ImmuPharma

ImmuPharma plc
Report and Consolidated Financial Statements
For the Year Ended 31 December 2021

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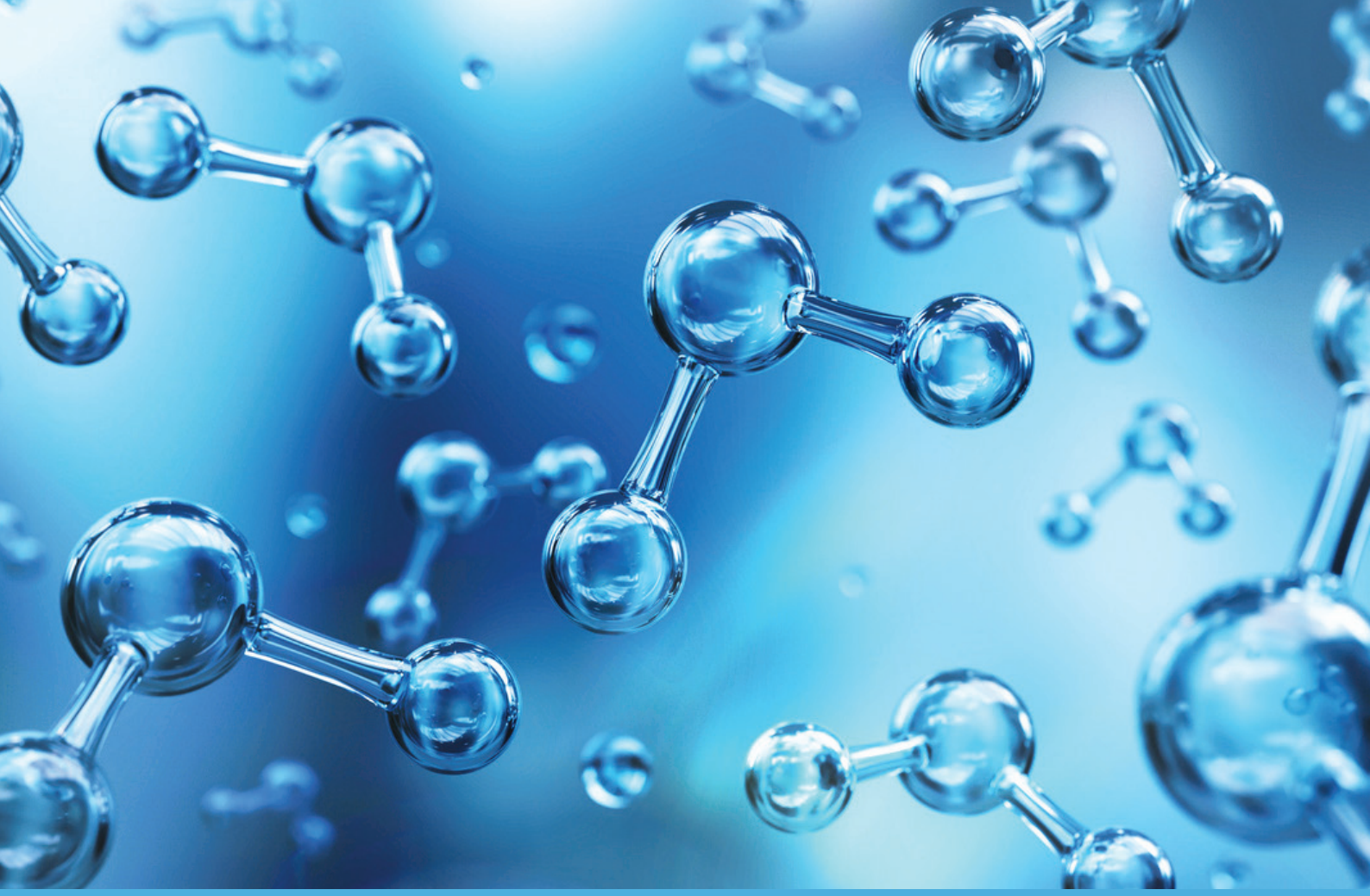


Chairman's Report

Chairman's Report

2021 was a year of successful evolution and transition for ImmuPharma. Key board and management restructuring was at the heart of these changes. This was combined with a complete re-evaluation of our pipeline, focusing on the key assets, which we believe, can deliver long term shareholder value.

As echoed in recent statements, whilst being one of the most challenging periods we have been involved with at ImmuPharma, it has been one of the most exciting periods in the Company's history. This would not have been possible without the enormous amount of teamwork involved, from both the ImmuPharma team, its partners and collaborators.

At the epicentre of ImmuPharma throughout 2021, was the continued progress of our late-stage program, Lupuzor™, in conjunction with our US partner, Avion Pharmaceuticals ("Avion"), as we moved closer to commencing the pivotal Phase 3 study in 2022. During the second half of 2021, ImmuPharma started preparations for the commencement of the pharmacokinetic ("PK") study, as requested by the US Food and Drug Administration ("FDA"). The PK study has been successfully completed in April 2022.

In December 2021 we successfully raised £3.55m (gross), which was supported by our US partner, Avion and longstanding shareholder, Lanstead Capital. 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 does not suppress the immune system and which normalises the over-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 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 | Background

On 28 November 2019, ImmuPharma and Avion signed an exclusive Trademark, License and Development Agreement for Lupuzor™, with Avion agreeing to fund a new international Phase 3 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 3 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 3 clinical study were analysed and considered in detail and, as a result, a new optimised international Phase 3 study protocol was approved on the 22 July 2021 by the FDA, subject to prior successful completion of the PK study.

In the first half of 2021 ImmuPharma provided progress updates to the market in respect to guidance meetings between the FDA and Avion.

As part of this feedback and as announced on 9 February 2021, the FDA requested that Avion and ImmuPharma develop and validate a bioanalytical assay in order to confirm the unique pharmacokinetic ("PK") profile of Lupuzor™/ P140. Principally to demonstrate that P140 shows a positive result within plasma at the subcutaneous level.

On 24 June 2021 it was announced that following submission by Avion of the PK methodology study, the FDA would, by written response, approve the PK study around the end of July 2021.

On 12 August 2021 ImmuPharma announced that the FDA had approved the commencement of the PK study.

Chairman's Report (continued)

The PK study is a Phase 1 study to assess the presence of Lupuzor™ in the body after administration of a single dose. The study was carried out in a total of 24 healthy male volunteers.

Since the approval of the commencement of the PK study by the FDA, we worked with Avion and our specialist Contract Research Organisation ("CRO"), Simbec Orion in respect to this study. In preparing the study drug material, we have taken the opportunity to greatly improve the product characterisation and analytical method validations. This has resulted in a new proprietary synthesis of P140 which gives greater IP protection and lowers the cost of production.

P140 PK study has been successfully completed as announced on 13 April 2022, with all key endpoints requested by FDA being met. The key highlights from the study were summarised as below.

Subcutaneous injection of P140 (in both 200 microgram ("mcg") and 800 mcg doses (note: 1mcg = 1 millionth of a gram) showed a clear time and dose-related PK profile, which is detectable in the blood of human volunteers and applicable for all potential clinical dosing regiments of P140.

The final group of subjects completed dosing on 30 March 2022. This was a group of subjects that received an intravenous injection of a 800 mcg dose of P140, which showed successful measurement of the absolute bioavailability of the drug (as a control). In-line with all human dosing to date, P140 was safe and well tolerated across all doses and in all subjects.

Avion, our US partner, has been integral to the development, initiation and successful conclusion of this PK study.

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™ /P140 platform was invented by Prof. Sylviane Muller, Emeritus 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.

Pipeline Overview

In the second half of 2021, the Board completed a full review of the R&D activities across the Group which resulted in the Board having the following conclusions:

There is a depth of scientific knowledge and innovation within the R&D team in Bordeaux and with the new scientific leadership we expect there to be a significant improvement in productivity and achievement of product development targets in the future. There is a need for a focus on those product developments (see below) which offer the highest probability of both scientific and commercial success.

Management will concentrate more of their time on identifying and concluding commercial collaborations and licensing deals across the product portfolio.

Having assessed our current portfolio and resources, the focus will now be on Autoimmunity, Anti-infection and those product developments which offer near-term and commercially viable opportunities:

Chairman's Report (continued)

Autoimmunity & Inflammation

The increasing knowledge of P140's mode of action and its relevance to many autoimmune and inflammatory conditions provides a depth of disease states for ImmuPharma and its partners to explore in the near future. The therapeutic potential of P140 goes beyond just lupus, with Chronic Inflammatory Demyelinating Polyneuropathy ("CIDP") being the next step. This expanding insight is fundamentally driven by the excellent research partnership between the Company and Prof. Sylviane Muller, inventor of P140 and Emeritus Research Director CNRS, France. Key highlights within the progression of the P140 platform are summarized below:

- Lupuzor™ (P140) – successfully completed PK study prior to the commencement of the optimized Phase 3 study in lupus.
- P140 - CIDP a neurological disorder targeting the body's nerves. Active preparation for a phase 2/3 clinical study has now been initiated.
- P140 – Other indications. Further clinical applications based on further preclinical investigation include asthma, Sjogrens syndrome, renal inflammation in diabetes, periodontitis and gout.
- P140 – Second generation. Our pre-clinical team in Bordeaux, 'ImmuPharma Biotech' has commenced work to develop a pharmacologically improved version of P140, a second generation product that aims to further strengthen the IP position and provide therapies with different improved administration modalities, yet still maintaining P140 as the active moiety.

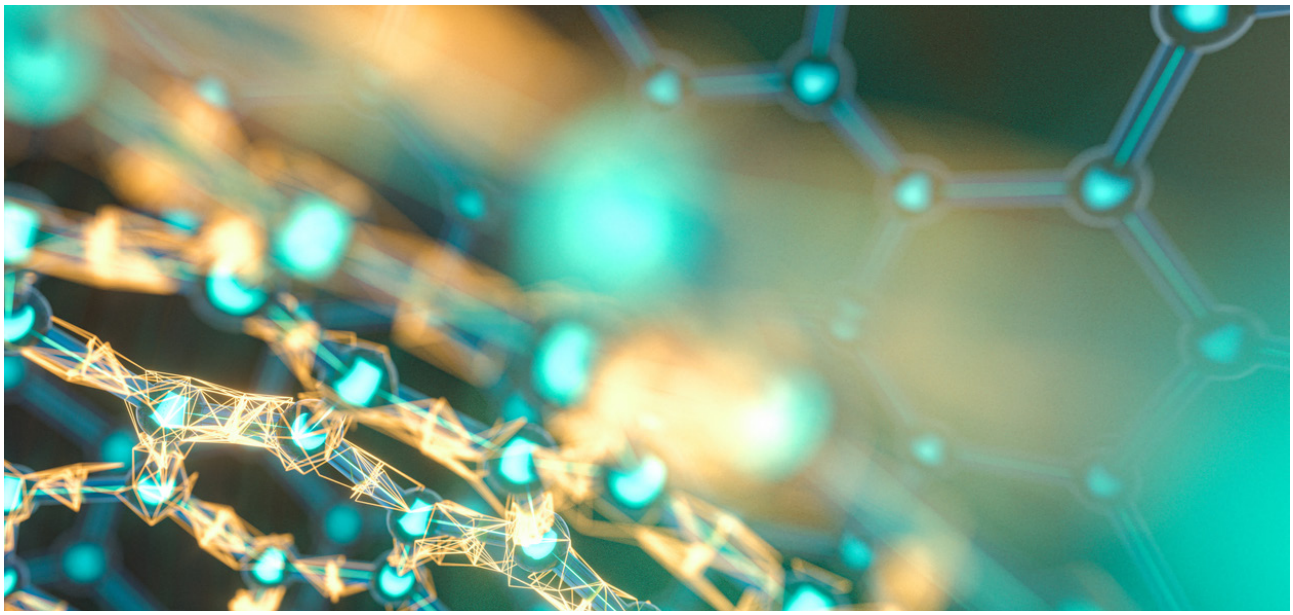
Anti-Infection

The innovative peptide technology at ImmuPharma Biotech has been a huge success and very recently has given rise to a number of novel development programs, out of which we have identified two core programs, in pre-clinical development; BioAMB and BioCin, which we believe have the best commercial opportunity and speed to market.

- BioAMB, a novel peptide-based drug that offers a potential improvement on the limiting side effects and poor administration regime of current Amphotericin-B ("AMB") formulations. AMB is one of a last line of agents against serious and life-threatening fungal infections caused by the aspergillus family of fungi.
- BioCin, a novel peptide-based drug based on an existing potent antibacterial used in high medical need cases and in many cases the last line of defense. BioCin has the potential to offer improved safety and/or administration benefits.

Euronext de-listing

After careful review of our listing on the Euronext Growth Brussels Exchange ("Euronext"), it became apparent that the cost of the listing outweighed the benefits, as the vast majority of the trades in the Company's shares were conducted through our primary listing on AIM, rather than Euronext. Taking this into account and the best interests of shareholders, the Board made the decision to de-list from Euronext with the effective date of 18 October 2021.



Chairman's Report (continued)

Board changes and corporate reorganisation

During 2021, a number of key Board changes happened. In June 2021, Dr Robert Zimmer, co-founder of ImmuPharma and Chief Scientific Officer, retired to pursue other endeavours after 16 years of service. As a substantial shareholder in ImmuPharma and to demonstrate his continued support of the Company, Dr Zimmer entered into a lock-in agreement, to not dispose of shares in which he has an interest, for a period of three years or, if earlier than three years, the date of the reporting by the Company of the preliminary results of the next Phase 3 clinical trial of Lupuzor™.

On 16 July 2021, Dr Tim Franklin, Chief Operating Officer, was appointed to the Board of Directors. Tim has worked for ImmuPharma for over three years, initially as a consultant and more recently appointed as Chief Operating Officer in November 2020. His key responsibilities include working closely with ImmuPharma's product development team and scientific advisors, in addition to exploring business development opportunities with potential partners. These activities aim to progress the Company's drug development portfolio, both through in house development and partnering opportunities.

On 30 July 2021, as part of a Board Changes announcement, it was confirmed that Dimitri Dimitriou, co-founder and CEO of ImmuPharma, for over 16 years, had decided to step down from his position, in order to pursue a number of other external opportunities. Tim McCarthy, Chairman, has been appointed as CEO. The Company has initiated a process to identify a suitable person to take over as Non-Executive Chair of the Company and during this interim period Tim McCarthy will continue as Chairman.

Further, on 30 July 2021, Dr Franco di Muzio, Senior NED and Dr Stéphane Méry, NED stepped down from the Board, following 14 and 6 years in these roles respectively.

On 30 July 2021, Dr Sanjeev Pandya was appointed as Senior Independent NED. In addition, Lisa Baderoon was appointed to the Board as a NED.

The corporate reorganisation initiatives (including the Board changes) are expected to result, from 2022, in overall cost savings across the Group of approximately £1.1m per annum. This is a decrease of around 50% (compared to 2020), in the Company's committed overhead costs (excluding R&D project costs). Included in this overall cost saving are reductions in the costs relating to the Board and connected parties amounting to approximately £0.5m per annum.

Interest in Incanthera Plc

ImmuPharma has a 13.37% interest in Oncology specialist, Incanthera plc, which trades on Aquis Stock Exchange ("AQSE") under the ticker (TIDM:INC).

ImmuPharma also has 7,272,740 warrants options in Incanthera 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.

As a major shareholder, ImmuPharma remains supportive of Incanthera.

Chairman's Report (continued)

Convertible loan notes

On 15 December 2021, the Company repaid in full the remaining outstanding balance of $950,000 (£837,859) principal and $160,278 (£121,120) of accrued interest, the total of $1,110,278 (£958,979) due to L1 Capital Global Opportunities Master Fund ("L1").

By 15 December 2021, both convertible security deeds with L1 and Lind Global Macro Fund, LP ("Lind") have been repaid and/or converted.

L1 and Lind each have 12,820,127 Options in the Company, which may be exercised at any time up to 10 June 2023 with an exercise price of 11p, which, if all exercised, would amount to $3.60 million (£2.82 million).

Capital subscription

On 20 December 2021 ImmuPharma announced subscriptions and placing to raise in total £3.55m (before expenses) through the issue of 32,272,727 new ordinary shares of 10 pence each in ImmuPharma at a price of 11p per ordinary share ("Issue Price"). The Company has also entered into a sharing agreement ("Sharing Agreement") with Lanstead Capital Investors L.P. ("Lanstead"), see below.

The subscriptions comprised of 10,909,091 new ordinary shares by Alora Pharmaceuticals LLC ("Alora"), the parent company of Avion, to raise £1.2m and a further £2.2m subscription for 20,000,000 new ordinary shares with Lanstead Capital Investors LP ("Lanstead"), at an Issue Price of 11 pence per share, together with a related Sharing Agreement. The Chelverton Asset Management placing secured £150k for 1,363,636 new ordinary shares.

The £2.2 million gross proceeds of the Lanstead subscription was followed by the Sharing Agreement with Lanstead for 100% of these shares with a reference price of 14.6667p per share ("Benchmark Price"). The Sharing Agreement is for a 24 month period and the Company will receive 24 equal monthly settlements, as measured against Benchmark Price. 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 1,400,000 ordinary shares in connection with entering into the Sharing Agreement ("Value Payment Shares").

The Company also issued 90,909 and 1,000,000 new Ordinary Shares ("Fee Shares") at an issue price of 11 pence per share to SPARK and Stanford Capital Partners respectively, in lieu of fees.

The Issue Price of 11 pence represented a 80 percent premium to the closing mid-market price (of 6.1p) of the Ordinary Shares on 17 December 2021, the latest business date prior to the Subscriptions and Placing.

Warrants

On 23 December 2021, for each ordinary share subscribed for, as detailed above, two warrants were issued by ImmuPharma. The warrants are exercisable for 10 years at an exercise price of 11 pence. In total 64,545,454 warrants were issued under the Subscriptions and Placing.

Chairman's Report (continued)

Current Activities and Outlook

2021 brought significant changes in the leadership of the ImmuPharma. We have created positive and constructive changes within the business, with a focus on delivery of product development, value added milestones and a much more commercially driven corporate strategy.

With now fully reviewed and assessed R&D development programs, we remain focused on bringing our two late-stage clinical assets, Lupuzor™ and CIDP closer to the market, whilst ensuring earlier stage assets, specifically within anti-infectives progress, with a key focus on partnering opportunities.

We were delighted to secure the successful fundraising in late 2021, as it demonstrated that our corporate repositioning efforts, since the Board changes, were recognised by our existing shareholders and partner, Avion (Alora Pharmaceuticals).

In closing, we look forward to sharing value enhancing newsflow over the next period and we would like to thank our shareholders for their support as well as our staff, corporate and scientific advisers and our partners including, CNRS and Avion.

Tim McCarthy
Chairman & CEO

Financial Review

Financial Review

The financial results of the ImmuPharma Group in this report cover the year ended 31 December 2021. The Group's principal activity is that of research and development of novel drugs to treat serious medical conditions.

Income Statement and Statement of Comprehensive Income

The operating loss for the year ended 31 December 2021 was £6.6 million, up from £5.6 million for the year ended 31 December 2020. The research and development expenditure was £3.7 million, up from £2.4 million in 2020. P140 related expenditure was the main reason for this increase. Administrative expenses were £1.0 million (2020: £1.8 million). The operating loss for the year includes exceptional costs of £1.4m (2020: £Nil) in respect of corporate reorganisation, including the departures of Board members (including Dr Robert Zimmer and Dimitri Dimitriou) and respective settlement agreements.

Finance income has decreased from £41k in 2020 to £1k in 2021. Finance costs amounted to £2.4 million, up from £1.7 million in 2020, caused largely by the loss on the Lanstead derivative financial asset. The loss after tax for the year was £8.2 million, an increase from £6.9 million in 2020.

The amounts recognised directly in the Statement of Comprehensive Income include the total fair value loss of £1.0 million (2020: fair value gain of £1.5 million) which comprises the following components: fair value loss on shares held in Incanthera plc of £584k (2020: fair value gain of £852k) and fair value loss on Incanthera's warrants of £418k (2020: fair value gain of £626k). Total comprehensive loss for the year was £9.2 million, an increase from £5.3 million in 2020.

Statement of Financial Position

The Group cash and cash equivalents at 31 December 2021 amounted to £1.6 million (2020: £5.9 million) with the decrease caused by the research and development expenditure related to PK study, exceptional costs and repayment of convertible loan notes. The convertible loan notes liability has been repaid in full in 2021 totalling £838k (2020: £635k). Trade and other payables increased to £1.6 million (2020: £0.6 million) and was largely due to PK study related expenditure. The total value of the financial asset equated to £1.4 million, comprising of shares in Incanthera of £1.2 million (2020: £1.8 million) and warrants in Incanthera of £0.2 million (2020: £0.6 million). At 31 December 2021 the Lanstead derivative financial asset amounted to £0.9 million (2020: £1.2 million). The decrease was a result of the fair value calculation performed at year end, reflecting the decrease in ImmuPharma's share price, further details can be seen in note 14.

Results

The Group recorded a loss for the year of £8.2 million (2020: £6.9 million). Basic and diluted loss per share was 3.25p (2020: 3.43p). In accordance with the Group's loss making position, no dividend is proposed.

Total Voting Rights

The Company had a total of 284,984,933 ordinary shares in issue at 31 December 2021 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
Tim McCarthy
Director

Strategic Report

Strategic Report

The Board of ImmuPharma present their Strategic Report for the Group for the year ended 31 December 2021.

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 the AIM market of the London Stock Exchange (IMM). Its main 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 most currently reviewed portfolio includes novel peptide therapeutics within autoimmunity and anti-infectives. 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.

Strategic Report (continued)

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 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

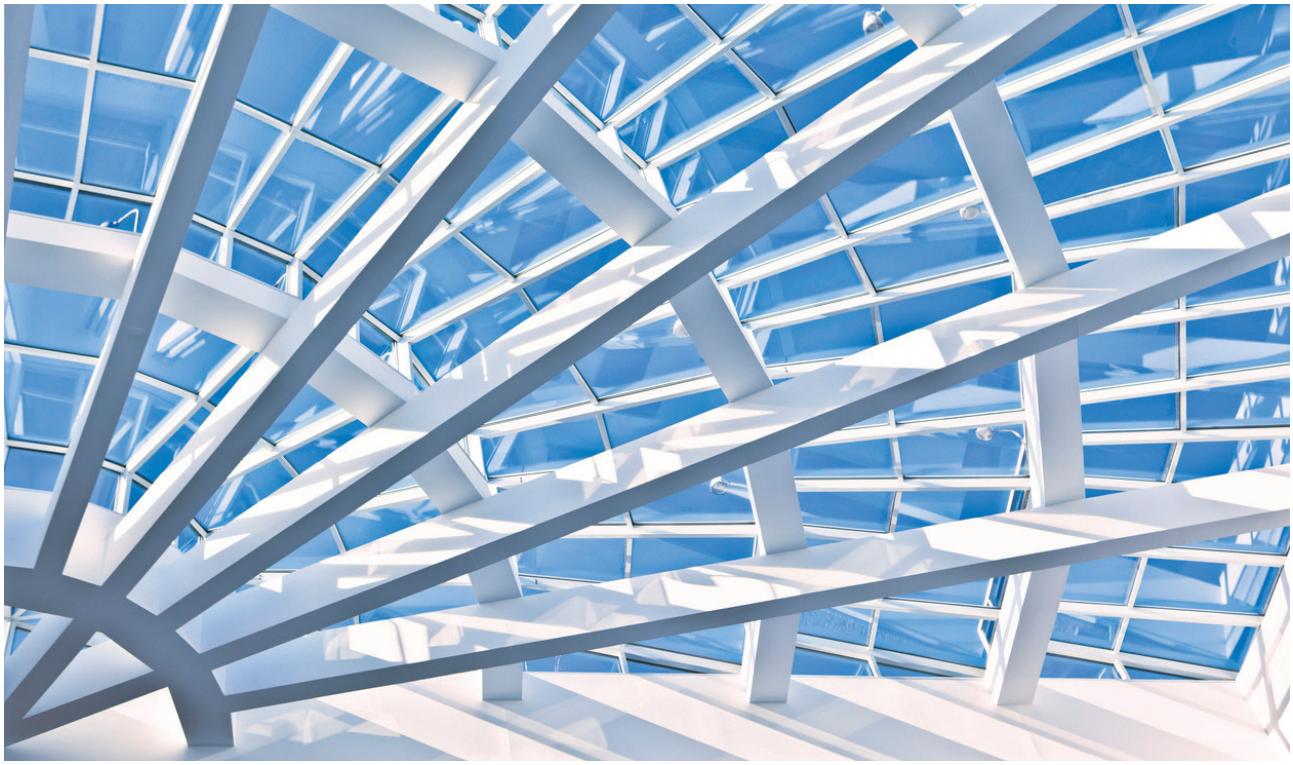
ImmuPharma focuses on developing pioneering and novel drugs in specialist therapeutic areas where there is a distinct lack of existing treatments, avoiding primary care (diseases treated by GPs) where many treatments exist. This is consistent with the trends in the pharmaceutical industry.

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.



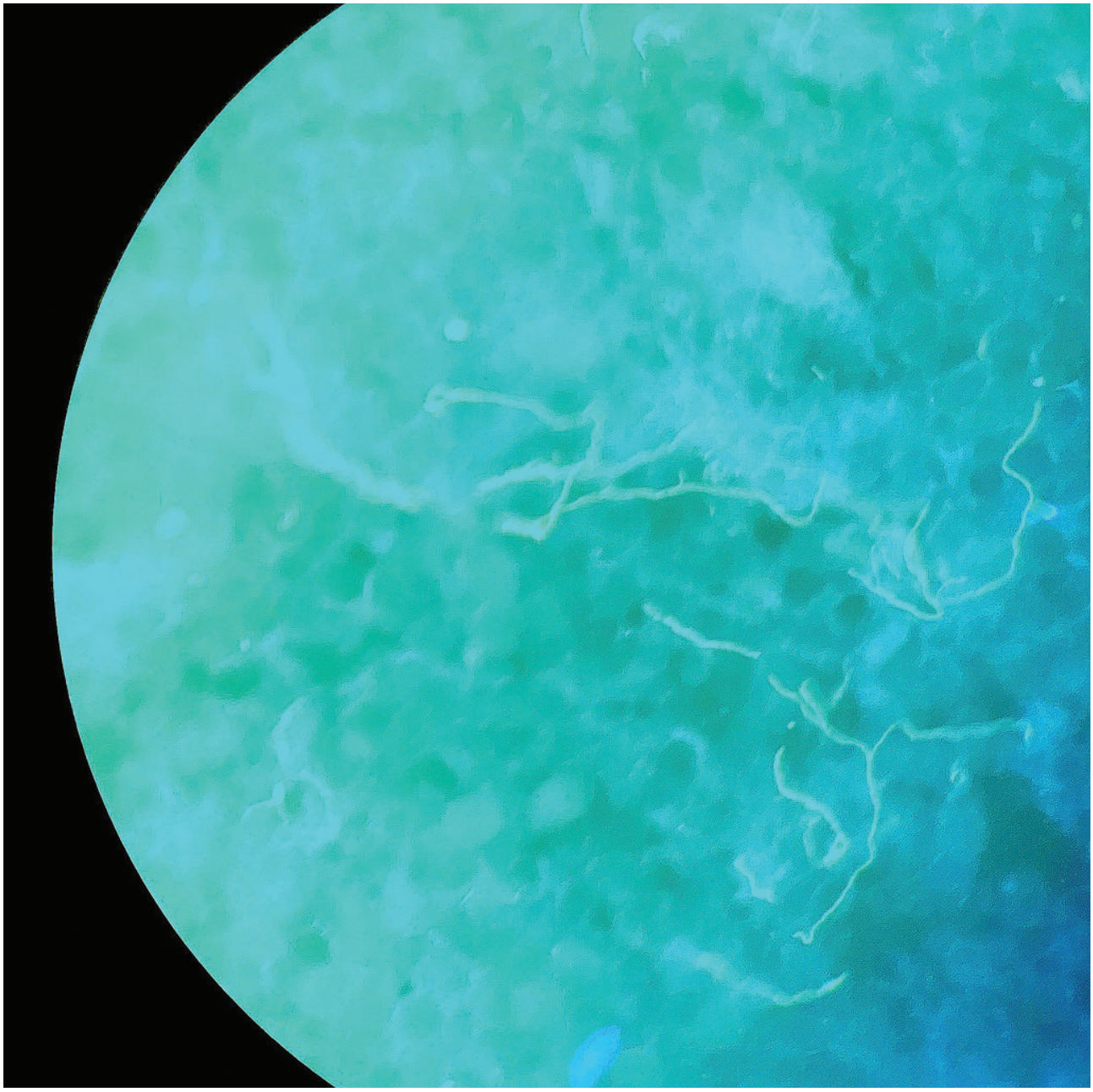
Strategic Report (continued)

Pipeline Overview

ImmuPharma's pipeline is focused on two core therapeutic areas:

- Autoimmunity & Inflammation
- Anti-Infectives

Each of these programs and respective drug candidates, many being novel peptide therapeutics, are proprietary and represent a novel approach to therapy. The Company managed to significantly enhance two core therapy areas in the most recent period.



Strategic Report (continued)
Product Pipeline

Autoimmunity and Inflammation
Lupuzor™

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™ using a theragnostic biomarker based approach and commercialise in the US. Avion will fund the Phase III trial and pay ImmuPharma milestones and tiered double-digit royalties. Successful PK study results from April 2022 pave the way to the commencement of the new optimised international Phase 3 trial of Lupuzor™.

Lupus (frequently manifested as Systemic Lupus Erythematosus or SLE) is a chronic, life-threatening autoimmune, inflammatory disease with a pattern of flares and remission. Lupus can affect multiple organs such as skin, joints, kidneys, blood cells, heart and lungs. It can appear in a multitude of forms, making diagnosis difficult with patients presenting to several different specialists (mainly dermatologists, rheumatologists and nephrologists). Awareness of the disease has steadily increased in recent years and should continue to do so due to well-organised patient groups and increased research and development activity into new treatments. New diagnostic tools are now in place and are increasingly used by physicians, which coupled with greater awareness, should lead to an increase in diagnosis rates. Our theragnostic strategy, targeting patients most likely to respond to P140 therapy will help more patients get access to P140 therapy. Approximately 60% of all 'active' SLE patients will have the presence of the theragnostic i.e. the presence of double stranded DNA antibodies.

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. 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.

Strategic Report (continued)
Product Pipeline (continued)

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 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™ leaves 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 via subcutaneous injection. 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. Although the study missed the overall primary endpoint, there was a clear evidence that if patients had been randomised to the study on the basis of biomarker positive status then they would more likely respond to P140 therapy. The randomisation of patients on theragnostic selection was not carried out in the previous phase III study.

P140 - ("CIDP") Chronic Inflammatory Demyelinating Polyneuropathy

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.

Strategic Report (continued)
Product Pipeline (continued)

Current therapies for CIDP involve patients receiving regular infusions of intravenous immunoglobulin G, which involves long and arduous visits to hospitals or specialist centres and is very costly. The administration of P140-CIDP would be a simple monthly injection, which could be delivered by the patients' general practitioner or self-administered using an autoinjector pen. ImmuPharma appointed a specialist CRO, which has completed the protocol for a pivotal adaptive Phase 2/3 clinical trial suitable for registration. This will shortly be presented to regulatory authorities for review and approval.

Alongside our CRO, the Company appointed Professor Jerome de Seze, a Professor in Neurology and PhD in Immunology and Head of the Neuroimmunological department of Strasbourg hospital. He is a recognised specialist in CIDP and principal investigator for our forthcoming CIDP trial and has been involved in many CIDP trials. Professor Sylviane Muller, who has a longstanding relationship with Professor de Seze and his work within CIDP, will provide any necessary support for this programme.

Our CIDP programme is also expected to be designated as an "orphan drug" indication, which has many advantages in terms of its regulatory pathway to market and subsequent market exclusivity.

In addition, this programme has much shorter clinical timelines than our Lupus programme, meaning that this clinical trial could complete ahead of our Lupuzor™ Phase 3 trial and potentially reach registration and commercialisation up to a year earlier than the Lupus indication.

The CIDP programme is gaining a lot of interest from pharmaceutical companies who are attracted to orphan indications and who specialise in the Neuropathy area.

The prevalence of CIDP ranges from 0.7 to 10.3 cases per 100,000 and its sales potential can reach of over $750 million annually, with currently no effective approved drug on the market.

The Company is in active discussions with potential commercial partners on this programme.

*Results were published in 2018 in the 'Journal of Autoimmunity 92 (2018) 114–125' entitled: "An autophagy-targeting peptide to treat chronic inflammatory demyelinating polyneuropathies".

P140 - Other indications

As part of the ongoing research into P140, a number of new indications have been revealed. They all share the same common cause at the mechanistic level of the cell. Pre-clinical studies have now confirmed P140 activity in asthma (acute and chronic), gout and periodontitis. There have been no new significant drug classes addressing these indications for many years.

Strategic Report (continued)
Product Pipeline (continued)

P140 – Second generation
Our pre-clinical team in Bordeaux, 'ImmuPharma Biotech' headed up by Dr Sebastien Goudreau, has commenced work to develop a pharmacologically improved version of P140, a second generation product that aims to further strengthen the IP position and provide therapies with different improved administration modalities, yet still maintaining P140 as the active moiety and to enable the product's potential in additional indications.

Anti-Infectives
Anti-infectives was chosen as a core therapy focus because of the ever-looming threat of new and resistant organisms, with few significant new products or even classes having been discovered or developed now for many years. Our proprietary peptide technology lends itself well to taking established products and greatly improving their pharmacology.

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.

BioAMB
BioAMB is our most advanced anti-infective candidate. It is an improved form of amphotericin-B ("AMB"), a well-established systemic antifungal drug. It is usually reserved for 3rd line therapy due to the severe side effects associated with most AMB formulations. The toxicity associated with AMB, especially nephrotoxicity, has always been a key challenge for this group of drugs. Pre-clinical studies on BioAMB have demonstrated both efficacy and none of the usual toxicity side effects associated with existing AMB formulations. We expect further significant updates in the first half of 2022 as we complete further pre-clinical studies. Sales of AMB formulations in 2021 were $540 million. Similar to the P140-CIDP programme, BioAMB has attracted a lot of attention from pharmaceutical companies who recognise the obvious competitive profile that BioAMB offers and we are currently in active discussions with two potential commercial partners on this programme.

Strategic Report (continued)
Product Pipeline (continued)

BioCin
BioCin is an improved form of vancomycin, a systemic antibacterial which is highly effective against Methicillin Resistant Staphylococcus Aureus (MRSA) and orally against Clostridium Difficile infections. However, Vancomycin is not absorbed from the gut and so requires administration by infusion which is a very challenging and expensive regimen for patients and their healthcare providers. We have identified where we can improve a number of aspects of the drug's pharmacology with BioCin. Whilst this programme is at an earlier stage of development than BioAMB, we expect to gain further insights from pre-clinical studies (PK, pharmacodynamics, efficacy and toxicity) in 2022.

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 material cash revenues as its pipeline products are currently at research and development stage and therefore rely on external finance in order to fund its operation. As set out in the Chairman's Report, in December 2021 the Company secured a total of £3.55 million gross proceeds from the issue of new share capital, of which £2.2 million is subject to the Lanstead Sharing Agreement with 24 monthly settlements starting from March 2022 (see note 14).

The directors have prepared cashflow forecasts covering a period of more than 12 months from the date of the approval of these financial statements. These forecasts include a number of cash inflows to the Company and Group including the variable cash receipts under the Lanstead Sharing Agreement. No new equity fundraising has been assumed. Some of the cash inflows have a level of uncertainty in respect of timing of receipt and absolute quantum which have been modelled through sensitivity analysis. These uncertainties are such that potential actions may not be sufficient to mitigate all reasonably possible downsides.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern and, therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Strategic Report (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. • On 12 August 2021, FDA approved the commencement of PK study, as part of the new optimised international Phase 3 trial for Lupuzor™. • Since this approval, new proprietary synthesis of P140 had been prepared, with appointed CROs. PK study results were reported in April 2022.
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. • Collaboration with CNRS, new broad agreement is under way to explore P140 platform opportunities created by Professor Sylviane Muller. • Collaboration with Imperial College London on innovative peptide assets.
Maintain strong cash position	• Consolidated cash balance at 31 December 2021 was £1.6 million. • Shares subscriptions and placement of £3.55 million (gross), inclusive of "Lanstead Sharing Agreement" of £2.2m over 24 months. • Continued tight financial control to ensure effective overall expenditure.

Strategic Report (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. For further details, please see pages 16-20.

Our people

Being a small group with only on average 14 employees (including Executive Directors), there is a high level of visibility between Board and employees. For further details, please see pages 27-30.

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.

Business Conduct

The Board seeks to maintain a reputation for high standards of business conduct. For further details, please see pages 35-38 for corporate governance.

Shareholders

Shareholder communication is conducted regularly via press releases, Proactive Investor platform, annual and interim reports, AGM. 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 (continued)

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™, P140 for lupus and CIDP and BioAMB for systemic aspergillosis.	↔

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. In December 2021 ImmuPharma secured the fundraising of £3.55m (before expenses). It also has a good oversight on all major cash expenditures, including budgeting, internal cash forecasting and quarterly reporting.	↑

Operational Risks

Reliance on Third Parties	Mitigating factors	Change in year
ImmuPharma relies heavily upon other parties (including CROs) for many key 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, 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.	During 2021, respectable CROs have been engaged for three main Company's programs. Their performance was monitored closely by weekly updates on progress status.	↔

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. During 2021 the Company went through a major reorganisational change, appointing new executive and non-executive Directors. ImmuPharma anticipates completing the key appointments before the end of H1 2022. The Company offers share option scheme to its employees alongside with training and development opportunities. The Group's virtual organisation structure has also 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. There is no assurance that competitors will not succeed in developing products that are more effective or economical than those being developed by ImmuPharma. 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 regulators: MHRA, FDA, including the delays of its review process.	The Group actively assesses its contingency planning for the delays of regulatory review process. The group keeps a close dialogue with regulators, so it can have an early visibility of any potential delays.	
• Delays or difficulties in enrolling patients in our clinical trials.	The Group proactively seek to address this issue by ensuring the careful selection of CROs. The CROs chosen are appropriately selected in terms of reputation, level of expertise complexity of the study and ability for regular operational monitoring and updates. The CROs management of potential pandemic disruption (i.e. remote monitoring, video consultations etc.) is also a factor in determining the final choice.	

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 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
24 May 2022

Board of Directors

Board of Directors

Tim McCarthy, FCCA, MBA
Chairman and Chief Executive Officer

Tim was appointed as CEO in July 2021. He has over 40 years' international experience in high growth biotech, healthcare and technology companies. He is also Chairman of Incanthera plc and 4basebio plc. Mr McCarthy has previously been Chief Executive Officer and Finance Director of a number of 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.

Dr Tim Franklin, PhD, MBA
Chief Operating Officer

Tim joined the Board in July 2021. He 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.

Dr Sanjeev Pandya, MBA
Senior Non-Executive Director

Sanjeev joined the Board in July 2021. He has over 25 years of healthcare and international management experience. He was formerly CEO of Advanced Oncotherapy Plc, a specialist cancer radiotherapy business listed on AIM. During his leadership, he raised over $100m and developed and secured partnerships in the USA, EU, China, Singapore, India, Australia, Asia and South America. Formerly, he had a number of leadership roles in several global clinical trials at Pfizer and was head of Europe Regulatory and Medical at Reckitt Benckiser. Sanjeev trained and worked as an orthopedic surgeon in the NHS and various Third World countries. He has a medical degree from Trinity College, Cambridge and an MBA from INSEAD.

Lisa Baderoon
Non – Executive Director and Head of Investor Relations

Lisa joined the Board in July 2021. She 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.

Dimitri Dimitriou, MSc
Chief Executive Officer

Dimitri Dimitriou resigned from the Board of Directors in July 2021.

Dr Robert Zimmer, MD, PhD
President and Chief Scientific Officer

Dr Robert Zimmer resigned from the Board of Directors in June 2021.

Dr Franco Di Muzio
Senior Non-Executive Director

Dr Franco Di Muzio resigned from the Board of Directors in July 2021.

Board of Directors (continued)

Board of Directors (continued)

Dr Stephane Mery, DVM, MBA
Non-Executive Director

Dr Stéphane Méry resigned from the Board of Directors in July 2021.

Company Secretary
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
Chief Financial Officer

Ewa 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.

Scientific Collaborators

Scientific Collaborators

Prof Sylviane Muller, Phd
Co-founder of ImmuPharma France SA

Professor Muller is Professor at the Institute of Advanced Studies of the Strasbourg University where she holds the chair in Therapeutic immunology; Emeritus Research Director at the CNRS; former Director of the CNRS Unit Immunopathology and therapeutic chemistry (2001-2017) and former Director of the CNRS Institute of Molecular and Cellular Biology (2016-2017). She is the current Director of the Drug discovery Center for cancer and inflammation Medalis awarded 'Laboratory of Excellence' (2011-2020; with 200 persons) and future Director of the Strasbourg Institute for drug development and discovery (2021-2028; 250 persons). She received several awards (CNRS Silver Medal, CNRS Innovation Award, Léon Velluz Prize from the French Academy of Sciences, finalist of the 2017 European Inventor Award). In 2020, she became an elected member of the European Academy of Sciences. Most recently, in September 2021 she was awarded the highly prestigious Legion d'honneur Award. Her expertise in peptide immunochemistry, combined with insights into the molecular and cellular pathways behind autoimmune disease, led to the discovery of Lupuzor™. Professor Muller has filed over 30 patents and published more than 380 papers and reviews.

Dr Gilles Guichard, PhD
Co-founder of ImmuPharma France SA

Dr Guichard is senior researcher in the chimie et immunologie des peptides-medicaments unit of the Centre National de la Recherche Scientifique, 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 – Chairman and Chief Executive Officer
Dr Tim Franklin – Chief Operating Officer
Dr Sanjeev Pandya – Senior Non-Executive Director
Lisa Baderoon – Head of Investor Relations and Non-Executive Director

Secretary
Ewa Flynn

Investor Relations
Lisa Baderoon

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Joint Broker
Stanford Capital Partners
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SI Capital
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Chartered Accountants
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Corporate Governance Report

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

Tim McCarthy, Chairman and Chief Executive Officer, 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 4 directors, 2 of which are executive and 2 are non-executive.

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

In addition, the Company has implemented a code of conduct for dealing in the shares of the Company by directors and employees (see Principle 9, pages 37-38 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 2021, in relation to strategy and performance were revolving around product pipeline (see Strategic Report on pages 16-20 for more information), Lupuzor regulatory progress, including PK study as part of phase III clinical trials (see Chairman Statement on pages 3-4 for further details), capital subscriptions and repayment of Convertible Loan Notes (see Chairman Statement on page 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 and interviews. 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.

Due to Covid-19 disruptions and as per UK government guidance on public gatherings restrictions, in 2021 the Company AGM was held with the minimum attendance required to form a quorum. In order to ensure that shareholders were able to follow the proceedings of the AGM, the Company provided a live broadcast of the AGM through the Investor Meet Company ("IMC") platform. Shareholders were invited to submit written questions for the Board to answer either in advance or during the AGM

Corporate Governance Report (continued)

itself. The votes were submitted via proxies ahead of the AGM and its results were announced to the London Stock Exchange and displayed on the Company's website.

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
Tim McCarthy	Chief Executive Officer and Chairman		
Tim Franklin	Chief Operational Officer		
Sanjeev Pandya	Senior Non-Executive Director	X	Audit, Remuneration
Lisa Baderoon	Head of Investor Relations and Non-Executive Director	X	Audit, Remuneration

Brief biographies of each Director are set out on pages 27-30. 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, Chief Financial Officer and Company Secretary, 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.

Following major changes in the Board structure in 2021, Tim McCarthy was appointed as CEO, while maintaining the position of Chairman. The Company has initiated the process to identify a suitable person to take over as Non-Executive Chair of the Company and during this interim period Tim will continue as Chairman.

The Company also appointed its new non-executive directors, taken into consideration their independency and shareholders' interest. The newly appointed independent directors have considerable relevant experience to sufficiently question and hold the executive directors to account.

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.

Corporate Governance Report (continued)

The executive directors are employed under service agreements requiring 12 months' notice by either party. Non-executive directors receive payments under appointment letters, which are terminable by three months' notice by either party.

The Board meets regularly throughout the year with all decisions concerning the direction and control of the business made by a quorum of the Board. As of 31 December 2021, the Board met 20 times with the attendance records of the directors as follows:

Tim McCarthy, Chief Executive Officer and Chairman – 20/20
Tim Franklin, Chief Operational Officer (appointed on 16 July 2021) - 7/20
Sanjeev Pandya, Senior Non-Executive Director (appointed on 29 July 2021) - 7/20
Lisa Baderoon, Head of Investor Relations and Non-Executive Director (appointed on 29 July 2021) - 7/20
Dimitri Dimitriou, Chief Executive Officer (stepped down on 29 July 2021) – 13/20
Robert Zimmer, President and Chief Scientific Officer (stepped down on 28 June 2021) – 2/20
Franco di Muzio, Senior Non-Executive Director (stepped down on 29 July 2021) – 13/20
Stephane Mery, Non-Executive Director (stepped down on 29 July 2021) – 13/20

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 27-30.

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 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 Operational Officer with additional support from 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 during the year ended 31 December 2021, carried out a review of internal financial controls, strengthening and updating the Company and its subsidiaries internal control policies. 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.

Corporate Governance Report (continued)

In 2021 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.

Remuneration Committee

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

The Committee has formal terms of reference and meets at least twice a year. It is the duty of the Committee, inter alia, to determine and agree with the Board the framework or broad policy for the remuneration of the Company's executive Board members. The remuneration packages are designed to motivate and retain executive directors to ensure the continuing development of the Company and to reward them for enhancing value to shareholders.

On 29 July 2021 Franco di Muzio (Chair of Remuneration Committee and Senior Non-Executive Director) and Stephane Mery (Non-Executive Director) stepped down from the Board following 14 and 6 years in these roles respectively.

On 29 July 2021 Lisa Baderoon has been appointed to the Board as a Non-Executive Director and the Chair of Remuneration Committee.

On 29 July 2021 Sanjeev Pandya has been appointed to the Board as a Senior Non-Executive Director and the Chair of the Audit Committee.

In 2021 the Remuneration Committee met four times. Amongst others, it dealt with the Directors' resignations and its related settlement agreements (including Robert Zimmer's lock - in deed and voting deed) and new Directors' appointments.

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 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, Investor Meets Company.

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 2021.

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 2021:

Tim McCarthy
Tim Franklin (appointed on 16 July 2021)
Sanjeev Pandya (appointed on 29 July 2021)
Lisa Baderoon (appointed on 29 July 2021)
Dimitri Dimitriou (stepped down on 29 July 2021)
Robert Henri Zimmer (stepped down on 28 June 2021)
Franco Di Muzio (stepped down on 29 July 2021)
Stephane Mery (stepped down on 29 July 2021)

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. • 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, AGM. The Board receives updates on the views of shareholders through the feedbacks from brokers, other advisors.	The Company meets (virtually or in person) periodically with its Shareholders. Summary of these events are below: • AGM, June 2021 (AGM conducted via live broadcast with Q&A embedded into "Investor Meets Company" platform). • Investor conferences; • EBD Biotech Showcase, San Francisco USA, January 2021 • Interviews: audio, print and TV with Proactive Investor (November 2021), 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 the Board. Payment to suppliers of over £10k need to be approved by two Directors.
Research and Development Community The collaboration with the CNRS, University of Bordeaux, Simbec Orion, Imperial College 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 (remote and in person) and continuous collaborations.	The Board supported the research and development community in France and United Kingdom. In 2021 the Company made donations to CNRS to support its P140 platform. Most notably, in November 2021 ImmuPharma signed a 2-year collaboration agreement with Imperial College.

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 2021:

Director	Salary/Fees £	Pension £	Compensation for loss of office 2021 £	Total remuneration 2021 £	Total remuneration 2020 £
Robert Zimmer	105,708	-	265,000	370,708	356,387
Dimitri Dimitriou	340,405	-	242,226	582,631	320,302
Tim McCarthy	287,333	-	-	287,333	260,000
Tim Franklin	105,000	660	-	105,660	-
Franco di Muzio	26,397	-	25,888	52,285	54,600
Stephane Mery	32,083	-	27,500	59,583	46,666
Sanjeev Pandya	22,915	-	-	22,915	-
Lisa Baderoon	20,369	-	-	20,369	-
Total	940,210	660	560,614	1,501,484	1,037,955

The Company does not operate a health plan or company car plan. The director received pension contributions as stated in the table above. There were no bonus payments to directors in 2021. Of the amount disclosed above £258,738 was paid in lieu of directors' fees to D Dimitriou and £151,667 was paid to T McCarthy in lieu of directors' fees until the date he was appointed CEO. For further information, please refer to Note 22.

The following share options were outstanding to the directors of ImmuPharma plc as at 31 December 2021 (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 2021	Share options outstanding 2020
Tim McCarthy	500,000	-	1,000,000	1,500,000	1,500,000	**4,500,000**	4,500,000
Dimitri Dimitriou	-	1,000,000	-	1,500,000	1,500,000	**4,000,000**	4,000,000
Tim Franklin	-	-	-	-	1,500,000	**1,500,000**	1,500,000
Lisa Baderoon	100,000	250,000	-	375,000	375,000	**1,100,000**	1,100,000
Franco di Muzio	100,000	-	200,000	300,000	300,000	**900,000**	900,000
Stephane Mery	100,000	-	200,000	300,000	300,000	**900,000**	900,000
Robert Zimmer	-	1,000,000	-	1,500,000	1,500,000	-	4,000,000
Total	800,000	2,250,000	1,400,000	5,475,000	6,975,000	**12,900,000**	16,900,000

Directors' Report (continued)

Third Party Indemnity Provision for Directors

Qualifying third party indemnity provision for the benefit for the 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.

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
Tim McCarthy
Director
24 May 2022

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK-adopted international accounting standards. 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 UK-adopted international accounting standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for ensuring that they meet their responsibilities under the AIM Rules.

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

Independent auditor's report
To the members of ImmuPharma plc

Opinion

We have audited the financial statements of ImmuPharma plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Income Statement, the Consolidated Statement 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 UK-adopted international accounting standards.

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 2021 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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.

Material uncertainty related to going concern

We draw attention to note 1 of the financial statements which indicates there is a material uncertainty relating to the Group and Parent Company's ability to continue as a going concern.

The Group and Company do not generate any material revenues as its pipeline products are currently at research and development stage and therefore the Group relies on external finance in order to fund its operations. 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 indicate the Group will have sufficient funds to meet its liabilities as they fall due.

However, these forecasts include a number of cash inflows to the Company and Group including the variable cash receipts under the Lanstead Sharing Agreement. No new equity fundraising has been assumed. Some of the cash inflows have a level of uncertainty in respect of timing of receipt and absolute quantum which have been modelled through sensitivity analysis. These uncertainties are such that potential actions may not be sufficient to mitigate all reasonably possible downsides. These conditions, along with the other matters explained in note 1, represent a material uncertainty that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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

Our evaluation of the directors' assessment of the Group and Parent company's ability to continue to adopt the going concern basis of accounting included:

- Review of 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.
- Review of the current cash reserves and comparing these to the cash outflows forecast.
- Review of sensitivity analysis prepared by management to assess the impact of changing key assumptions and performing additional stress testing of the forecast

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

We draw attention to the disclosures made in note 13 to the financial statements concerning the carrying values of investments in subsidiaries and to the disclosures made in note 15 to the financial statements concerning the carrying value of the receivables due from group undertakings.

The carrying value of £41.1 million investments in subsidiaries and £12.2 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 Parent Company financial statements do not reflect any provision that may be required if the £41.1 million investments in subsidiaries and £12.2 million receivables due from group undertakings cannot be recovered in full. Our opinion is not modified in respect of these matters.

Our approach to 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: 58% of Group revenue, 99% of Group loss before tax and 100% of Group net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these 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, and therefore is a matter of significant judgment.	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.

Key audit matter	Description of risk	How the matter was addressed in the audit
		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 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 on key assumptions and performed further sensitivity analysis on these assumptions.

Our application of materiality

The materiality for the Group financial statements as a whole ("group FS materiality") was set at £630,000. 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. Group FS 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 £409,500. 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 £409,500, being 65% 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 65% to reflect the fact that in our historical experience management are keen to process adjustments, of which there are some, and there are some areas of judgement and estimation in the Group financial statements.

Performance materiality for the Parent Company financial statements was set at £266,175, being 65% of parent FS materiality. It was set at 65% to reflect the fact that in our historical experience management are keen to process adjustments, of which there are some, and there are some areas of judgement and estimation in the Parent Company financial statements.

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 the 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.

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 and had a discussion at the planning stage with the component auditors.

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.
- Engaging tax experts.
- 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.

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.

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

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

45 Gresham Street
London
EC2V 7BG

Date: 24 May 2022

Consolidated Income Statement

for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Continuing operations			
Revenue	1 & 3	118,350	126,667
Research and development expenses		(3,650,400)	(2,372,834)
Exceptional items	5	(1,427,084)	-
Administrative expenses		(1,011,398)	(1,764,897)
Share based payment expense		(616,423)	(1,578,368)
Operating loss	5	(6,586,955)	(5,589,432)
Finance costs	6	(2,354,872)	(1,697,832)
Finance income	7	1,107	41,089
Loss before taxation		(8,940,720)	(7,246,175)
Tax	8	766,815	386,248
Loss for the year		(8,173,905)	(6,859,927)
Attributable to:			
Equity holders of the parent company		(8,173,905)	(6,859,927)
Loss per ordinary share			
Basic and diluted	9	(3.25)p	(3.43)p

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Loss for the financial period		(8,173,905)	(6,859,927)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on investment	12	(584,355)	851,772
Fair value (loss)/gain on warrants	12	(418,068)	625,576
Total items that will not be reclassified subsequently to profit or loss		(1,002,423)	1,477,348
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(36,177)	42,207
Total items that may be reclassified subsequently to profit or loss		(36,177)	42,207
Other comprehensive (loss)/income for the period		(1,038,600)	1,519,555
Total comprehensive loss for the period		(9,212,505)	(5,340,372)

Consolidated Statement of Financial Position

as at 31 December 2021

	Notes	31 December 2021 £	31 December 2020 £
Non-current assets			
Intangible assets	10	477,553	484,042
Property, plant and equipment	11	352,996	411,606
Derivative financial asset	14	405,489	174,488
Financial assets	12	1,415,835	2,418,258
Total non-current assets		2,651,873	3,488,394
Current assets			
Trade and other receivables	15	427,199	161,998
Derivative financial asset	14	508,167	1,016,635
Cash and cash equivalents	16	1,649,374	5,862,057
Current tax asset		761,188	386,590
Total current assets		3,345,928	7,427,280
Current liabilities			
Financial liabilities - borrowings	17	(700)	(6,939)
Trade and other payables	18	(1,583,604)	(619,037)
Convertible loan notes	17,24	-	(634,902)
Total current liabilities		(1,584,304)	(1,260,878)
Net current assets		1,761,624	6,166,402
Net assets		4,413,497	9,654,796
EQUITY			
Ordinary shares	19	28,498,494	25,022,130
Share premium		27,237,329	27,237,329
Merger reserve		106,148	106,148
Other reserves		5,153,159	3,255,536
Retained earnings		(56,581,633)	(45,966,347)
Total equity		4,413,497	9,654,796

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2022
They were signed on its behalf by:

Tim McCarthy
Director

Tim Franklin
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital £	Share premium £	Merger reserve £	Other reserves - Acquisition reserve £	Other reserves - Translation reserve £	Other reserves - Share based payment reserve £	Other reserves - Convertible option reserve £	Other reserves - Warrant reserve £	Retained earnings £	Total equity £
At 1 January 2020	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
Loss for the financial year	-	-	-	-	-	-	-	-	(8,173,905)	(8,173,905)
Exchange differences on translation of foreign operations	-	-	-	-	(36,177)	-	-	-	-	(36,177)
Transactions with owners:										
Share based payments	-	-	-	-	-	616,423	-	-	-	616,423
New issue of equity capital	3,476,364	322,727	-	-	-	-	-	-	(1,349,000)	2,450,091
Costs of new issue of equity capital	-	(322,727)	-	-	-	-	-	-	(121,581)	(444,308)
Fair value loss on investments	-	-	-	-	-	-	-	-	(584,355)	(584,355)
Fair value loss on share warrants	-	-	-	-	-	-	-	-	(418,068)	(418,068)
Settlement of convertible loans reserve	-	-	-	-	-	-	(31,623)	-	31,623	-
Issue of warrants	-	-	-	-	-	-	-	1,349,000	-	1,349,000
At 31 December 2021	28,498,494	27,237,329	106,148	(3,541,203)	(1,344,657)	8,690,019	-	1,349,000	(56,581,633)	4,413,497
Attributable to:-										
Equity holders of the parent company	28,498,494	27,237,329	106,148	(3,541,203)	(1,344,657)	8,690,019	-	1,349,000	(56,581,633)	4,413,497

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Cash flows from operating activities			
Cash used in operations	21	(5,222,446)	(3,879,936)
Tax received		392,217	606,157
Interest paid	6	(2,943)	(55,622)
Net cash used in operating activities		(4,833,172)	(3,329,401)
Investing activities			
Purchase of property, plant and equipment		(50,934)	(360,290)
Interest received	7	651	41,089
Purchase of investments	12	-	(250,000)
Net cash used in investing activities		(50,283)	(569,201)
Financing activities			
Decrease in bank overdraft		(211)	(184)
Loan repayments		(6,028)	(21,256)
Settlements from Sharing Agreement		328,495	1,292,393
Gross proceeds from issue of new share capital		3,550,000	8,000,000
Share capital issue costs		(132,350)	(702,133)
Funds deferred per Sharing Agreement		(2,200,000)	(1,300,000)
Gross proceeds from issue of convertible loan notes		-	2,152,252
Interest paid on convertible loan notes		(121,120)	
Convertible loan notes issue costs		-	(235,552)
Convertible loan notes repaid		(716,739)	(815,166)
Net cash generated from financing activities		702,047	8,370,354
Net increase/(decrease) in cash and cash equivalents		(4,181,408)	4,471,752
Cash and cash equivalents at beginning of year	16	5,862,057	1,364,840
Effects of exchange rates on cash and cash equivalents		(31,275)	25,465
Cash and cash equivalents at end of year (excluding overdraft)	16	1,649,374	5,862,057

Company Statement of Financial Position

as at 31 December 2021

	Notes	31 December 2021 £	As restated 31 December 2020 £	As restated 31 December 2019 £
Non-current assets				
Property, plant and equipment	11	13,682	11,607	11,215
Financial assets	12	1,415,835	2,418,258	690,910
Derivative financial asset	14	405,489	174,488	843,147
Trade and other receivables	15	12,249,280	11,779,540	9,950,510
Investment in subsidiaries	13	41,111,393	41,063,122	40,872,730
Total non-current assets		55,195,679	55,447,015	52,368,512
Current assets				
Trade and other receivables	15	144,283	121,403	80,527
Derivative financial asset	14	508,167	1,016,635	1,456,714
Cash and cash equivalents	16	1,524,730	5,375,364	834,464
Current tax asset		343,246	-	-
Total current assets		2,520,426	6,513,402	2,371,705
Current liabilities				
Trade and other payables	18	(804,717)	(253,181)	(241,071)
Convertible loan notes	24	-	(634,902)	-
Total current liabilities		(804,717)	(888,083)	(241,071)
Net current assets		1,715,709	5,625,319	2,130,634
Net assets		56,911,388	61,072,334	54,499,146
EQUITY				
Ordinary shares	19	28,498,494	25,022,130	16,736,093
Share premium		27,237,329	27,237,329	27,187,316
Merger reserve		19,093,750	19,093,750	19,093,750
Equity shares to be issued		8,690,019	8,073,596	6,322,227
Convertible option reserve		-	31,623	-
Warrant reserve		1,349,000	-	-
Retained earnings		(27,957,204)	(18,386,094)	(14,840,240)
Total equity		56,911,388	61,072,334	54,499,146

The Company's loss for the year ended 31 December 2021 was £7,129,729 (2020: loss of £4,630,114).

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2022.

They were signed on its behalf by:

Tim McCarthy
Director

Tim Franklin
Director

Company Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital £	Share premium £	Merger Reserve £	Share based payment reserve £	Convertible option reserve £	Warrant reserve £	Retained earnings £	Total Equity £
At 1 January 2020	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
Loss for the financial year		-	-	-	-	-	(7,129,729)	(7,129,729)
Transactions with owners:								
Share based payments	-	-	-	616,423	-	-	-	616,423
Fair value loss on investments	-	-	-	-	-	-	(584,355)	(584,355)
New issue of equity capital	3,476,364	322,727	-	-	-	-	(1,349,000)	2,450,091
Costs of new issue of equity capital	-	(322,727)	-	-	-	-	(121,581)	(444,308)
Fair value loss on share warrants	-	-	-	-	-	-	(418,068)	(418,068)
Settlement of convertible loan reserve	-	-	-	-	(31,623)	-	31,623	-
Issue of warrants	-	-	-	-	-	1,349,000	-	1,349,000
At 31 December 2021	28,498,494	27,237,329	19,093,750	8,690,019	-	1,349,000	(27,957,204)	56,911,388

Company Statement of Cash Flows

for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Cash flows from operating activities			
Cash used in operations	21	(3,234,047)	(2,308,524)
Interest paid		(2,037)	(55,470)
Net cash used in operating activities		(3,236,084)	(2,363,994)
Investing activities			
Purchase of property, plant and equipment		(6,535)	(5,520)
Purchase of investments	12	-	(250,000)
Finance income		648	494
Loans issued to subsidiary undertakings		(1,321,850)	(1,243,292)
Net cash used in investing activities		(1,327,737)	(1,498,318)
Financing activities			
Settlements from Sharing Agreement		328,495	1,292,393
Gross proceeds from issue of new share capital		3,550,000	8,000,000
Share capital issue costs		(132,350)	(702,133)
Funds deferred per Sharing Agreement		(2,200,000)	(1,300,000)
Gross proceeds from issue of convertible loan notes		-	2,152,252
Interest paid on convertible loan notes		(121,120)	
Convertible loan notes issue costs		-	(235,552)
Convertible loan notes repaid		(716,739)	(815,166)
Net cash generated from financing activities		708,286	8,391,794
Net (decrease)/increase in cash and cash equivalents		(3,855,535)	4,529,482
Cash and cash equivalents at beginning of year	16	5,375,364	834,464
Effects of exchange rates on cash and cash equivalents		4,901	11,418
Cash and cash equivalents at end of year	16	1,524,730	5,375,364

Notes to the Consolidated Financial Statements

for the year ended 31 December 2021

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 UK-adopted international accounting standards.

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 statement of comprehensive income and related notes.

Going concern

The Company and Group do not generate any material cash revenues as its pipeline products are currently at research and development stage and therefore rely on external finance in order to fund its operation. As set out in the Chairman's Report, in December 2021 the Company secured a total of £3.55 million gross proceeds from the issue of new share capital, of which £2.2 million is subject to the Lanstead Sharing Agreement with 24 monthly settlements starting from March 2022 (see note 14).

The directors have prepared cashflow forecasts covering a period of more than 12 months from the date of the approval of these financial statements. These forecasts include a number of cash inflows to the Company and Group including the variable cash receipts under the Lanstead Sharing Agreement. No new equity fundraising has been assumed. Some of the cash inflows have a level of uncertainty in respect of timing of receipt and absolute quantum which have been modelled through sensitivity analysis. These uncertainties are such that potential actions may not be sufficient to mitigate all reasonably possible downsides.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern and, therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

1 Accounting policies (continued)

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

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.

- Financial asset – Other investments
  The Group and the Company hold 13.37% 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, because the AQSE as previously defined is not considered sufficiently active to denote Level 1. This strategic investment is classified as fair value through other comprehensive income. The fair value has been assessed at 31 December 2021 and is based on the share price and holding at 31 December 2021 on the ImmuPharma plc shareholding of Incanthera plc. The value of ImmuPharma's retained 9,904,319 shares amounted to £1,208,327 being the fair value of the investment in Incanthera plc as of 31 December 2021. Fair value loss of £584,355 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 value of the derivative financial asset has been assessed under the Fair value hierarchy as a Level 2 input, as the instrument is not quoted in an active market, but is linked to the quoted ImmuPharma share price. 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 2021, the Company completed a calculation of fair value of the derivative financial asset that resulted in a finance loss of £2,148,972 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 £207,508. Fair value loss of £418,068 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

1 Accounting policies (continued)

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

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 2021, the Company's investment in its subsidiaries, ImmuPharma (France) SA and Ureka Pharma (SAS) was £30,412,515 and £10,656,202 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 2021, ImmuPharma Plc was due £9,601,086, £2,559,263 and £88,932 from its subsidiaries ImmuPharma (France) SA, Ureka Pharma (SAS) and ImmuPharma AG respectively. At that date, ImmuPharma (France) SA and Ureka Pharma (SAS) had net liabilities of £9,904,271 and £1,102,859 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 2021 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 2021 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 2021.

- 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.

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 2021.

(b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2021

Amendments to IFRS 16 addressing Covid-19 related rent concessions became effective for annual reporting periods beginning on or after 1 June 2020. As neither the Group nor Company has received such concessions, this is not relevant.

Interest rate benchmark reform – phase 2 – amendments provided a practical expedient when accounting for a modification of a financial instrument when an old interest rate benchmark is replaced with an alternative (SONIA) as a result of the reform. As neither the Group nor Company has such financial instruments, this is not relevant.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

1 Accounting policies (continued)

Changes in accounting policies and disclosures (continued)

(c) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2021:

- Amendment to IAS 1: "Classification of Liabilities as Current or Non-current"
- Amendment to IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction'
- IAS 8: Definition of accounting estimates
- IAS 1: Disclosure initiative – accounting policies
- IFRS 9: Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 37: Onerous contracts – cost of fulfilling a contract
- IAS 16: PPE: Proceeds before intended use
- IAS 41: Taxation in fair value measurements
- IFRS 17: Insurance Contracts

Basis of consolidation

Both the consolidated and the Company's financial statements are for the year ended 31 December 2021 and present comparative information for the year ended 31 December 2020. 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

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

1 Accounting policies (continued)

Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Statement of Financial Position liability method. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Investments in subsidiaries

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

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

Intangible assets

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

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

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

Property, plant and equipment

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

- Fixtures, fittings and equipment: 2 – 5 years

Impairment of tangible and intangible assets

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

Share based payments

The Company issues equity-settled share based payments to their 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. For share options issued to suppliers, the value is measured using an estimate of the fair value of the services.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

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.

Warrants issued

The Company issues warrants to third party investors giving the counterparty a right to subscribe for a fixed number of the entity's shares for a fixed amount of cash. These are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant.

Equity and Warrant Reserve

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.

The warrants reserve will be transferred to share capital account upon the exercise of warrants. The balance of warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

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.

Warrants in respect 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.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

1 Accounting policies (continued)

Financial instruments (continued)

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, 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.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

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 £68,107 (2020: £105,142) originates in France and £50,243 (2020: £21,525) originates in Switzerland. Of the loss before taxation, £2,200,259 (2020: £1,922,938) originates in France, with loss before taxation of £6,669,868 (2020: £5,332,972) and loss of £70,594 (2020: profit of £9,734) originating in the United Kingdom and Switzerland respectively.

Of the total non-current assets, £816,861 (2020: £884,037) originates in France and £1,835,012 (2020: £2,604,358) 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 2021 No.	Group Year ended 31 December 2020 No.	Company Year ended 31 December 2021 No.	Company Year ended 31 December 2020 No.
Drug research and development, and commercial operations	9	14	2	2
Administration and management	5	4	2	4
	14	18	4	6

The aggregate remuneration comprised:	Group Year ended 31 December 2021 £	Group Year ended 31 December 2020 £	Company Year ended 31 December 2021 £	Company Year ended 31 December 2020 £
Wages and salaries	2,253,406	1,619,125	1,580,441	1,065,434
Social security costs	353,637	195,216	115,082	43,361
Pension costs	2,636	1,095	2,636	1,095
Share-based payment	616,423	1,578,368	568,157	1,387,974
	3,226,102	3,393,804	2,266,316	2,497,864

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

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 2021 £	Group Year ended 31 December 2020 £	Company Year ended 31 December 2021 £	Company Year ended 31 December 2020 £
Fees	522,272	541,567	522,272	541,567
Salaries and benefits	979,212	496,388	979,212	496,388
	1,501,484	1,037,955	1,501,484	1,037,955

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 2021 £	Group Year ended 31 December 2020 £	Company Year ended 31 December 2021 £	Company Year ended 31 December 2020 £
Salaries and benefits	582,631	356,387	582,631	356,387
	582,631	356,387	582,631	356,387

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 2021 £	Group Year ended 31 December 2020 £	Company Year ended 31 December 2021 £	Company Year ended 31 December 2020 £
Short-term employee benefits (salaries and benefits)	1,501,484	1,037,955	1,501,484	1,037,955
Share based payments	161,426	879,489	161,426	879,489
Directors' emoluments	1,662,910	1,917,444	1,662,910	1,917,444

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

5 Operating loss

- Group

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Operating loss is stated after charging/(crediting):		
Share based payments charge	616,423	1,578,368
Exceptional items	1,427,084	-
Depreciation of property, plant and equipment		
- owned	81,995	136,844
Amortisation of intangible assets		
- patents	32,124	34,111
Services provided by Company auditors:		
- Audit services	77,700	73,900
- Other services relating to tax compliance services	-	7,025
- Audit services – interim review	16,000	20,600
Audit services provided by other auditors	34,314	23,726

The exceptional items of £1.4m (2020: £nil) relate to termination benefit packages paid out in the year to departing Directors, their service companies and related parties (£1.3m), as well as legal fees in relation to these termination fees (£62k).

6 Finance costs

- Group

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Interest payable on loans and overdraft	2,943	31,638
Interest payable on convertible loan notes	121,120	199,190
Loss on foreign exchange	-	145,373
Loss on derivative financial asset (note 14)	2,148,972	1,116,345
Loss on revaluation of convertible loan notes	81,837	205,286
	2,354,872	1,697,832

7 Finance income

- Group

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Bank interest receivable	651	41,089
Gain on foreign exchange	456	-
	1,107	41,089

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

8 Taxation

- Group

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Current tax:		
Corporation tax	(766,814)	(386,248)
Total current tax credit for the year	(766,814)	(386,248)

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 2021 £	Year ended 31 December 2020 £
Loss before taxation	(8,940,720)	(7,246,175)
Tax on loss (at the average rate 19%) (2020: 19%)	(1,698,737)	(1,376,773)
Effects of:		
Expenses not allowable for tax purposes	2,395	2,074
Depreciation in excess of capital allowances	86,757	35,107
Rate differences	13,413	(1,849)
Research and development tax credit	(766,814)	(386,248)
Current year losses carried forward	1,596,172	1,341,441
Current tax credit for year	(766,814)	(386,248)

As at 31 December 2021, the Group has unused tax losses of £48,202,705 (2020: £46,606,533) 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.

9 Loss per share

- Group

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Loss		
Loss for the purposes of basic loss per share being net loss after tax attributable to equity shareholders	(8,173,905)	(6,859,927)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	251,164,361	200,176,156
Basic loss per share	(3.25)p	(3.43)p
Diluted loss per share	(3.25)p	(3.43)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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

10 Intangible assets

- Group

	Research and development £	Patents £	Total £
Cost			
At 1 January 2020	404,095	458,331	862,426
Exchange rate movements	-	27,903	27,903
At 1 January 2021	404,095	486,234	890,329
Exchange rate movements	-	(35,625)	(35,625)
At 31 December 2021	404,095	450,609	854,704
Amortisation			
At 1 January 2020	-	383,466	383,466
Exchange rate movements	-	(11,290)	(11,290)
Charge for the period	-	34,111	34,111
At 1 January 2021	-	406,287	406,287
Exchange rate movements	-	(61,260)	(61,260)
Charge for the period	-	32,124	32,124
At 31 December 2021	-	377,151	377,151
Net book amount			
At 31 December 2021	404,095	73,458	477,553
At 31 December 2020	404,095	79,947	484,042

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

11 Property, plant and equipment

- Group

	Fixtures, fittings and equipment £
Cost	
At 1 January 2020	834,490
Exchange rate movements	(72,207)
Additions	360,290
At 1 January 2021	1,122,573
Exchange rate movements	(74,613)
Additions	50,934
At 31 December 2021	1,098,894
Depreciation	
At 1 January 2020	627,746
Exchange rate movements	(53,623)
Charge for the period	136,844
At 1 January 2021	710,967
Exchange rate movements	(47,064)
Charge for the period	81,995
At 31 December 2021	745,898
Net book amount	
At 31 December 2021	352,996
At 31 December 2020	411,606

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

11 Property, plant and equipment (continued)

- Company

	Fixtures, fittings and equipment £
Cost	
At 1 January 2020	62,144
Additions	5,520
At 1 January 2021	67,664
Additions	6,535
At 31 December 2021	74,199
Depreciation	
At 1 January 2020	50,929
Charge for the period	5,128
At 1 January 2021	56,057
Charge for the period	4,460
At 31 December 2021	60,517
Net book amount	
At 31 December 2021	13,682
At 31 December 2020	11,607

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

12 Financial assets

- Group and Company

	Shares in listed entity £	Warrants in listed entity £	Total £
Valuation			
At 31 December 2020	1,792,682	625,576	2,418,258
Additions	-	-	-
Fair value movement	(584,355)	(418,068)	(1,002,423)
At 31 December 2021	1,208,327	207,508	1,415,835

As of 31 December 2021 ImmuPharma held 9,904,319 shares in Incanthera plc, representing a 13.37% position in the share capital of Incanthera plc.

Under IFRS 7 Financial instruments: Disclosures and IFRS 13 Fair value measurement investment in shares of listed entity 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 £1,208,327 as at 31 December 2021 (2020: £1,792,682), which has resulted in a fair value loss of £584,355 recognised through other comprehensive income.

Warrants in Incanthera Plc

ImmuPharma had been issued 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 2021, the fair value amounting to £207,508 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 2021:

- Expected volatility of share price – 11% (2020: 18.30%)
- Risk free rate – 0.821% (2020: 0.083%)
- Market value of share price at issue year end 12.20p (2020: 18.10p)

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

13 Investment in subsidiaries

- Company

	Shares in subsidiary undertakings £
Cost and fair value	
At 31 December 2020	41,063,122
Additions	48,271
At 31 December 2021	41,111,393

Details of the Company's subsidiaries as at 31 December 2021 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 Rhône F-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	100	Pharmaceutical research and development – France	Bâtiment 13, 2 Rue Robert Escarpit 33600 Pessac 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 2021 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 2021

14 Derivative financial asset

	Group 31 December 2021 £	Group 31 December 2020 £	Company 31 December 2021 £	Company 31 December 2020 £
Balance brought forward	1,191,123	2,299,861	1,191,123	2,299,861
Value of derivative at inception	2,200,000	1,300,000	2,200,000	1,300,000
Settlements received	(328,495)	(1,292,393)	(328,495)	(1,292,393)
Loss recognised through income statement	(2,148,972)	(1,116,345)	(2,148,972)	(1,116,345)
	913,656	1,191,123	913,656	1,191,123

	31 December 2021 £	31 December 2020 £
Due within one year	508,167	1,016,635
Due after one year	405,489	174,488
At 31 December	913,656	1,191,123

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 £2.66m before expenses. In the placement completed in March 2020, the Company issued 13,000,000 new ordinary shares to Lanstead at a price of 10p per share to raise £1.3m gross. In December 2021, the Company issued 20,000,000 new ordinary shares to Lanstead at a price of 11p per share to raise £2.2m before expenses. All Subscriptions proceeds were pledged under the 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.

In December 2021 the Company also issued, 1,400,000 new ordinary shares to Lanstead as value payments in connection with the Share Subscription and the Sharing Agreement. Monthly settlements under the Sharing Agreement from June 2019 completed in September 2021. The settlements from remaining agreements (March 2020 and December 2021) will continue until 2024, completing in June 2022 and March 2024 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 2021, the Company completed a calculation of fair value of the derivative financial asset that resulted in a finance loss of £2,148,972 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 2021

15 Trade and other receivables

Current

	Group 31 December 2021 £	Group 31 December 2020 £	As restated Company 31 December 2021 £	As restated Company 31 December 2020 £
Other debtors	373,253	95,339	90,338	56,583
Prepayments	53,946	66,659	53,945	64,820
	427,199	161,998	144,283	121,403

Non-current

	Group 31 December 2021 £	Group 31 December 2020 £	As restated Company 31 December 2021 £	As restated Company 31 December 2020 £
Amounts owed by group undertakings	-	-	12,249,280	11,779,540
	-	-	12,249,280	11,779,540

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 French subsidiaries. As of 31 December 2021, the directors believe that there has been no impairment to these values.

The Company considers that the amounts included in receivables due from group undertakings 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. Amounts owed by group undertakings of £12,249,280 (2020: £11,779,540) are included in non-current assets. These are unsecured, interest free, and have no fixed date of repayment. During the year these loans have been restated as non-current assets, which has been reflected as a prior year adjustment as set out further in note 26.

The total carrying amount of financial assets for the Group is £4,406,064, (2020: £9,566,777), consisting of trade and other receivables of £427,199 (2020: £95,339), investment in Incanthera Plc £1,415,835 (2020: £2,418,258), derivative financial asset £913,656 (2020: £1,191,123) and cash and cash equivalents of £1,649,374 (2020: £5,862,057).

The total carrying amount of financial assets for the Company is £16,250,785 (2020: £20,885,688), consisting of trade and other receivables of £12,393,563 (2020: £11,900,943), investment in shares in Incanthera Plc £1,208,327 (2020: £1,792,682), investment in warrants in Incanthera Plc £207,508 (2020: £625,576), derivative financial asset £913,656 (2020: £1,191,123) and cash and cash equivalents of £1,524,730 (2020: £5,375,364).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

16 Cash and cash equivalents

	Group 31 December 2021 £	Group 31 December 2020 £	Company 31 December 2021 £	Company 31 December 2020 £
Cash and cash equivalents	1,649,374	5,862,057	1,524,730	5,375,364

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

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

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

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

17 Financial liabilities – borrowings

- Group

	31 December 2021 £	31 December 2020 £
Total borrowings within one year comprises:		
Bank overdraft	105	316
Other loans	595	6,623
Convertible loan notes (note 24)	-	634,902
	700	641,841

Please refer to note 23 for details of maturity.

18 Trade and other payables

	Group 31 December 2021 £	Group 31 December 2020 £	Company 31 December 2021 £	Company 31 December 2020 £
Trade payables	1,155,897	418,072	645,936	142,483
Other taxes and social security	268,927	90,267	-	-
Accruals and other creditors	158,780	110,698	158,781	110,698
	1,583,604	619,037	804,717	253,181

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

19 Share capital

At 31 December 2021, the Company had no limit on its authorised share capital.

Allotted, called up and fully paid	2021 No.	2020 No.	2021 £	2020 £
At start of year:				
Ordinary shares of £0.10 each	250,221,297	250,221,297	25,022,130	25,022,130
Movements during year:				
Shares issued on 23 December 2021	34,763,636	-	3,476,364	-
At end of year	284,984,933	250,221,297	28,498,494	25,022,130

During the financial year, the Company issued in total 34,763,636 new ordinary shares.

Details of new shares issued during the financial year 2021 are summarised as follows:

On 23 December 2021 the Company issued 21,400,000 new ordinary shares with nominal amount of £2,140,000, with share premium of £200,000 and £140,000 deducted from reserves in relation to value payment shares, as explained below. The gross proceeds amounted to £2,200,000 and were deferred under the Sharing Agreement.

On 23 December 2021 the Company issued 12,272,727 new ordinary shares with nominal amount of £1,227,273 and gross proceeds of £1,350,000 with share premium of £122,454.

On 23 December 2021 the Company issued 1,090,909 new ordinary shares with nominal amount of £109,091 and £10,909 share premium, with £120,000 deducted from reserves as explained below.

The total costs incurred in relation to the issue of new equity capital amounted to £444,308 of which £322,727 was debited against share premium and the remaining £121,581 against retained earnings as there was not sufficient share premium credit for that new equity capital raised.

Retained earnings were debited where the listed share price was lower than the nominal value of the shares issued as the listed share price is reflective of fair value.

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 2020	25,200,000	0.58	29,137,149	0.11	54,337,149
Expired during 2021	300,000	0.01	-	-	300,000
Lapsed during 2021	7,787,500	0.26	-	-	7,787,500
Granted during 2021	-	-	64,545,455	0.11	64,545,455
Outstanding as at 31 December 2021	17,112,500	0.58	93,682,604	0.11	110,795,104
Exercisable as at 31 December 2020	15,575,000	0.50	29,137,149	0.11	44,712,149
Granted and exercisable during 2021	-	-	64,545,455	0.11	64,545,455
Lapsed during 2021	3,162,500		-	-	
Exercisable as at 31 December 2021	12,412,500	0.52	93,682,604	0.11	106,095,104

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

20 Share based payments (continued)

Equity-settled and warrants (continued)

The options and warrants outstanding as at 31 December 2021 had a weighted average remaining contractual life of 7 years.

Number of warrants issued in 2021 had a contractual life of 10 years.

The options and warrants outstanding as at 31 December 2021 had exercise prices between £0.10 and £1.530 (2020: £0.10 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.

For the year ended 31 December 2021, the Company has charged £616,423 for the value of share options in relation to grant from 2020. Out of this amount £467,662 was related to an accelerated charge in respect of leaving employees (including directors).

The remaining balance of £272,143 will be charged over the next 2 financial years ending 31 December 2023.

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

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
23/12/21 Alora Pharmaceuticals, LLC	£0.11	21,818,182	10 years
23/12/21 Lanstead Capital Investors LP	£0.11	40,000,000	10 years
23/12/21 Chelverton Asset Management	£0.11	2,727,273	10 years

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

20 Share based payments (continued)

Warrants (continued)

The above warrants have been granted in connection to the funding raised in 2020 and 2021. The warrants granted in 2020 have been valued based on estimated cost of service and it was calculated at £173,000.

21 Cash used in operations

	Group 31 December 2021 £	Group 31 December 2020 £	Company 31 December 2021 £	Company 31 December 2020 £
Operating loss	(6,586,955)	(5,589,432)	(4,260,273)	(3,537,507)
Depreciation and amortisation	114,119	170,954	4,459	5,128
Share-based payments	616,423	1,578,368	568,157	1,387,974
(Increase) in trade and other receivables	(265,201)	(8,380)	(22,880)	(40,876)
Increase in trade and other payables	896,798	113,926	483,767	12,111
(Gain)/loss on foreign exchange	2,370	(145,372)	(7,277)	(135,354)
Cash used in operations	(5,222,446)	(3,879,936)	(3,234,047)	(2,308,524)

22 Related Party Transactions

a) Group

D Dimitriou received part of his remuneration through a consultancy company owned by him, Dragon Finance AG. During the year ImmuPharma AG was charged £258,738 (2020: £180,302) for the provision of management services by Dragon Finance AG. During the year, until his resignation in July 2021, D Dimitriou was 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.

During the year, until the CEO appointment in July 2021, T McCarthy received £151,667 (2020: £260,000) for the provision of Chairman's fees through a service company owned by him, Unnamed Ltd. The amounts received by T McCarthy via Unnamed Ltd are incorporated in the remuneration table in the Directors Report on page 41.

During the year, ImmuPharma plc was charged £84,000 (2020: £109,000) for the provision of consultancy services by Just B Communications Limited, a company owned by L Baderoon.

During the year, an amount of £124,297 (2020: £119,369) 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 £590,938 (2020: £129,995) for the provision of consultancy services by Luca and Associates AG, a company which Dr R Zimmer is connected to. Of the amount of £590,938, £514,390 relates to payments made to terminate the arrangement in the year. An amount of £55,196 (2020: £40,191) was also paid to the daughter of Dr R Zimmer in respect of services provided to ImmuPharma (France) and Ureka Pharma SAS. Dr R Zimmer issued loans to ImmuPharma (France) SA and Ureka Pharma SAS of £nil (2020: £2,929) and £nil (2020: £4,105) respectively.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

22 Related Party Transactions (continued)

b) Company

During the year ended 31 December 2021, management charges of £304,480 (2020: £568,562) were rendered by ImmuPharma plc to ImmuPharma (France) SA. This amount was due to the Company at 31 December 2021. The Company also loaned the sum of £328,039 (2020: £nil) to ImmuPharma (France) SA during the year ended 31 December 2021. The total balance due to the Company from ImmuPharma (France) SA at 31 December 2021 was £9,601,086 (2020: £9,663,806).

During the year ended 31 December 2021, management charges of £76,120 (2020: £142,141) were rendered by ImmuPharma plc to Ureka Pharma SAS. This amount was due to the Company at the 31 December 2021. The Company also loaned the sum of £526,695 (2020: £539,522) to Ureka Pharma SAS during the year ended 31 December 2021. The total balance due to the Company from Ureka Pharma SAS at 31 December 2021 was £2,559,263 (2020: £2,121,596).

During the year ended 31 December 2021, management charges of £86,448 (2020: £326,675) were rendered by ImmuPharma plc to ImmuPharma AG. This amount was due to the Company at the 31 December 2021. The total balance due to the Company from Immupharma AG at 31 December 2021 was £88,932 (2020: £nil).

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 2021 £	Year ended 31 December 2020 £
Trade and other receivables	373,253	95,339
Shares in listed entity	1,208,327	1,792,682
Warrants in listed entity	207,508	625,576
Derivative financial asset	913,656	1,191,123
Cash and cash equivalents	1,649,374	5,862,057
Total financial assets	4,352,118	9,566,777
Financial liabilities – borrowings due within 1 year	700	6,939
Trade and other payables	1,583,604	528,770
Convertible loan notes	-	634,902
Total financial liabilities	1,584,304	1,170,611

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

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 2021				
6 months or less	1,583,604	700	-	1,584,304
6 – 12 months	-	-	-	-
1 – 2 years	-	-	-	-
2 – 5 years	-	-	-	-
Total contractual cash flows	1,583,604	700	-	1,584,304
Carrying amount of financial liabilities measured at amortised cost	1,583,604	700	-	1,584,304

	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

Company

The Company's financial liabilities comprise trade and other payables with a carrying amount equal to gross cash flows payable of £645,936 (2020: £142,483), accrued purchases with a carrying amount of £158,781 (2020: £110,698) and convertible loan notes of £nil (2020: £634,902), 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.

During the year, the Group's cash and cash equivalents earned interest at a variable rate between 0.0% and 0.5% (2020: 0.0% and 0.5%).

As at 31 December 2021, if LIBOR had increased by 0.5% with all other variables held constant, the post-tax profit and equity would have been higher by £18,728 (2020: £27,985). 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 £18,728 (2020: £27,985)

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

23 Financial instruments (continued)

Liquidity risk (continued)

Group (continued)

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.

During the year, the Company's cash and cash equivalents earned interest at a variable rate between 0.0% and 0.5% (2020: 0.0% and 0.5%).

As at 31 December 2021, if LIBOR had increased by 0.5% with all other variables held constant, the post-tax loss would have been lower and equity would have been higher by £16,739 (2020: £18,631). Conversely, if LIBOR had fallen by 0.5% with all other variables held constant, the post-tax loss would have been higher and equity would have been lower by £16,739 (2020: £18,631).

Foreign exchange rate risk

Group

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

As at 31 December 2021, if the Euro had weakened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been lower by £8,730 (2020: £32,500). Conversely, if the Euro had strengthened 10% against Sterling with all other variables held constant, the post-tax profit and equity would have been higher by £8,730 (2020: £32,500).

As at 31 December 2021, 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 £100 (2020: £25,700). 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 £100 (2020: £25,700).

As at 31 December 2021, 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 £5,800 (2020: £16,500). 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 £5,800 (2020: £16,500).

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 2021, 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 £2,600 (2020: £3,000). 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 £2,600 (2020: £3,000).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

23 Financial instruments (continued)

Foreign exchange rate risk (continued)

Company (continued)

As at 31 December 2021, 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 £100 (2020: £27,000). 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 £100 (2020: £27,000).

Equity price risk

Group and Company

The Group holds the investment in shares in Incanthera plc, 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 its shares in Incanthera for 10% less than the Incanthera plc share price at year end, this would indicate a reduction in investment value of £120,833 which would increase the Group's and Company's loss by £120,833. If ImmuPharma sold its shares for 10% more than the Incanthera's share price at year end, this would indicate an increase in fair value of £120,833 which would decrease the Group's and Company's loss by £120,833.

The Group has also entered into a derivative transaction during the year 2021, 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 £32,849. 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 £32,849.

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 2021. Set out below the table is a summary of the methods and assumptions used for each category of instrument.

	Carrying amount 2021 £	Fair Value 2021 £	Carrying amount 2020 £	Fair Value 2020 £
Trade and other receivables at amortised cost	427,199	427,199	95,339	95,339
Derivative financial asset	913,656	913,656	1,191,123	1,191,123
Shares in listed entity	1,208,327	1,208,327	1,792,682	1,792,682
Warrants in listed entity	207,508	207,508	625,576	625,576
Financial liabilities at amortised cost	1,583,604	1,583,604	1,170,611	1,170,611
	4,340,294	4,340,294	4,875,331	4,875,331

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

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 the AQSE market.

Warrants in listed entity

The balances are recorded at fair value and are determined by using a Black-Scholes valuation model.

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 2021

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 2021:

	Level 1 £	Level 2 £	Level 3 £	Total £
Shares in listed entity	-	1,208,327	-	1,208,327
Warrants in listed entity		207,508		207,508
Derivative financial asset	-	913,656	-	913,656
As at 31 December 2021	-	2,329,491	-	2,329,491

Summary of financial assets held at level 2 fair value:

	Warrants in listed entity £	Shares in listed entity £	Total £
As at 1 January 2021	625,576	1,792,682	2,418,258
Additions	-	-	-
Revaluation at fair value	(418,068)	(584,355)	(1,002,423)
As at 31 December 2021	207,508	1,208,327	1,415,835

The fair value has been assessed at 31 December 2021 and is based on the ImmuPharma Plc shareholding of 13.37% of Incanthera plc.

	Derivative financial asset £
Fair value brought forward	1,191,123
Fair value at inception	2,200,000
Payments received under Sharing Agreement	(328,495)
Net losses recognised in Income Statement	(2,148,972)
As at 31 December 2021	913,656

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 2021

24 Convertible Loan Notes

	Group 31 December 2021 £	Group 31 December 2020 £	Company 31 December 2021 £	Company 31 December 2020 £
Balance brought forward	634,902	-	634,902	-
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	(837,859)	(815,166)	(837,859)	(815,166)
Exchange differences on revaluation	-	(44,500)	-	(44,500)
Interest expense	121,120	199,190	121,120	199,190
Loss on revaluation	81,837	205,286	81,837	205,286
	-	634,902	-	634,902

On 31 December 2020 the liability had a fair value of £635k.

On 15 December 2021, the Company repaid in full the remaining outstanding balance of convertible loan notes of $950,000 (£837,859) principal and $160,278 (£121,120) of accrued interest, the total of $1,110,278 (£958,979) due to L1 Capital Global Opportunities Master Fund ("L1").

By 15 December 2021, both convertible loan notes with L1 and Lind Global Macro Fund, LP ("Lind") have been repaid in full and/or converted.

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

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2021

24 Convertible Loan Notes (continued)

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.

26 Prior year restatement

Following a review against IFRS standards, it was identified that amounts owed by Group undertakings of £12,249,280 (2020: £11,779,540) had previously been presented within current assets, however should have been presented within non-current assets. Although the amounts were repayable on demand, there was no expectation that they would be repaid within twelve months and therefore, they did not meet the criteria to be classified as current assets. The prior period Company financial statements have been restated to show these balances within non-current assets. The restatement had no impact on the loss for the year ended 31 December 2020 or the net assets of the Company as at that date.

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.

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