in the Parent Company financial statements.

An overview of the scope of the audit

The Group has four reporting components. The Parent Company financial statements were audited by us.

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

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.

The three audited components covered: 83% of Group revenue, 100% of Group loss before tax and 100% of Group net assets.

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 contained within Report and Consolidated financial statements. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions 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.

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 43, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the Parent Company and Group's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations; the policies and procedures regarding compliance; and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the Parent Company and Group's industry and regulation.

We understand that the Parent Company and Group comply with the framework through:

- Outsourcing payroll and the accounting function to external experts.
- Subscribing to relevant updates from external experts and making changes to internal procedures and controls as necessary.
- The directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.
- The directors' relevant knowledge and expertise of the pharmaceutical industry, and related laws and regulations.

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the Parent Company and Group's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Parent Company and Group:

- The Companies Act 2006 and IFRS in respect of the preparation and presentation of the financial statements;
- AIM regulations and Market Abuse Regulations;
- Health and safety and associated environmental regulation in respect of pre-clinical trials; and
- FDA and EMA regulations in respect of clinical trials.

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

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Made enquiries of management;
- Inspected correspondence with regulators;
- Reviewed board meeting minutes held during the year and post year-end; and
- Obtained written management representations regarding the adequacy of procedures in place.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Parent Company and Group's financial statements to material misstatement, including how fraud might occur. The key area identified in this discussion was with regard to the manipulation of the financial statements through manual journal entries.

These areas were communicated to the other members of the engagement team who were not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Testing of manual journal entries, selected based on specific risk assessments applied based on the group and parent company's processes and controls surrounding manual journal entries.

A further description of our responsibilities is available 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

Date: 28 April 2021

Consolidated Income Statement

for the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Continuing operations			
Revenue	1 & 3	126,667	77,925
Other operating income		-	119,901
Research and development expenses		(2,372,834)	(2,664,550)
Administrative expenses		(1,764,897)	(1,831,395)
Share based expense		(1,578,368)	(1,983,525)
Operating loss	5	(5,589,432)	(6,281,644)
Finance costs	6	(1,697,832)	(526,734)
Finance income	7	41,089	64,014
Loss before taxation		(7,246,175)	(6,744,364)
Tax	8	386,248	620,774
Loss for the year		(6,859,927)	(6,123,590)
Attributable to:			
Equity holders of the parent company		(6,859,927)	(6,123,590)
Loss per ordinary share			
Basic and diluted	9	(3.43)p	(3.99)p

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Loss for the financial period		**(6,859,927)**	(6,123,590)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on investment	12	**851,772**	(1,309,090)
Fair value gain on warrants	12	**625,576**	-
Total items that will not be reclassified subsequently to profit or loss		**1,477,348**	(1,309,090)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**42,207**	438,810
Total items that may be reclassified subsequently to profit or loss		**42,207**	438,810
Other comprehensive income/(loss) for the period		**1,519,555**	(870,280)
Total comprehensive loss for the period		**(5,340,372)**	(6,993,870)

Consolidated Statement of Financial Position

as ar 31 December 2020

	Notes	31 December 2020 £	31 December 2019 £
Non-current assets			
Intangible assets	10	**484,042**	478,960
Property, plant and equipment	11	**411,606**	206,744
Derivative financial asset	14	**174,488**	843,147
Financial assets	12	**2,418,258**	690,910
Total non-current assets		**3,488,394**	2,219,761
Current assets			
Trade and other receivables	15	**161,998**	153,609
Derivative financial asset	14	**1,016,635**	1,456,714
Cash and cash equivalents	16	**5,862,057**	1,364,840
Current tax asset		**386,590**	606,157
Total current assets		**7,427,280**	3,581,320
Current liabilities			
Financial liabilities - borrowings	17	**(6,939)**	(26,778)
Trade and other payables	18	**(619,037)**	(505,089)
Convertible loan notes	24	**(634,902)**	-
Total current liabilities		(1,260,878)	(531,867)
Net current assets		**6,166,402**	3,049,453
Net assets		**9,654,796**	5,269,214
EQUITY			
Ordinary shares	19	**25,022,130**	16,736,093
Share premium		**27,237,329**	27,187,316
Merger reserve		**106,148**	106,148
Other reserves		**3,255,536**	1,430,337
Retained earnings		**(45,966,347)**	(40,190,680)
Total equity		**9,654,796**	5,269,214

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2021
They were signed on its behalf by:

Robert Zimmer	Dimitri Dimitriou
Director	**Director**

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital £	Share premium £	Merger reserve £	Other reserves - Acquisition reserve £	Other reserves - Translation reserve £	Other reserves - Equity shares to be issued £	Other reserves - Convertible option reserve £	Retained earnings £	Total equity £
At 1 January 2019	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 operation	-	-	-	-	438,840	-	-	-	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
Loss for the financial year	-	-	-	-	-	-	-	(6,859,927)	(6,859,927)
Exchange differences on translation of foreign operations	-	-	-	-	42,207	-	-	-	42,207
Transactions with owners:									
Share based payments	-	-	-	-	-	1,751,369	-	-	1,751,369
Equity component of convertible loan notes	-	-	-	-	-	-	31,623	-	31,623
New issue of equity capital	8,286,037	665,281	-	-	-	-	-	-	8,951,318
Costs of new issue of equity capital	-	(615,268)	-	-	-	-	-	(393,088)	(1,008,356)
Fair value gain on investments	-	-	-	-	-	-	-	851,772	851,772
Fair value gain on share warrants	-	-	-	-	-	-	-	625,576	625,576
At 31 December 2020	25,022,130	27,237,329	106,148	(3,541,203)	(1,308,480)	8,073,596	31,623	(45,966,347)	9,654,796
Attributable to:-									
Equity holders of the parent company	25,022,130	27,237,329	106,148	(3,541,203)	(1,308,480)	8,073,596	31,623	(45,966,347)	9,654,796

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Cash flows from operating activities			
Cash used in operations	21	(3,879,936)	(4,963,710)
Tax received		606,157	746,369
Interest paid	6	(55,622)	(4,045)
Net cash used in operating activities		(3,329,401)	(4,221,386)
Investing activities			
Purchase of property, plant and equipment		(360,290)	(107,111)
Interest received	7	41,089	5,743
Purchase of investments	12	(250,000)	-
Net cash used in investing activities		(569,201)	(101,368)
Financing activities			
Decrease in bank overdraft		(184)	(14)
Loan repayments		(21,256)	(89,205)
Settlements from Sharing Agreement		1,292,393	414,930
Gross proceeds from issue of new share capital		8,000,000	2,656,520
Share capital issue costs		(702,133)	-
Funds deferred per Sharing Agreement		(1,300,000)	(2,656,520)
Gross proceeds from issue of convertible loan notes		2,152,252	-
Convertible loan notes issue costs		(235,552)	-
Convertible loan notes repaid		(815,166)	-
Net cash generated from financing activities		8,370,354	325,711
Net increase/(decrease) in cash and cash equivalents		4,471,752	(3,997,043)
Cash and cash equivalents at beginning of year	16	1,364,840	4,911,448
Effects of exchange rates on cash and cash equivalents		25,465	450,435
Cash and cash equivalents at end of year	16	5,862,057	1,364,840

Company Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Loss for the financial period		**(4,630,114)**	(4,036,897)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on investment	12	**851,772**	(1,309,090)
Fair value gain on warrants	12	**625,576**	-
Total items that will not be reclassified subsequently to profit or loss		**1,477,348**	(1,309,090)
Other comprehensive income/(loss) for the period		**1,477,348**	(1,309,090)
Total comprehensive loss for the period		**(3,152,766)**	(5,345,987)

Company Statement of Financial Position

as at 31 December 2020

	Notes	31 December 2020 £	31 December 2019 £
Non-current assets			
Property, plant and equipment	11	**11,607**	11,215
Financial assets	12	**2,418,258**	690,910
Derivative financial asset	14	**174,488**	843,147
Investment in subsidiaries	13	**41,063,122**	40,872,730
Total non-current assets		**43,667,475**	42,418,002
Current assets			
Trade and other receivables	15	**11,900,943**	10,031,037
Derivative financial asset	14	**1,016,635**	1,456,714
Cash and cash equivalents	16	**5,375,364**	834,464
Total current assets		**18,292,942**	12,322,215
Current liabilities			
Trade and other payables	18	**(253,181)**	(241,071)
Convertible loan notes	24	**(634,902)**	-
Total current liabilities		**(888,083)**	(241,071)
Net current assets		**17,404,859**	12,081,144
Net assets		**61,072,334**	54,499,146
EQUITY			
Ordinary shares	19	**25,022,130**	16,736,093
Share premium		**27,237,329**	27,187,316
Merger reserve		**19,093,750**	19,093,750
Equity shares to be issued		**8,073,596**	6,322,227
Convertible option reserve		**31,623**	-
Retained earnings		**(18,386,094)**	(14,840,240)
Total equity		**61,072,334**	54,499,146

The Company's loss for the year ended 31 December 2020 was £4,630,114 (2019: loss of £4,036,897).

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2021.

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 2020

	Share capital £	Share premium £	Merger reserve £	Equity shares to be issued £	Convertible option reserve £	Retained earnings £	Total equity £
At 1 January 2019	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
Cost of new issue of equity capital	-	(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
Loss for the financial year		-	-	-	-	(4,630,114)	(4,630,114)
Transactions with owners: Share based payments	-	-	-	1,751,369	-	-	1,751,369
Fair value gain on investments	-	-	-	-	-	851,772	851,772
New issue of equity capital	8,286,037	665,281		-	-	-	8,951,318
Costs of new issue of equity capital	-	(615,268)	-	-	-	(393,088)	(1,008,356)
Fair value gain on share warrants	-	-	-	-	-	625,576	625,576
Equity component of convertible loan notes	-	-	-	-	31,623	-	31,623
At 31 December 2020	25,022,130	27,237,329	19,093,750	8,073,596	31,623	(18,386,094)	61,072,334

Company Statement of Cash Flows

for the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Cash flows from operating activities			
Cash used in operations	21	(2,308,524)	(2,308,227)
Interest paid		(55,470)	(3,935)
Net cash used in operating activities		(2,363,994)	(2,312,162)
Investing activities			
Purchase of property, plant and equipment		(5,520)	(1,932)
Purchase of investments	12	(250,000)	-
Finance income		494	5,303
Loans issued to subsidiary undertakings		(1,243,292)	(1,651,020)
Net cash used in investing activities		(1,498,318)	(1,647,649)
Financing activities			
Settlements from Sharing Agreement		1,292,393	414,930
Gross proceeds from issue of new share capital		8,000,000	2,656,520
Share capital issue costs		(702,133)	-
Funds deferred per Sharing Agreement		(1,300,000)	(2,656,520)
Gross proceeds from issue of convertible loan notes		2,152,252	-
Convertible loan notes issue costs		(235,552)	-
Convertible loan notes repaid		(815,166)	-
Net cash generated from financing activities		8,391,794	414,930
Net increase/(decrease) in cash and cash equivalents		4,529,482	(3,554,881)
Cash and cash equivalents at beginning of year	16	834,464	4,379,345
Effects of exchange rates on cash and cash equivalents		11,418	-
Cash and cash equivalents at end of year	16	5,375,364	834,464

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

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 1 Bartholomew Close, EC1A 7BL, London. 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 Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 the Chairman's Report, in 2020 the Company secured a total of £8 million gross proceeds from issue of new share capital and $2.7 million (c. £2.15 million) gross proceeds from issue of convertible loan notes.

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 expected variable cash receipts under the Lanstead Sharing Agreement and repayment of the convertible loan notes. Sensitivity analysis have been performed on the key uncertainties (future share price and repayment of the convertible loan) indicating 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 2020

1 Accounting policies (continued)

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

- Financial asset – Other investments
  The Group and the Company hold 15.35% 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 2020 and is based on the share price and holding at 31 December 2020 on the ImmuPharma plc shareholding of Incanthera plc. The value of ImmuPharma's retained 9,904,319 shares at an exercise price of 9.5p pence, amounted to £1,792,682 being the fair value of the investment in Incanthera plc as of 31 December 2020. Fair value gain of £851,771 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 2020, the Company completed a calculation of fair value of the derivative financial asset that resulted in a finance loss of £1,116,345. 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
  The Group and the Company has been issued warrants for 7,272,740 shares at 9.5p in Incanthera Plc. These warrants represent financial asset, measured at fair value through Other Comprehensive Income. At the reporting date, warrants financial asset was revalued to its fair value amounted to £625,576. Fair value gain of £625,576 has been recorded in Other Comprehensive Income. 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. The IFRS 13 classifies those inputs as Level 2.
- Share options
  The Group and the Company operates share option incentive scheme. The fair value of options granted is recognised as an expense in the income statement with a corresponding increase in equity. The fair value is measured at grant date, spread over the period which the employees become unconditionally entitled to the options. The fair value of the options is measured using the "Black – Scholes" valuation model, in which there are several inputs, most of which are based on available market information or details specified within the share options agreements.
- Convertible loan notes
  In June 2020 the Group and the Company issued $3 million (£2.35 million) in face value of Convertible loan to L1 and Lind, with maturity period of 18 months. This convertible loan represents a compound instrument, having characteristics of both equity and financial liability.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

1 Accounting policies (continued)

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

IAS 32 requires liability component of the convertible loan notes to be assessed by measuring the fair value of similar liability that does not have an associated equity component. The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. The management estimated (taken into account Company's risk profile and the development stage) that the interest rate of a similar liability that did not have an associated equity component was 19.9%. The effective interest rate based on the above rate equated to 26.19%. The IFRS 13 classifies these inputs as level 2.

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 2020, the Company's investment in its subsidiaries, ImmuPharma (France) SA and Ureka Pharma (SAS) was £30,400,645 and £10,616,769 respectively. The directors have assessed the carrying value of the Company's investment in subsidiaries taking into account the various factors and available evidence as at that date and concluded that no impairment is required against this investment at the year-end date.
- Amounts owed by group undertakings
  For the Company Statement of Financial Position, management needs to consider whether these balances are recoverable or an impairment is required and applies estimates including taking account of various factors and available evidence in arriving at the conclusion.

  At 31 December 2020, ImmuPharma Plc was due £9,663,806 and £2,121,596 from its subsidiaries ImmuPharma (France) SA and Ureka Pharma (SAS) respectively. At that date, ImmuPharma (France) SA and Ureka Pharma (SAS) had net liabilities of £9,514,662 and £274,884 respectively and are not in a position to repay this balance without realising value from its intangible assets.

  Following the announcement of the results of the LupuzorTM clinical trial in April 2018 and Avion agreement in November 2019, the directors have reviewed the future prospects of ImmuPharma (France) SA. Using the information which would have been available at 31 December 2020 and believe that going forward, there is sufficient value in ImmuPharma (France) SA's underlying activities, the directors are confident that the subsidiary 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. Similarly, using the information available at 31 December 2020 and the future possibilities of Ureka Pharma (SAS) underlying activities, the directors believe that the subsidiary will generate sufficient cash to enable this balance to be repaid. As a result, no impairment has been charged in 2020.
- Derivative Financial Asset – the nature of the Sharing Agreement with Lanstead requires the calculation of the fair value at the end of the accounting period and it is based on the estimation of the Company's share price and discount rate.
- Convertible loan notes – the market rate of interest for a similar instrument without conversion rights requires management estimation.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

1 Accounting policies (continued)

Changes in accounting policies and disclosures

(a) New and amended Standards and Interpretations adopted by the Group and Company
There are no changes to accounting standards adopted by the Group in the year ended 31 December 2020.

(b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2020

Amendments to IFRS 16 addressing Covid-19 related rent concessions became effective for annual reporting periods beginning on or after 1 June 2020. This is not expected to have a material impact on the Group.

Basis of consolidation

Both the consolidated and the Company's financial statements are for the year ended 31 December 2020 and present comparative information for the year ended 31 December 2019. 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. 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.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

1 Accounting policies (continued)

Investments in subsidiaries

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

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

Intangible assets

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

In process research and development acquired as part of a business combination is recognised separately from goodwill where the associated project meets the definition of an intangible asset and its fair value can be measured reliably. In process, research and development assets arising because of a business combination are amortised on a straight-line basis over their useful lives from the point in time at which the asset is available for use.

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

Property, plant and equipment

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

- Fixtures, fittings and equipment: 2 – 5 years

Impairment of tangible and intangible assets

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

Share based payments

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

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

Warrants

The Company issues equity-settled warrants to certain third parties in connection to equity placing services provided. These warrants were measured based on the estimation of cost of the service provided by the third parties. The total cost has been recognised in 2020 and has been charged to the equity reserves.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

1 Accounting policies (continued)

Provisions

In respect of National Insurance contributions on share option gains, the Company provides in full for all vested options and on a pro-rata basis over the vesting period for options that have not yet vested for the employer's National Insurance liability estimated to arise on the future exercise of the unapproved share options granted. The amount of National Insurance payable will depend on the number of employees who remain with the Company and exercise their options, the market price of the Company's Ordinary shares at the time of exercise and the prevailing National Insurance rate at that time.

Equity

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

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

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

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

Foreign currency differences arising on the retranslation of overseas subsidiaries are included in the translation reserve.

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

Convertible option reserve represents equity portion of convertible loan notes.

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. The convertible loan notes issued in 2020 represent a compound instrument, having characteristics of both equity and financial liability. On redemption, the expected cash outflow was determined based on NPV calculation, using an estimated discount rate. As per IAS 32, the issuer of a bond convertible into ordinary shares first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. Subsequently, the liability is accounted for as a financial liability measured at amortised cost until extinguished on conversion at maturity. The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

Warrants financial asset of Incanthera shares is a derivative financial instrument, initially and subsequently measured at fair value through other comprehensive income.

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 2020

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 both non-interest bearing and interest bearing. Material borrowings, including the convertible loan notes, generally attract fixed interest rates.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

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. In addition, any adverse share price change will negatively affect the amount of proceeds the Company will receive under both current Lanstead "Sharing Agreements".

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 £105,142 (2019: £54,749) originates in France and £21,525 (2019: £23,176) originates in Switzerland. Of the loss before taxation, £1,922,938 (2019: £1,738,750) originates in France, with loss before taxation of £5,332,972 (2019: £5,004,410) and profit of £9,734 (2019: loss of £1,203) originating in the United Kingdom and Switzerland respectively.

Of the total non-current assets, £884,037 (2019: £674,486) originates in France and £2,604,358 (2019: £1,734,529) 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 2020 No.	Group Year ended 31 December 2019 No.	Company Year ended 31 December 2020 No.	Company Year ended 31 December 2019 No.
Drug research and development, and commercial operations	14	14	2	1
Administration and management	4	3	4	3
	18	17	6	4

The aggregate remuneration comprised:	Group Year ended 31 December 2020 £	Group Year ended 31 December 2019 £	Company Year ended 31 December 2020 £	Company Year ended 31 December 2019 £
Wages and salaries	1,619,125	1,681,159	1,065,434	1,133,456
Social security costs	195,216	173,801	43,361	40,773
Pension costs	1,095	-	1,095	-
Share-based payment	1,578,368	1,983,525	1,387,974	1,736,937
	3,393,804	3,838,485	2,497,864	2,911,166

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

4 Staff costs (continued)

Directors' emoluments

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

	Group Year ended 31 December 2020 £	Group Year ended 31 December 2019 £	Company Year ended 31 December 2020 £	Company Year ended 31 December 2019 £
Fees	**541,567**	530,118	**541,567**	530,118
Salaries and benefits	**496,388**	638,185	**496,388**	638,185
	1,037,955	1,168,303	**1,037,955**	1,168,303

Please refer to information in the Directors Report on page 41 in respect for amounts paid to individual directors.

Refer to note 22 for details of amounts paid to related parties in lieu of directors' fees and bonus payments.

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

	Group Year ended 31 December 2020 £	Group Year ended 31 December 2019 £	Company Year ended 31 December 2020 £	Company Year ended 31 December 2019 £
Salaries and benefits	**356,387**	498,185	**356,387**	498,185
	356,387	498,185	**356,387**	498,185

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 2020 £	Group Year ended 31 December 2019 £	Company Year ended 31 December 2020 £	Company Year ended 31 December 2019 £
Short-term employee benefits (salaries and benefits)	**1,037,955**	1,186,432	**1,037,955**	1,186,432
Share based payments	**879,489**	1,143,207	**879,489**	1,143,207
Directors' emoluments	**1,917,444**	2,329,639	**1,914,444**	2,329,639

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

5 Operating loss

- Group

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Operating loss is stated after charging/(crediting):		
Share based payments charge	1,578,368	1,983,525
Depreciation of property, plant and equipment		
- owned	136,844	61,091
Amortisation of intangible assets		
- patents	34,111	29,227
Services provided by Company auditors:		
- Audit services	73,900	72,500
- Other services relating to tax compliance services	7,025	3,500
- Audit services – interim review	20,600	14,650
Audit services provided by other auditors	23,726	23,086

6 Finance costs

- Group

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Interest payable on loans and overdraft	31,638	4,045
Interest payable on convertible loan notes	199,190	-
Loss on foreign exchange	145,373	522,689
Loss on derivative financial asset	1,116,345	-
Loss on revaluation of convertible loan notes	205,286	-
	1,697,832	526,734

7 Finance income

- Group

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Bank interest receivable	41,089	5,743
Gain on derivative financial asset	-	58,271
	41,089	64,014

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

8 Taxation

- Group

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 2020 £	Year ended 31 December 2019 £
Current tax:		
Corporation tax	(386,248)	(620,774)
Total current tax credit for the year	(386,248)	(620,774)

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Loss before taxation	(7,246,175)	(6,744,364)
Tax on loss (at the average rate 19%) (2019: 19%)	(1,376,773)	(1,281,429)
Effects of:		
Expenses not allowable for tax purposes	2,074	4,463
Depreciation in excess of capital allowances	35,107	19,364
Rate differences	(1,849)	229
Research and development tax credit	(386,248)	(620,774)
Current year losses carried forward	1,341,441	1,257,373
Current tax credit for year	(386,248)	(620,774)

As at 31 December 2020, the Group has unused tax losses of £46,606,533 (2019: £39,360,358) 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 2020

9 Loss per share

- Group

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Loss		
Loss for the purposes of basic loss per share being net loss after tax attributable to equity shareholders	**(6,859,927)**	(6,123,590)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**200,176,156**	153,452,385
Basic loss per share	**(3.43)p**	(3.99)p
Diluted loss per share	**(3.43)p**	(3.99)p

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

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

10 Intangible assets

- Group

	Research and development £	Patents £	Total £
Cost			
At 1 January 2019	404,095	482,991	887,086
Exchange rate movements	-	(24,660)	(24,660)
At 1 January 2020	404,095	458,331	862,426
Exchange rate movements	-	27,903	27,903
At 31 December 2020	404,095	486,234	890,329
Amortisation			
At 1 January 2019	-	404,047	404,047
Exchange rate movements	-	(49,807)	(49,807)
Charge for the period	-	29,227	29,227
At 1 January 2020	-	383,466	383,466
Exchange rate movements	-	(11,290)	(11,290)
Charge for the period	-	34,111	34,111
At 31 December 2020	-	406,287	406,287
Net book amount			
At 31 December 2020	404,095	79,947	484,042
At 31 December 2019	404,095	74,865	478,960

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

11 Property, plant and equipment

- Group

	Fixtures, fittings and equipment £
Cost	
At 1 January 2019	761,701
Exchange rate movements	(34,323)
Additions	110,580
Disposals	(3,468)
At 1 January 2020	834,490
Exchange rate movements	(72,207)
Additions	360,290
At 31 December 2020	1,122,573
Depreciation	
At 1 January 2019	597,040
Exchange rate movements	(28,105)
Charge for the period	61,091
Depreciation eliminated on disposals	(2,280)
At 1 January 2020	627,746
Exchange rate movements	(53,623)
Charge for the period	136,844
At 31 December 2020	710,967
Net book amount	
At 31 December 2020	411,606
At 31 December 2019	206,744

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

11 Property, plant and equipment (continued)

- Company

	Fixtures, fittings and equipment £
Cost	
At 1 January 2019	60,211
Additions	3,476
Disposals	(1,543)
At 1 January 2020	62,144
Additions	5,520
At 31 December 2020	67,664
Depreciation	
At 1 January 2019	43,621
Charge for the period	7,617
Eliminated on disposal	(309)
At 1 January 2020	50,929
Charge for the period	5,128
At 31 December 2020	56,057
Net book amount	
At 31 December 2020	11,607
At 31 December 2019	11,215

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

12 Financial assets

- Group and Company

	Shares in listed entity £	Warrants in listed entity £	Total £
Valuation			
At 31 December 2019	690,910	-	690,910
Additions	250,000	-	250,000
Fair value movement	851,772	625,576	1,477,348
At 31 December 2020	1,792,682	625,576	2,418,258

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 15% of Incanthera Plc's enlarged issued ordinary share capital. On 29 September 2020 ImmuPharma has executed its subscription agreement to subscribe £250,000 for 2,631,579 ordinary shares of 2p each at a subscription price 9.5p each.

Following this subscription, ImmuPharma held 9,904,319 shares in Incanthera representing a 15.35% position in the enlarged share capital of Incanthera.

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 9,904,319 shares held in Incanthera Plc equated to £1,792,682 as at 31 December 2020 (2019: £690,910), which has resulted in a fair value gain of £851,772 recognised through other comprehensive income.

Warrants in Incanthera Plc

In September 2018, ImmuPharma had been issued warrants for 363,637 shares at £5.50 per share of Incanthera ltd. At the year ended 31 December 2019, the warrants were revalued to its fair value, no amounts were recognised in 2019 as the valuation was deemed immaterial. In February 2020, following the admission to trading on AQSE by Incanthera plc, these warrants had been replaced by new warrants for 7,272,740 shares at 9.5p per share of Incanthera plc. These warrants represent a financial asset, measured at fair value through Other Comprehensive Income. At 31 December 2020, the fair value amounting to £625,576 was calculated 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 2020

- Expected volatility of share price – 18.30%
- Risk free rate – 0.083% (2019: 0.605%)
- Market value of share price at issue 18.1p

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

13 Investment in subsidiaries

- Company

	Shares in subsidiary undertakings £
Cost and fair value	
At 31 December 2019	40,872,730
Additions	190,392
At 31 December 2020	41,063,122

Details of the Company's subsidiaries as at 31 December 2020 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

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 2020 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 2020

14 Derivative financial asset

	Group 31 December 2020 £	Group 31 December 2019 £	Company 31 December 2020 £	Company 31 December 2019 £
Balance brought forward	2,299,861	-	2,299,861	-
Value of derivative at inception	1,300,000	2,656,520	1,300,000	2,656,520
Settlements received	(1,292,393)	(414,930)	(1,292,393)	(414,930)
(Loss)/gains recognised through income statement	(1,116,345)	58,271	(1,116,345)	58,271
	1,191,123	2,299,861	1,191,123	2,299,861

	31 December 2020 £	31 December 2019 £
Due within one year	1,016,635	1,456,714
Due after one year	174,488	843,147
At 31 December	1,191,123	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. In an additional placement completed in March 2020, the Company issued 13,000,000 new ordinary shares to Lanstead Capital Investors L.P. ("Lanstead") at a price of 10p per share for an aggregate subscription price of £1.3 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.

The Company also issued, in aggregate, a further 1,328,290 new ordinary shares in July 2019 and 650,000 new ordinary shares in March 2020 to Lanstead as value payments in connection with the Share Subscription and the Sharing Agreement. Monthly settlements under the Sharing Agreement will continue in 2021 and 2022 completing in September 2021 and June 2022 respectively.

At the end of the accounting period the amount receivable has been adjusted 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 2020, the Company completed a calculation of fair value of the derivative financial asset that resulted in a finance loss of £1,116,345, 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

15 Trade and other receivables

	Group 31 December 2020 £	Group 31 December 2019 £	Company 31 December 2020 £	Company 31 December 2019 £
Amounts owed by group undertakings	-	-	11,779,540	9,950,510
Other debtors	95,339	102,924	56,583	42,327
Prepayments	66,659	50,685	64,820	38,200
	161,998	153,609	11,900,943	10,031,037

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

The Company's receivables due from Group undertakings are intercompany loan balances due from its three French subsidiaries. As of 31 December 2020, the directors believe 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 £9,566,777 (2019: £4,458,535), consisting of trade and other receivables of £95,339 (2019: £102,924), investment in Incanthera Plc £2,418,258 (2019: £690,910), derivative financial asset £1,191,123 (2019: £2,299,861) and cash and cash equivalents of £5,862,057 (2019: £1,364,840).

The total carrying amount of financial assets for the Company is £20,885,688 (2019: £13,818,072), consisting of trade and other receivables of £11,900,943 (2019: £9,992,837), investment in shares in Incanthera Plc £1,792,682 (2019: £690,910), investment in warrants in Incanthera Plc £625,576 (2019: £nil), derivative financial asset £1,191,123 (2019: £2,299,861) and cash and cash equivalents of £5,375,364 (2019: £834,464).

16 Cash and cash equivalents

	Group 31 December 2020 £	Group 31 December 2019 £	Company 31 December 2020 £	Company 31 December 2019 £
Cash and cash equivalents	5,862,057	1,364,840	5,375,364	834,464

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at varying rates of interest over the period between 0.0% and 0.5%.

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

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

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

17 Financial liabilities – borrowings

- Group

	31 December 2020 £	31 December 2019 £
Total borrowings within one year comprises:		
Bank overdraft	316	471
Other loans	6,623	26,307
Convertible loan notes (note 24)	634,902	-
	641,841	26,778

Please refer to note 23for details of maturity.

Bank overdraft and other loans are non-interest bearing. Convertible loan notes are interest bearing with a fixed interest rate. The directors consider that the carrying amount of short and long-term liabilities approximates to their fair value.

18 Trade and other payables

	Group 31 December 2020 £	Group 31 December 2019 £	Company 31 December 2020 £	Company 31 December 2019 £
Trade payables	418,072	329,701	142,483	136,816
Other taxes and social security	90,267	71,133	-	-
Accruals and other creditors	110,698	104,255	110,698	104,255
	619,037	505,089	253,181	241,071

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

19 Share capital

At 31 December 2020, the Company had no limit on its authorised share capital.

Allotted, called up and fully paid	2020 No.	2019 No.	2020 £	2019 £
At start of year:				
Ordinary shares of £0.10 each	167,360,920	167,360,920	16,736,093	16,736,093
Movements during year:				
Shares issued on 30 March 2020	13,650,000	-	1,365,000	-
Shares issued on 30 March 2020	2,000,000	-	200,000	-
Shares issued on 2 September 2020	59,090,909	-	5,909,091	-
Shares issued on 2 September 2020	682,242	-	68,224	-
Shares issued on 3 September 2020	1,045,046	-	104,505	-
Shares issued on 9 September 2020	1,429,938	-	142,994	-
Shares issued on 10 September 2020	1,026,750	-	102,675	-
Shares issued on 23 November 2020	1,430,510	-	143,051	-
Shares issued on 24 November 2020	2,504,982	-	250,498	-
At end of year	250,221,297	167,360,920	25,022,130	16,736,093

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

19 Share capital (continued)

During the financial year, the Company issued in total 82,860,377 new ordinary shares.

Details of new shares issued during the financial year 2020 are summarised as follows:

On 30 March 2020 the Company issued 13,650,000 new ordinary shares with nominal amount of £1,365,000, with £65,000 deducted from reserves in relation to value payment shares. The gross proceeds amounted to £1,300,000 and were deferred under the Sharing Agreement.

On 30 March 2020 the Company issued 2,000,000 new ordinary shares with nominal amount of £200,000 and gross proceeds amounted to £200,000.

On 2 September 2020 the Company issued 59,090,909 new ordinary shares with nominal amount of £5,909,091 and gross proceeds of £6,500,000, with share premium of £590,909.

On 2 September 2020 the Company issued 682,242 new ordinary shares with nominal amount of £68,224, with £68,224 deducted from reserves in relation to value payment shares.

On 3 September 2020 the Company issued 1,045,046 new ordinary shares with nominal amount of £104,505, with share premium of £10,451. The new ordinary shares were issued in relation to the conversion of the convertible loan notes.

On 9 September 2020 the Company issued 1,429,938 new ordinary shares with nominal amount of £142,994, with share premium of £14,299. The new ordinary shares were issued in relation to the conversion of the convertible loan notes.

On 10 September 2020 the Company issued 1,026,750 new ordinary shares with nominal amount of £102,675, with share premium of £10,268. The new ordinary shares were issued in relation to the conversion of the convertible loan notes.

On 23 November 2020 the Company issued 1,430,510 new ordinary shares with nominal amount of £143,051, with share premium of £14,305. The new ordinary shares were issued in relation to the conversion of the convertible loan notes.

On 24 November 2020 the Company issued 2,504,982 new ordinary shares with nominal amount of £250,498 with share premium of £25,050. The new ordinary shares were issued in relation to the conversion of the convertible loan notes.

The total costs incurred in relation to the issue of new equity capital amounted to £1,008,356 of which £615,268 was debited against share premium and the remaining £393,088 against retained earnings as there was not sufficient share premium credit for that new equity capital raised.

20 Share based payments

Equity-settled 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 (£) of share options	Number of warrants options	Weighted average exercise price (£) of warrants options	Total number of options (Share options and Warrants options)
Outstanding as at 31 December 2019	16,215,000	0.811	153,850	0.52	**16,368,850**
Expired during the year	640,000	0.865			**640,000**
Granted during 2020	9,625,000	0.20	28,983,299	0.11	**38,608,299**
Outstanding as at 31 December 2020	25,200,000	0.58	29,137,149	0.11	**54,337,149**
Exercisable as at 31 December 2019	1,093,850	0.785	-	-	**1,093,850**
Became exercisable during the year 2020	14,481,150		153,850		**14,635,000**
Granted and exercisable during 2020	-		28,983,299		**28,983,299**
Exercisable as at 31 December 2020	15,575,000	0.50	29,137,149	0.11	**44,712,149**

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

The options and warrants outstanding as at 31 December 2020 had a weighted average remaining contractual life of 5 years.

20 Share based payments (continued)

Equity-settled and warrants (continued)

Number of share options and warrants issued in 2020 had a contractual life between 3 to 10 years.

The options and warrants outstanding as at 31 December 2020 had exercise prices between £0.10 and £1.530 (2019: £0.439 and £1.530).

Equity-settled share option scheme

The total value of options granted during 2017 and 2020 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	25 November 2020
Option value	£833,000	£400,950	£3,928,838	£707,760	£913,958
Share price at grant date	£0.5025	£0.5675	£0.9862	£1.5300	£0.129
Exercise price	£0.5025	£0.5675	£0.9862	£1.5300	£0.20
Volatility	47%	47%	51%	52%	144%
Vesting period	3 years	3 years	3 years	3 years	3 years
Expected life	7 years	7 years	7 years	7 years	7 years
Expected dividend yield	0%	0%	0%	0%	0%
Risk free interest rate	0.382%	0.382%	0.382%	0.382%	-0.024%

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 2020 was calculated as above at £913,958. Of this amount, £25,388 has been charged in the financial statements for the year ended 31 December 2020. The remaining amount £888,570 will be charged over the next 3 financial years ending 31 December 2023.

The total value of options granted during 2017 was calculated as above at £5,870,548. Of this amount, £1,552,980 has been charged in the financial statements for the year ended 31 December 2020. The total charged to date is £5,870,548 and there is no remaining amount to be charged in the year ending 31 December 2021.

The total value of options granted during the year ended 31 December 2016 was calculated as £301,280. As at 31 December 2020 there was no remaining balance to be charged in the financial statements. (2019: £26,676).

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

Warrants

Warrant holder/grant date	Exercise price	No of warrants	Expected life
01/04/20 Stanford Capital	£0.10	915,205	10 years
10/06/20 L1 Capital	£0.11	12,820,127	3 years
10/06/20 Lind Capital	£0.11	12,820,127	3 years
02/09/20 SI Capital	£0.11	1,213,920	10 years
02/09/20 Stanford Capital	£0.11	1,213,920	10 years

The above warrants have been granted in connection to the funding raised in 2020. They have been valued based on estimated cost of service. The total value of warrants granted during 2020 was calculated at £173,000. All of this amount, £173,000 has been charged to equity reserves for the year ended 31 December 2020.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

21 Cash used in operations

	Group 31 December 2020 £	Group 31 December 2019 £	Company 31 December 2020 £	Company 31 December 2019 £
Operating loss	(5,589,432)	(6,281,644)	(3,537,507)	(3,575,225)
Depreciation and amortisation	170,954	88,038	5,128	7,310
Share-based payments	1,578,368	1,983,525	1,387,974	1,736,938
(Increase)/decrease in trade and other receivables	(8,380)	177,878	(40,876)	32,530
Increase/(decrease) in trade and other payables	113,926	(408,818)	12,111	11,533
(Gain)/loss on foreign exchange	(145,372)	(522,689)	(135,354)	(521,313)
Cash used in operations	(3,879,936)	(4,963,710)	(2,308,524)	(2,308,227)

22 Related party transactions

a) Group

D Dimitriou receives part of his remuneration through a consultancy company owned by him, Dragon Finance AG. During the year ImmuPharma AG was charged £180,302 (2019: £169,790) 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 41.

T McCarthy receives his remuneration through a service company owned by him, Unnamed Ltd. During the year ImmuPharma plc was charged £260,000 (2019: £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 41.

During the year, an amount of £119,369 (2019: £117,361) was paid to the wife of Dr R Zimmer in respect of services provided to ImmuPharma plc, ImmuPharma (France) SA and Ureka Pharma SAS. During the year ImmuPharma AG was charged £129,995 (2019: £nil) for the provision of consultancy services by Luca and Associates AG, a company which Dr R Zimmer is connected to. An amount of £40,191 (2019: £nil) was also paid to the daughter of Dr R Zimmer in respect of services provided to ImmuPharma (France). Dr R Zimmer issued loans to ImmuPharma (France) SA and Ureka Pharma SAS of £2,929 (2019: £nil) and £4,105 (2019: £nil) respectively.

b) Company

During the year ended 31 December 2020, management charges of £568,562 (2019: £610,644) were rendered by ImmuPharma plc to ImmuPharma (France) SA. This amount was due to the Company at 31 December 2020. The Company also loaned the sum of £nil (2019: £684,135) to ImmuPharma (France) SA during the year ended 31 December 2020. The total balance due to the Company from ImmuPharma (France) SA at 31 December 2020 was £9,663,806 (2019: £8,597,241).

During the year ended 31 December 2020, management charges of £142,141 (2019: £152,661) were rendered by ImmuPharma plc to Ureka Pharma SAS. This amount was due to the Company at the 31 December 2020. The Company also loaned the sum of £539,522 (2019: £528,930) to Ureka Pharma SAS during the year ended 31 December 2020. The total balance due to the Company from Ureka Pharma SAS at 31 December 2020 was £2,121,596 (2019: £1,353,270).

During the year ended 31 December 2020, management charges of £326,675 (2019: £169,901) were rendered by ImmuPharma AG to ImmuPharma plc of which no balance was owed at the year end (2019: £nil).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

23 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 2020 £	Year ended 31 December 2019 £
Trade and other receivables	95,339	102,924
Shares in listed entity	1,792,682	690,910
Warrants in listed entity	625,576	-
Derivative financial asset	1,191,123	2,299,861
Cash and cash equivalents	5,862,057	1,364,840
Total financial assets	**9,566,777**	**4,458,535**
Financial liabilities – borrowings due within 1 year	6,939	26,778
Trade and other payables	528,770	433,956
Convertible loan notes	634,902	-
Total financial liabilities	**1,170,611**	**460,734**

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

23 Financial instruments (continued)

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 £	Convertible liability £	Total £
At 31 December 2020				
6 months or less	528,770	6,939	-	535,709
6 – 12 months	-	-	634,902	634,902
1 – 2 years	-	-	-	-
2 – 5 years	-	-	-	-
Total contractual cash flows	528,770	6,939	634,902	1,170,611
Carrying amount of financial liabilities measured at amortised cost	528,770	6,939	634,902	1,170,611

	Trade and other payables £	Borrowings £	Convertible liability £	Total £
At 31 December 2019				
6 months or less	433,956	26,778	-	460,734
6 – 12 months	-	-	-	-
1 – 2 years	-	-	-	-
2 – 5 years	-	-	-	-
Total contractual cash flows	433,956	26,778	-	460,734
Carrying amount of financial liabilities measured at amortised cost	433,956	26,778	-	460,734

Company

The Company's financial liabilities comprise trade and other payables with a carrying amount equal to gross cash flows payable of £142,483 (2019: £136,816), accrued purchases with a carrying amount of £110,698 (2019: £104,255) and convertible loan notes of £634,902 (2019: £nil), all of which are payable within 6-12 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. Interest bearing liabilities comprise of convertible loan notes denominated in US Dollar which are carried at amortised cost. The interest element is based on effective interest rate of 26% compared to coupon rate of 10%.

During the year, the Group's cash and cash equivalents earned interest at a variable rate between 0.0% and 0.5% (2019: 0.0% and 0.5%).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

23 Financial instruments (continued)

Interest rate risk (continued)

Group (continued)

As at 31 December 2020, if LIBOR had increased by 0.5% with all other variables held constant, the post-tax profit and equity would have been higher by £27,985 (2019: £13,170). 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 £27,985 (2019: £13,170).

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

The Group also has 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 both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise of cash and cash equivalents denominated in Sterling, which earn interest at a variable rate. Interest bearing liabilities comprise of convertible loan notes denominated in US Dollar which are carried at amortised cost. The interest element is based on effective interest rate of 26% compared to coupon rate of 10%.

During the year, the Company's cash and cash equivalents earned interest at a variable rate between 0.0% and 0.5% (2019: 0.0% and 0.5%).

As at 31 December 2020, 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 £18,631 (2019: £11,000). Conversely, if LIBOR had fallen by 0.5% with all other variables held constant, the post-tax loss would have been higher and equity would have been lower by £18,631 (2019: £11,000).

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 and a convertible loan notes in 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 2020, 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 £32,500 (2019: £43,000). 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 £32,500 (2019: £43,000).

As at 31 December 2020, 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 £25,700 (2019: £15,000). 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 £25,700 (2019: £15,000).

As at 31 December 2020, 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 £16,500 (2019: £7,500). Conversely, if the Swiss Franc had strengthened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been higher by £16,500 (2019: £7,500).

Company

The Company is exposed to foreign exchange rate risk through the payment of non-Sterling amounts, intercompany balances in Euros and Swiss Francs and as a result of having cash balances in Euros and US Dollars. The Company's convertible loan notes are also held in 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 2020, 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 £3,000 (2019: £1,500). Conversely, if the Euro had strengthened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been higher by £3,000 (2019: £1,500).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

23 Financial instruments (continued)

Foreign exchange rate risk (continued)

Company (continued)

As at 31 December 2020, 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 £25,700 (2019: £15,000). 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 £25,700 (2019: £15,000).

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 £179,268 which would increase the Group's and Company's loss by £179,268. If ImmuPharma sold their shares for 10% more than the issue price of 9.5p, this would indicate an increase in fair value of £179,268 which would decrease the Group's and Company's loss by £179,268.

The Group has also entered into a derivative transaction during the year 2020, 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.

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 £129,239. 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 £129,239.

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 2020. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	Carrying amount 2020 £	Fair Value 2020 £	Carrying amount 2019 £	Fair Value 2019 £
Trade and other receivables at amortised cost	**95,339**	**95,339**	102,924	102,924
Derivative financial asset	**1,191,123**	**1,191,123**	2,299,861	2,299,861
Shares in listed entity	**1,792,682**	**1,792,682**	690,910	690,910
Warrants in listed entity	**625,576**	**625,576**	-	-
Financial liabilities at amortised cost	**1,170,611**	**1,170,611**	460,734	460,734
	4,875,331	**4,875,331**	3,554,429	3,554,429

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

23 Financial instruments (continued)

Equity price risk (continued)

Group and Company (continued)

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.

Shares in listed entity

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.

Warrants in listed entity

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 2020

23 Financial instruments (continued)

Equity price risk (continued)

Fair value measurement (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2020:

	Level 1 £	Level 2 £	Level 3 £	Total £
Shares in listed entity	-	1,792,682	-	1,792,682
Warrants in listed entity		625,576		625,576
Derivative financial asset	-	1,191,123	-	1,191,123
As at 31 December 2020	-	3,609,381	-	3,609,381

Summary of financial assets held at level 2 fair value:

	Warrants in listed entity £	Shares in listed entity £	Total £
As at 1 January 2020	-	690,910	690,910
Additions	-	250,000	250,000
Initial recognition value on inception	20,488	-	20,488
Revaluation at fair value	605,088	851,772	1,456,860
As at 31 December 2020	625,576	1,792,682	2,418,258

The fair value has been assessed at 31 December 2020 and is based on the ImmuPharma Plc shareholding of 15.35% of Incanthera plc.

	Derivative financial asset £
Fair value brought forward	2,299,861
Fair value at inception	1,300,000
Payments received under Sharing Agreement	(1,292,393)
Net losses recognised in Income Statement	(1,116,345)
As at 31 December 2020	1,191,123

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 and 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 2020

24 Convertible Loan Notes

	Group 31 December 2020 £	Group 31 December 2019 £	Company 31 December 2020 £	Company 31 December 2019 £
Value of loan at inception	2,153,824	-	2,153,824	-
Issue costs	(232,263)		(232,263)	
Equity component	(31,623)		(31,623)	
Value of shares converted	(799,846)	-	(799,846)	-
Repurchased during the year	(815,166)	-	(815,166)	-
Exchange differences on revaluation	(44,500)		(44,500)	
Interest expense	199,190	-	199,190	-
Loss on revaluation	205,286	-	205,286	-
	634,902	-	634,902	-

On 10 June 2020, the Company issued £2.4 million/$3.0 million (face value) convertible loan notes. The proceeds received equated to £2.15 million/$2.7 million (before expenses of £0.3 million/$0.3 million).

The value of liability component and the equity conversion component were determined at the date the instrument was issued. The fair value of the liability was calculated at the rate of interest for similar debt without the conversion option of 19.90%.

On initial recognition the value of the equity amounted to £56k and the liability amounted to £1,835k.

At the year end the liability had a fair value of £635k.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2020

24 Convertible Loan Notes (continued)

The summary of the key terms of the loan notes is as follows.

Term	18 months
Conversion price	17.96p, which is equivalent to 120% of the Volume Weighted Average Price ("VWAP") of the ordinary shares for 09 June 2020. On 2 September 2020, (as the result of additional placing) the conversion price has been adjusted downwards to 11p.
Conversion by the Company	During the maturity period, if the VWAP on each of at least 20 consecutive trading days shall be equal to or have exceeded 35.92p (200% of the Conversion Price)
Conversion by the Investors	At any time during the maturity period.
Security	All amounts falling due under the Convertible Loan Notes will be secured by debenture constituting a first-ranking fixed and floating charge over all the assets of the Company (the "Debenture")
Coupon & Payment	10% per annum, payable quarterly in arrears
Redemption	The Convertible Loan Notes can be redeemed: -in the event of additional funds receipt by the Company, Investors have rights to repurchase any unconverted securities to the value of up to 25% of the gross proceeds of financing, at 105% of face value; -upon Nasdaq listing ImmuPharma can offer to redeem all or part of the unsecured convertible notes at 105% of face value plus accrued interest; -otherwise, automatically at the end of the term.

25 Subsequent events

There were no subsequent events.

Glossary of Technical Terms

'biomarkers'	measurable biological responses used as predictors of clinical effects.
'CRO'	contract research organisation.
'drug-like'	having the potential to become a drug product candidate due to its physical and chemical characteristics.
'Lupus'	an autoimmune inflammatory disease of unknown etiology.
'PDCT'	peptide to drug converting technology.
'peptide'	a molecule comprised of a series of amino acids (or a small subpart of a protein).
'Pharma'	abbreviation for "Pharmaceutical"; sometimes in the industry "pharma" also denotes a pharmaceutical company.
'Phase 0'	the stage of development of a drug candidate before the first administration to man, during which all mandatory data required by regulatory bodies such as the FDA or the EMEA is generated and filed.
'Phase I'	the stage of development of a drug candidate during which it is administered to man (usually healthy volunteers) for the first time. Phase I studies are designed to assess primarily the safety and tolerability of the drug candidate and gather information on its ADME. This phase is also used whenever possible to evaluate surrogate markers which are indicative of the clinical efficacy of the drug candidate.
'Phase II'	the stage of development of a drug candidate during which therapeutic studies are conducted in limited numbers of patients using data generated in Phase I studies to determine dose regimen and primary efficacy, and to examine therapeutic outcomes and monitor safety in patients.
'Phase III'	the stage of development of a drug candidate during which it is tested in large scale pivotal trials on, typically, between 200 to 4000 patients to demonstrate overall efficacy, tolerability and safety with a dose regimen as determined in Phase II. The drug candidate must generally prove to be statistically better than placebo or the current best therapy in terms of efficacy, safety or quality of life.

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

ImmuPharma plc
1 Bartholomew Close
London
EC1A 7BL
UK

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