- the costs and timing of establishing sales marketing, and reimbursement capabilities and enhanced internal controls over financial reporting;
- the terms and timing of establishing and maintaining collaborations, license agreements and other partnerships;
- costs associated with any new product candidates that we may develop, in-license or acquire;
- the effect of competing technological and market developments; and
- the costs associated with being a public company.

Some of these factors are outside of our control. We do not expect our existing capital resources together with the net proceeds from the recent Acquisition and Financing to be sufficient to enable us to fund the completion of our clinical trials and commercialization of our product candidates. We expect that we will need to raise additional funds in the future.

We have not sold any products, and we do not expect to sell or derive revenue from any product sales for the foreseeable future. We may seek additional funding through future debt and equity financing, as well as potential additional collaborations or strategic partnerships with other companies or through non-dilutive financings. Additional funding may not be available to us on acceptable terms or at all. In addition, the terms of any financing may adversely affect the holdings or the rights of our shareholders. In addition, the issuance of additional shares by us, or the possibility of such issuance, may cause the market price of our shares to decline.

If we are unable to obtain funding on a timely basis, we will be unable to complete ongoing and planned clinical trials for Coversin and we may be required to significantly curtail some or all of our activities. We also could be required to seek funds through arrangements with collaborative partners or otherwise that may require us to relinquish rights to our product candidates or some of our technologies or otherwise agree to terms unfavorable to us.

If we or our partners market products in a manner that violates fraud and abuse and other healthcare laws, or if we or they violate government price reporting laws, we or our partners may be subject to administrative civil and/or criminal penalties.

In addition to FDA restrictions on marketing of pharmaceutical products, several other types of state and federal healthcare laws, including those commonly referred to as ‘‘fraud and abuse’’ laws have been applied in recent years to restrict certain marketing practices in the pharmaceutical industry. These laws include, among others, false claims and anti-kickback statutes. At such time, if ever, as we or any of our partners market any of our future approved products, it is possible that some of the business activities of us and/or our partners could be subject to challenge under one or more of these laws.

Federal false claims, false statements and civil monetary penalties laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government or to get a false claim paid. The federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce, or in return for, purchasing, leasing, ordering or arranging for the purchase, lease or order of any healthcare item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formulary managers on the other. Although there are several statutory exceptions and regulatory safe harbors protecting certain common activities from prosecution, they are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exception or safe harbor.

In addition, we and/or our partners may be subject to data privacy and security regulation, including the Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their respective implementing regulations, which impose specified requirements relating to the privacy, security and transmission of individually identifiable health information.

Most states also have statutes or regulations similar to these federal laws, which may apply to items such as pharmaceutical products and services reimbursed by private insurers. We and/or our partners may be subject to administrative, civil and criminal sanctions for violations of any of these federal and state laws.

Our success depends on our ability to protect our intellectual property and our proprietary technologies.

Our commercial success depends in part on our ability to obtain and maintain patent protection and trade secret protection for our product candidates, proprietary technologies, and their uses as well as our ability to operate without infringing upon the proprietary rights of others. We can provide no assurance that our patent applications or those of our licensors will result in additional patents being issued or that issued patents will afford sufficient protection against competitors with similar technologies, nor can there be any assurance that the patents issued will not be infringed, designed around or invalidated by third parties. Even issued patents may later be found unenforceable or may be modified or revoked in proceedings instituted by third parties before various patent offices or in courts. The degree of future protection for our proprietary rights is uncertain. Only limited protection may be available and may not adequately protect our rights or permit us to gain or keep any competitive advantage. Composition-of-matter patents on the biological or chemical active pharmaceutical ingredients are generally considered to offer the strongest protection of intellectual property and provide the broadest scope of patent protection for pharmaceutical products, as such patents provide protection without regard to any method of use or any method of manufacturing. While we have issued composition-of-matter patents in the United States and other countries for Coversin, we cannot be certain that the claims in our issued composition-of-matter patents will not be found invalid or unenforceable if challenged. We cannot be certain that the claims in our patent applications covering composition-of-matter or formulations of our product candidates will be considered patentable by the United States Patent and Trademark Office, or USPTO, and courts in the United States or by the patent offices and courts in foreign countries, nor can we be certain that the claims in our issued composition-of-matter patents will not be found invalid or unenforceable if challenged. Even if our patent applications covering formulations of our product candidates issue as patents, the formulation patents protect a specific formulation of a product and may not be enforced against competitors making and marketing a product that has the same active pharmaceutical ingredient in a different formulation. Method-of-use patents protect the use of a product for the specified method or for treatment of a particular indication. This type of patents may not be enforced against competitors making and marketing a product that has the same active pharmaceutical ingredient but is used for a method not included in the patent. Moreover, even if competitors do not actively promote their product for our targeted indications, physicians may prescribe these products ‘‘off-label.’’ Although off-label prescriptions may infringe or contribute to the infringement of method-of-use patents, the practice is common and such infringement is difficult to prevent or prosecute.

Our issued composition of matter patents for Coversin are expected to expire in the United States in 2024. Our additional patents and pending patent applications that cover formulations, combination products and use of Coversin to treat various indications are expected to expire at various times that range from 2024 (for issued patents) to potentially 2031 (for pending patent applications if patents were to issue on the pending applications filed thereon).

The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that we or any of our future development partners will be successful in protecting our product candidates by obtaining and defending patents. These risks and uncertainties include the following:

- the USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case;
- patent applications may not result in any patents being issued;
- patents that may be issued or in-licensed may be challenged, invalidated, modified, revoked, circumvented, found to be unenforceable or otherwise may not provide any competitive advantage;

- our competitors, many of whom have substantially greater resources and many of whom have made significant investments in competing technologies, may seek or may have already obtained patents that will limit, interfere with or eliminate our ability to make, use, and sell our potential product candidates;
- there may be significant pressure on the U.S. government and international governmental bodies to limit the scope of patent protection both inside and outside the United States for disease treatments that prove successful, as a matter of public policy regarding worldwide health concerns; and
- countries other than the United States may have patent laws less favorable to patentees than those upheld by U.S. courts, allowing foreign competitors a better opportunity to create, develop and market competing product candidates.

In addition, we rely on the protection of our trade secrets and proprietary know-how. Although we have taken steps to protect our trade secrets and unpatented know-how, including entering into confidentiality agreements with third parties, and confidential information and inventions agreements with employees, consultants and advisors, we cannot provide any assurances that all such agreements have been duly executed, and third parties may still obtain this information or may come upon this or similar information independently. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating its trade secrets. If any of these events occurs or if we otherwise lose protection for our trade secrets or proprietary know-how, our business may be harmed.

Others may claim an ownership interest in our intellectual property which could expose it to litigation and have a significant adverse effect on its prospects.

A third party may claim an ownership interest in one or more of our patents or other intellectual property. A third party could bring legal actions against us and seek monetary damages and/or enjoin clinical testing, manufacturing and marketing of the affected product or products. While we believe we own the right, title and interest in the patents for which we have applied and our other intellectual property and are presently unaware of any claims or assertions by third-parties with respect to our patents or other intellectual property, we cannot guarantee that a third-party will not assert a claim or an interest in any of such patents or intellectual property. If we become involved in any litigation, it could consume a substantial portion of our resources, and cause a significant diversion of effort by our technical and management personnel. If any of these actions are successful, in addition to any potential liability for damages, we could be required to obtain a license to continue to manufacture or market the affected product, in which case we may be required to pay substantial royalties or grant cross-licenses to our patents. We cannot, however, assure you that any such license will be available on acceptable terms, if at all. Ultimately, we could be prevented from commercializing a product, or be forced to cease some aspect of our business operations as a result of claims of patent infringement or violation of other IP rights, Further, the outcome of IP litigation is subject to uncertainties that cannot be adequately quantified in advance, including the demeanor and credibility of witnesses and the identity of the adverse party. This is especially true in IP cases that may turn on the testimony of experts as to technical facts upon which experts may reasonably disagree.

Our industry is highly competitive, and our product candidates may become obsolete.

We are engaged in a rapidly evolving field. Competition from other pharmaceutical companies, biotechnology companies and research and academic institutions is intense and likely to increase. Many of those companies and institutions have substantially greater financial, technical and human resources than us. Those companies and institutions also have substantially greater experience in developing products, conducting clinical trials, obtaining regulatory approval and in manufacturing and marketing pharmaceutical products. Our competitors may succeed in obtaining regulatory approval for their products more rapidly than we do. Competitors have developed or are in the process of developing technologies that are, or in the future may be, the basis for competitive products, such as Alexion Pharmaceuticals' eculizumab. Our competitors may succeed in developing products that are more effective and/or cost competitive than those we are developing, or that would render our product candidates less competitive or even obsolete. In addition, one or more of our competitors may achieve product commercialization or patent protection earlier than us, which could materially adversely affect our business.

If the FDA or other applicable regulatory authorities approve generic products that compete with any of our or any of our partners' product candidates, the sales of our product candidates would be adversely affected.

Once an NDA or marketing authorization application outside the United States is approved, the product covered thereby becomes a ''listed drug'' that can, in turn, be cited by potential competitors in support of approval of an abbreviated new drug application in the United States. Agency regulations and other applicable regulations and policies provide incentives to manufacturers to create modified, non-infringing versions of a drug to facilitate the approval of an abbreviated new drug application or other application for generic substitutes in the United States and in nearly every pharmaceutical market around the world. These generic equivalents, which must meet the same quality standards as branded pharmaceuticals, would be significantly less costly than us to bring to market, and companies that produce generic equivalents are generally able to offer their products at lower prices. Thus, after the introduction of a generic competitor, a significant percentage of the sales of any branded product is typically lost to the generic product. Accordingly, competition from generic equivalents to our or any of our partners' future products, if any, could materially adversely impact our future revenue, profitability and financial condition.

If physicians and patients do not accept our future products or if the market for indications for which any product candidate is approved is smaller than expected, we may be unable to generate significant revenue, if any.

Even if any of our product candidates obtain regulatory approval, they may not gain market acceptance among physicians, patients, and third-party payers. Physicians may decide not to recommend its treatments for a variety of reasons including:

- timing of market introduction of competitive products;
- demonstration of clinical safety and efficacy compared to other products;
- cost-effectiveness;
- limited or no coverage by third-party payers;
- convenience and ease of administration;
- prevalence and severity of adverse side effects;
- restrictions in the label of the drug;
- other potential advantages of alternative treatment methods; and
- ineffective marketing and distribution support of our products.

If any of our product candidates are approved, but fail to achieve market acceptance or such market is smaller than anticipated, we may not be able to generate significant revenue and our business would suffer.

The uncertainty associated with pharmaceutical reimbursement and related matters may adversely affect our business.

Market acceptance and sales of any one or more of our product candidates will depend on reimbursement policies and may be affected by future healthcare reform measures in the United States and in foreign jurisdictions. Government authorities and third-party payers, such as private health insurers and health maintenance organizations, decide which drugs they will cover and establish payment levels. We cannot be certain that reimbursement will be available for any of our product candidates. Also, we cannot be certain that reimbursement policies will not reduce the demand for, or the price paid for, our products. The insurance coverage and reimbursement status of newly-approved products for orphan diseases is particularly uncertain, and failure to obtain or maintain adequate coverage and reimbursement for Coversin or any other product candidates could limit our ability to generate revenue.

The United States and several foreign jurisdictions are considering, or have already enacted, a number of legislative and regulatory proposals to change the healthcare system in ways that could affect our ability to sell our products profitably. There is significant interest in promoting changes in healthcare systems with the

stated goals of containing healthcare costs, improving quality and/or expanding access to healthcare. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives. We expect to experience pricing pressures in connection with the sale of any products that we develop due to the trend toward managed healthcare, increasing influence of health maintenance organizations and additional legislative proposals.

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or collectively, ACA, became law in the United States. While we cannot predict what impact on federal reimbursement policies this legislation will have, the ACA may result in downward pressure on pharmaceutical reimbursement, which could negatively affect market acceptance of, and the price we may charge for, any products we develop that receive regulatory approval.

If any product liability lawsuits are successfully brought against us or any of our collaborative partners, we may incur substantial liabilities and may be required to limit commercialization of our product candidates.

We face an inherent risk of product liability lawsuits related to the testing of our product candidates in seriously ill patients and will face an even greater risk if product candidates are approved by regulatory authorities and introduced commercially. Product liability claims may be brought against us or our partners by participants enrolled in our clinical trials, patients, health care providers or others using, administering or selling any of our future approved products. If we cannot successfully defend ourselves against any such claims, we may incur substantial liabilities, which may result in:

- decreased demand for any of our future approved products;
- injury to our reputation;
- withdrawal of clinical trial participants;
- termination of clinical trial sites or entire trial programs;
- significant litigation costs;
- substantial monetary awards to or costly settlements with patients or other claimants;
- product recalls or a change in the indications for which they may be used;
- loss of revenue;
- diversion of management and scientific resources from our business operations; and
- the inability to commercialize our product candidates.

If any of our product candidates are approved for commercial sale, we will be highly dependent upon consumer perceptions of us and the safety and quality of our products. We could be adversely affected if we are subject to negative publicity associated with illness or other adverse effects resulting from patients' use or misuse of our products or any similar products distributed by other companies.

We currently do not have product liability insurance coverage and expect to obtain such coverage initially per clinical trial, which may not be adequate to cover all liabilities that we may incur. We will need to obtain more comprehensive product liability insurance and increase our insurance coverage when we begin the commercialization of our product candidates. Insurance coverage is becoming increasingly expensive. As a result, we may be unable to maintain or obtain sufficient insurance at a reasonable cost to protect us against losses that could have a material adverse effect on our business.

We enter into various contracts in the normal course of our business in which we indemnify the other party to the contract. In the event we have to perform under these indemnification provisions, it could have a material adverse effect on our business, financial condition and results of operations.

In the normal course of business, we periodically enter into academic, commercial, service, collaboration, licensing, consulting and other agreements that contain indemnification provisions. With respect to our academic and other research agreements, we typically indemnify the institution and related parties from losses arising from claims relating to the products, processes or services made, used, sold or performed pursuant to

the agreements for which we have secured licenses, and from claims arising from our or our sublicensees' exercise of rights under the agreement. With respect to our commercial agreements, we indemnify our vendors from any third-party product liability claims that could result from the production, use or consumption of the product, as well as for alleged infringements of any patent or other intellectual property right by a third party.

Should our obligation under an indemnification provision exceed applicable insurance coverage or if we were denied insurance coverage, our business, financial condition and results of operations could be adversely affected. Similarly, if we are relying on a collaborator to indemnify us and the collaborator is denied insurance coverage or the indemnification obligation exceeds the applicable insurance coverage and does not have other assets available to indemnify us, our business, financial condition and results of operations could be adversely affected.

Our business and operations would suffer in the event of computer system failures.

Despite the implementation of security measures, our internal computer systems, and those of our partners and other third parties on which we rely, are vulnerable to damage from computer viruses, unauthorized access, natural disasters, fire, terrorism, war and telecommunication and electrical failures. In addition, our systems safeguard important confidential personal data regarding our subjects. If a disruption event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs. For example, the loss of clinical trial data from completed, ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach results in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of Coversin and other product candidates could be delayed.

If we fail to develop and commercialize other product candidates, we may be unable to grow our business.

Although the development and commercialization of Coversin is our primary focus, as part of our longer-term growth strategy, we plan to evaluate the development and commercialization of other therapies related to immune-mediated, inflammatory, orphan and other diseases. We will evaluate internal opportunities from our current product candidates, and also may choose to in-license or acquire other product candidates as well as commercial products to treat patients suffering from immune-mediated or orphan or other disorders with high unmet medical needs and limited treatment options. These other product candidates will require additional, time-consuming development efforts prior to commercial sale, including preclinical studies, clinical trials and approval by the FDA and/or applicable foreign regulatory authorities. All product candidates are prone to the risks of failure that are inherent in pharmaceutical product development, including the possibility that the product candidate will not be shown to be sufficiently safe and effective for approval by regulatory authorities. In addition, we cannot assure you that any such products that are approved will be manufactured or produced economically, successfully commercialized or widely accepted in the marketplace or be more effective than other commercially available alternatives.

Risks Related to Our Reliance on Third Parties

If the third parties on which we rely on for our clinical trials and results do not perform our clinical trial activities in accordance with good clinical practices and related regulatory requirements, we may be unable to obtain regulatory approval for or commercialize our product candidates.

We use and heavily rely on third-party service providers to conduct and/or oversee the clinical trials of our product candidates and expect to continue to do so for the foreseeable future. Nonetheless, we are responsible for confirming that each of our clinical trials is conducted in accordance with the FDAs and/or EMA's requirements and its general investigational plan and protocol.

The FDA and EMA require us and our third-party service providers to comply with regulations and standards, commonly referred to as good clinical practices, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the trial participants are adequately protected. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. Third parties may not complete activities on schedule or conduct our clinical trials in accordance with regulatory requirements or the respective trial plans and protocols. In addition, third

parties may not be able to repeat their past successes in clinical trials. The third parties' failure to carry out their obligations could delay or prevent the development, approval and commercialization of our product candidates or result in enforcement action against us.

Use of third parties to manufacture our product candidates may increase the risk that we will not have sufficient quantities of our product candidates, products, or necessary quantities at an acceptable cost.

We do not own or operate manufacturing facilities for the production of clinical or commercial quantities of its product candidates, and we lack the resources and the capabilities to do so. As a result, we currently rely on third parties for supply of the active pharmaceutical ingredients, or API, in our product candidates. Our strategy is to outsource all manufacturing of our product candidates and products to third parties.

We currently engage a third-party manufacturer to provide clinical material of the API, lyophilization, release testing and fill and finish services for the final drug product formulation of Coversin that is being used in our clinical trials. Although we believe that there are several potential alternative manufacturers who could manufacture Coversin, we may incur added costs and delays in identifying and qualifying any such replacement. In addition, we have not yet concluded a commercial supply contract with any commercial manufacturer. There is no assurance that we will be able to timely secure needed supply arrangements on satisfactory terms, or at all. Our failure to secure these arrangements as needed could have a material adverse effect on our ability to complete the development of our product candidates or, to commercialize them. We may be unable to conclude agreements for commercial supply with third-party manufacturers, or may be unable to do so on acceptable terms. There may be difficulties in scaling up to commercial quantities and formulation of Coversin and the costs of manufacturing could be prohibitive.

Even if we are able to establish and maintain arrangements with third-party manufacturers, reliance on third-party manufacturers entails additional risks, including:

- reliance on third-parties for manufacturing process development, regulatory compliance and quality assurance;
- limitations on supply availability resulting from capacity and scheduling constraints of third-parties;
- the possible breach of manufacturing agreements by third-parties because of factors beyond our control; and
- the possible termination or non-renewal of the manufacturing agreements by the third-party, at a time that is costly or inconvenient to us.

If we do not maintain our key manufacturing relationships, we may fail to find replacement manufacturers or develop our own manufacturing capabilities, which could delay or impair our ability to obtain regulatory approval for our products. If we do find replacement manufacturers, we may not be able to enter into agreements with them on terms and conditions favorable to us and there could be a substantial delay before new facilities could be qualified and registered with the FDA and other foreign regulatory authorities.

The FDA and other foreign regulatory authorities require manufacturers to register manufacturing facilities. The FDA and corresponding foreign regulators also inspect these facilities to confirm compliance with current good manufacturing practices, or cGMPs. Contract manufacturers may face manufacturing or quality control problems causing drug substance production and shipment delays or a situation where the contractor may not be able to maintain compliance with the applicable cGMP requirements. Any failure to comply with cGMP requirements or other FDA, EMA and comparable foreign regulatory requirements could adversely affect our clinical research activities and our ability to develop our product candidates and market our products following approval.

If our third-party manufacturer of Coversin is unable to increase the scale of its production of Coversin, and/or increase the product yield of its manufacturing, then our costs to manufacture the product may increase and commercialization may be delayed.

In order to produce sufficient quantities of Coversin to meet the demand for clinical trials and subsequent commercialization, our third party manufacturer of Coversin will be required to increase its production and

optimize its manufacturing processes while maintaining the quality of the product. The transition to larger scale production could prove difficult. In addition, if our third party manufacturer is not able to optimize its manufacturing process to increase the product yield for Coversin, or if it is unable to produce increased amounts of Coversin while maintaining the quality of the product, then we may not be able to meet the demands of clinical trials or market demands, which could decrease our ability to generate profits and have a material adverse impact on our business and results of operation.

Risks Related to our Ordinary Shares and ADSs

Ownership of our ADSs and/or Ordinary Shares involves a high degree of risk.

Investing in and owning our ADSs and Ordinary Shares involves a high degree of risk. Shareholders should read carefully the risk factors provided within this section, as well as our public documents filed with the SEC, including the financial statements therein.

If we are deemed or become a passive foreign investment company, or PFIC, for U.S. federal income tax purposes in 2016 or in any prior or subsequent years, there may be negative tax consequences for U.S. taxpayers that are holders of our ADSs.

We will be treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes in any taxable year in which either (i) at least 75% of our gross income is ''passive income'' or (ii) on average at least 50% of our assets by value produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, certain dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. Passive income also includes amounts derived by reason of the temporary investment of funds, including those raised in a public offering. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

We were not treated as a PFIC for 2015 but may be treated as a PFIC for 2016 and future taxable years. If we are deemed a PFIC for any taxable year, and a U.S. Holder does not make an election to treat us as a ''qualified electing fund,'' or QEF, or make a ''mark-to-market'' election, then ''excess distributions'' to a U.S. shareholder, and any gain realized on the sale or other disposition of our ADSs will be subject to special rules. Under these rules: (i) the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period for ADSs; (ii) the amount allocated to the current taxable year and any period prior to the first day of the first taxable year in which we were a PFIC would be taxed as ordinary income; and (iii) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. In addition, if the U.S. Internal Revenue Service determines that we are a PFIC for a year with respect to which we have determined that we were not a PFIC, it may be too late for a U.S. shareholder to make a timely QEF or mark-to-market election. U.S. Holders who hold our ADSs during a period when we are a PFIC will be subject to the foregoing rules, even if we cease to be a PFIC in subsequent years, subject to exceptions for U.S. shareholders who made a timely QEF or mark-to-market election. A U.S. shareholder can make a QEF election by completing the relevant portions of and filing IRS Form 8621 in accordance with the instructions thereto. A QEF election generally may not be revoked without the consent of the IRS. Upon request of any shareholder or pursuant to an agreement with any shareholder, we will annually furnish U.S. shareholders with information needed in order to complete IRS Form 8621 (which form would be required to be filed with the IRS on an annual basis by the U.S. shareholder) and to make and maintain a valid QEF election for any year in which we or any of our subsidiaries are a PFIC.

A limited public market exists for our securities and we cannot assure you that our securities will continue to be listed on the NASDAQ Capital Market or any other securities exchange or that an active trading market will ever develop for any of our securities.

Our ADSs were approved for listing and began trading on the NASDAQ Capital Market under the symbol ''CLTX'' on January 31, 2014 and commenced trading under the symbol ''AKTX'' commencing on September 21, 2015. We cannot assure you that we will be successful in meeting the continuing listing

standards of the NASDAQ Capital Market. Consequently, the trading liquidity of our ADSs may not improve. We may not be successful in maintaining the listing of our ADSs on the NASDAQ Capital Market and cannot assure you that our ADSs will be listed on a national securities exchange. There is no assurance that an active trading market in our ADSs will develop, or if such a market develops, that it will be sustained.

The market price of our ADSs may be volatile and may fluctuate in a way that is disproportionate to our operating performance.

Even if an active trading market develops for our ADSs, our stock price may experience substantial volatility as a result of a number of factors. The market prices for securities of biotechnology companies in general have been highly volatile and may continue to be so in the future. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our ADSs:

- sales or potential sales of substantial amounts of our Ordinary Shares or ADSs;
- delay or failure in initiating, enrolling, or completing pre-clinical or clinical trials or unsatisfactory results of these trials or events reported in any of our current or future clinical trials;
- announcements about us or about our competitors, including clinical trial results, regulatory approvals or new product introductions;
- developments concerning our licensors or product manufacturers;
- litigation and other developments relating to our patents or other proprietary rights or those of our competitors;
- conditions in the pharmaceutical or biotechnology industries;
- governmental regulation and legislation;
- variations in our anticipated or actual operating results;
- change in securities analysts' estimates of our performance, or our failure to meet analysts' expectations;
- whether, to what extent and under what conditions the FDA will permit us to continue developing our product candidates, if at all, and if development is continued, any reports of safety issues or other adverse events observed in any potential future studies of these product candidates;
- adverse publicity relating to the aHUS, myasthenia gravis, Guillain Barré syndrome, keratoconjunctivitis sicca secondary to Sjogren's or in conditions such as antibody mediated transplant rejection markets, including with respect to other products and potential products in such markets;
- our ability to enter into new collaborative arrangements with respect to our product candidates;
- the terms and timing of any future collaborative, licensing or other arrangements that we may establish;
- our ability to raise additional capital to carry through with our clinical development plans and current and future operations and the terms of any related financing arrangements;
- the timing of achievement of, or failure to achieve, our and any potential future collaborators' clinical, regulatory and other milestones, such as the commencement of clinical development, the completion of a clinical trial or the receipt of regulatory approval;
- announcement of FDA approval or non-approval of our product candidates or delays in or adverse events during the FDA review process;
- actions taken by regulatory agencies with respect to our product candidates or products, our clinical trials or our sales and marketing activities, including regulatory actions requiring or leading to restrictions, limitations and/or warnings in the label of an approved product candidate;
- uncontemplated problems in the supply of the raw materials used to produce our product candidates;

- the commercial success of any product approved by the FDA or its foreign counterparts;
- introductions or announcements of technological innovations or new products by us, our potential future collaborators, or our competitors, and the timing of these introductions or announcements;
- market conditions for equity investments in general, or the biotechnology or pharmaceutical industries in particular;
- we may have limited or very low trading volume that may increase the volatility of the market price of our ADSs;
- regulatory developments in the United States and foreign countries;
- changes in the structure or reimbursement policies of health care payment systems;
- any intellectual property infringement lawsuit involving us;
- actual or anticipated fluctuations in our results of operations;
- changes in financial estimates or recommendations by securities analysts;
- hedging or arbitrage trading activity that may develop regarding our ADSs;
- regional or worldwide recession;
- sales of large blocks of our Ordinary Shares or ADSs;
- sales of our Ordinary Shares or ADSs by our executive officers, directors and significant shareholders;
- managerial costs and expenses;
- changes in accounting principles; and
- the loss of any of our key scientific or management personnel.

The stock markets in general, and the markets for biotechnology stocks in particular, have experienced significant volatility that has often been unrelated to the operating performance of particular companies. The financial markets continue to face significant uncertainty, resulting in a decline in investor confidence and concerns about the proper functioning of the securities markets, which decline in general investor confidence has resulted in depressed stock prices for many companies notwithstanding the lack of a fundamental change in their underlying business models or prospects. These broad market fluctuations may adversely affect the trading price of our Ordinary Shares or ADSs.

In the past, class action litigation has often been instituted against companies whose securities have experienced periods of volatility in market price. Any such litigation brought against us could result in substantial costs, which would hurt our financial condition and results of operations and divert management's attention and resources, which could result in delays of our clinical trials or commercialization efforts.

Insiders have control over us which could delay or prevent a change in corporate control or result in the entrenchment of management and/or the board of directors.

As of December 31, 2015, our directors and executive officers, together with their affiliates and related persons, beneficially own, in the aggregate, approximately 61.6% of our outstanding Ordinary Shares. RPC, which is controlled by our chairman Ray Prudo, beneficially owns approximately 61.3% of our outstanding Ordinary Shares. Accordingly, these shareholders, if acting together, or Ray Prudo, individually, may have the ability to impact the outcome of matters submitted to our shareholders for approval, including the election and removal of directors and any merger, consolidation, or sale of all or substantially all of our assets. In addition, these persons may have the ability to influence the management and affairs of our company. Accordingly, this concentration of ownership may harm the market price of our ADSs by:

- delaying, deferring, or preventing a change in control;
- entrenching our management and/or the board of directors;

- impeding a merger, consolidation, takeover, or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Future sales and issuances of our Ordinary Shares or rights to purchase Ordinary Shares pursuant to our equity incentive plans could result in additional dilution of the percentage ownership of our shareholders and could cause our share price to fall.

We expect that significant additional capital will be needed in the future to continue our planned operations. To the extent we raise additional capital by issuing equity securities, our shareholders may experience substantial dilution. We may sell Ordinary Shares (which may be represented by ADSs), convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell Ordinary Shares, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent sales. Such sales may also result in material dilution to our existing shareholders, and new investors could gain rights superior to our existing shareholders.

Sales of a substantial number of our Ordinary Shares by our existing shareholders in the public market could cause our stock price to fall.

Sales of a substantial number of our Ordinary Shares in the public market or the perception that these sales might occur, could significantly reduce the market price of our Ordinary Shares and impair our ability to raise adequate capital through the sale of additional equity securities.

Anti-takeover provisions in our charter documents and under English law could make an acquisition of our company more difficult and may prevent attempts by our shareholders to replace or remove our organization management.

Provisions in our articles of incorporation may delay or prevent an acquisition or a change in management. These provisions include a classified board of directors and a prohibition on actions by written consent of the our shareholders. Although we believe these provisions collectively will provide for an opportunity to receive higher bids by requiring potential acquirors to negotiate with our board of directors, they would apply even if the offer may be considered beneficial by some shareholders. In addition, these provisions may frustrate or prevent any attempts by our shareholders to replace or remove then current management by making it more difficult for shareholders to replace members of the board of directors, which is responsible for appointing the members of management.

We do not anticipate paying cash dividends, and accordingly, shareholders must rely on the appreciation in our ADSs for any return on their investment.

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Therefore, the success of an investment in our ADSs will depend upon any future appreciation in their value. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which our shareholders have purchased their shares.

We were and are required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, and any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and have an adverse effect on the price of our ADSs.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we were required to furnish a report by our management on our internal control over financial reporting for fiscal 2014 (included in our Annual Report on Form 20-F), which was the year following our first annual report required to be filed with the SEC and are required to furnish a report by our management on our internal control over financial reporting for fiscal 2015. The report from our management on our internal control over financial reporting found that our internal control over financial reporting was effective. Such reports contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a

statement as to whether or not our internal control over financial reporting is effective. These assessments must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. If we are unable to assert that our internal control over financial reporting is effective, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the price of our stock ADSs.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until the later of the year following our first annual report required to be filed with the SEC, or the date we are no longer an ''emerging growth company.'' At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Our remediation efforts may not enable us to avoid a material weakness in the future. We will remain an ''emerging growth company'' for up to five years, although if the market value of our ADSs that is held by non-affiliates exceeds $700 million as of any June 30 before that time, we would cease to be an ''emerging growth company'' as of the following December 31. Furthermore, as a result of the extended time period afforded us as an ''emerging growth company,'' the effectiveness of our internal control over financial reporting may not be as transparent to our investors as they may otherwise expect of a public reporting company, which could further impact investor confidence in the accuracy and completeness of our financial reports.

We incur significant costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could harm our operating results.

As a public company, we incur significant legal, accounting and other expenses, including costs associated with public company reporting requirements. We also incur costs associated with current corporate governance requirements, including requirements under Section 404 and other provisions of SOX, as well as rules implemented by the SEC and The NASDAQ Stock Market. The expenses incurred by public companies for reporting and corporate governance purposes have increased dramatically in recent years. We estimate these costs to be approximately $1,000,000 over the next fiscal year and on an annual basis thereafter.

However, for as long as we remain an ''emerging growth company'' as defined in the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not ''emerging growth companies'' including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We intend to take advantage of these reporting exemptions until we are no longer an ''emerging growth company.''

We are an "emerging growth company" and as a result of this and other reduced disclosure requirements applicable to emerging growth companies, our ADSs may be less attractive to investors.

We are an ''emerging growth company,'' as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not ''emerging growth companies'' including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, Section 107 of the JOBS Act also provides that an ''emerging growth company'' can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an ''emerging growth company'' can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are choosing to ''opt out'' of the extended transition period related to the exemption from new or revised accounting standards, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. This election is irrevocable. We cannot predict if investors will find our Ordinary Shares less attractive because of our reduced disclosure requirements. If some investors find our Ordinary Shares less attractive as a result,

there may be a less active trading market for our ADSs and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an ‘‘emerging growth company.’’ We will remain an ‘‘emerging growth company’’ for up to five years after the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act, although if the market value of our Ordinary Shares that is held by non-affiliates exceeds $700 million as of any June 30 before that time, we would cease to be an ‘‘emerging growth company’’ as of the following December 31.

U.S. investors may not be able to enforce their civil liabilities against our company or certain of our directors, controlling persons and officers.

It may be difficult for U.S. investors to bring and/or effectively enforce suits against our company outside of the United States. We are a public limited company incorporated in England and Wales under the Companies Act 2006, as amended. Several of our directors are not residents of the United States, and all or substantial portions of their assets are located outside of the United States. As a result, it may be difficult for U.S. holders of our Ordinary Shares or ADSs to effect service of process on these persons within the United States or to make effective recovery in the United States by enforcing any judgments rendered against them. In addition, if a judgment is obtained in the U.S. courts based on civil liability provisions of the U.S. federal securities laws against us or our directors or officers, it may, depending on the jurisdiction, be difficult to enforce the judgment in the non-U.S. courts against us and any of our non-U.S. resident executive officers or directors. Accordingly, U.S. shareholders may be forced to bring legal proceedings against us and our respective directors and officers under English law and in the English courts in order to enforce any claims that they may have against us or our directors and officers. The enforceability of a U.S. judgment in the United Kingdom will depend on the particular facts of the case as well as the laws and treaties in effect at the time. The United States and the United Kingdom do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Nevertheless, it may be difficult for U.S. shareholders to bring an original action in the English courts to enforce liabilities based on the U.S. federal securities laws against us and any of our non-U.S. resident executive officers or directors.

Holders of ADSs must act through the depositary to exercise their rights as shareholders of our company.

Holders of our ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying Ordinary Shares in accordance with the provisions of the deposit agreement for the ADSs. Under our amended and restated memorandum and articles of association, the minimum notice period required to convene an Annual General Meeting is no less than 21 clear days' notice and 14 clear days' notice for a general meeting (unless, in the case of an annual general meeting all members entitled to attend and vote at the meeting, or in the case of a general meeting, a majority of the members entitled to attend and vote who hold not less than 95% of the voting shares (excluding treasury shares), agree to shorter notice). When a general meeting is convened, holders of our ADSs may not receive sufficient notice of a shareholders' meeting to permit them to withdraw their Ordinary Shares to allow them to cast their vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to holders of our ADSs or carry out their voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to holders of our ADSs in a timely manner, but we cannot assure them that they will receive the voting materials in time to ensure that they can instruct the depositary to vote their ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, holders of our ADSs may not be able to exercise their right to vote and they may lack recourse if their ADSs are not voted as they requested. In addition, in the capacity as an ADS holder, they will not be able to call a shareholders' meeting.

The depositary for our ADSs will give us a discretionary proxy to vote our Ordinary Shares underlying ADSs if a holder of our ADSs does not vote at shareholders' meetings, except in limited circumstances, which could adversely affect their interests.

Under the deposit agreement for the ADSs, the depositary will give us a discretionary proxy to vote our Ordinary Shares underlying ADSs at shareholders' meetings if a holder of our ADSs does not vote, unless:

- we have failed to timely provide the depositary with our notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting; or
- a matter to be voted on at the meeting would have a material adverse impact on shareholders.

The effect of this discretionary proxy is that a holder of our ADSs cannot prevent our Ordinary Shares underlying such ADSs from being voted, absent the situations described above, and it may make it more difficult for shareholders to influence the management of our company. Holders of our Ordinary Shares are not subject to this discretionary proxy.

Holders of our ADSs may be subject to limitations on transfers of ADSs.

ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

The rights of holders of our ADSs to participate in any future rights offerings may be limited, which may cause dilution to their holdings and they may not receive cash dividends if it is impractical to make them available to them.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to holders of our ADSs in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary will not make rights available to holders of our ADSs unless either both the rights and any related securities are registered under the Securities Act, or the distribution of them to ADS holders is exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings.

In addition, the depositary has agreed to pay to holders of our ADSs the cash dividends or other distributions it or the custodian receives on our Ordinary Shares or other deposited securities after deducting its fees and expenses. Holders of our ADSs will receive these distributions in proportion to the number of Ordinary Shares their ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property and holders of our ADSs will not receive any such distribution.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

We do not currently own any property. We currently lease 4,900 square feet of office space in New York, New York, for approximately $24,000 per month. The lease for this property expires in August 2019. We also lease 1,260 square feet of office space in London, England, for approximately $12,000 per month. The lease for this property expires in March 2019.

Item 3. LEGAL PROCEEDINGS

We are not involved in any material legal proceedings.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our ADSs have been listed on the NASDAQ Capital Market under the symbol "AKTX" since September 21, 2015 and under the symbol "CLTX" from January 31, 2014 until September 18, 2015. Prior to that, our ADSs were quoted on the OTCQB under the symbol "CLSXD" from January 3, 2014 to January 30, 2014 and were quoted on the OTCQB under the symbol "CLSXY" from September 16, 2013 until January 2, 2014 and under the symbol "MRRBY" from February 19, 2013 to September 15, 2013. Effective January 3, 2014, our ratio of ADSs to Ordinary Shares changed from one ADS per each two Ordinary Shares to one ADS per each ten Ordinary Shares and, effective as of September 17, 2015, our ratio of ADSs is to Ordinary Shares changed from one ADS per each ten Ordinary Shares to one ADS per each one hundred Ordinary Shares. Currently, each ADS represents by one hundred Ordinary Shares.

The following table sets forth the range of high and low sale prices for our ADSs for the periods indicated, as reported by the NASDAQ Capital Market or the OTCQB, as applicable. These prices do not include retail mark-ups, markdowns, or commissions but give effect to the change in the number of Ordinary Shares represented by each ADS to one hundred Ordinary Shares per each ADS, implemented on September 17, 2015. Historical data in the table has been restated to take into account this change.

	USD High	USD Low
Fiscal Year Ended December 31, 2014		
First Quarter	$110.00	$61.50
Second Quarter	$ 69.60	$50.00
Third Quarter	$ 62.70	$54.00
Fourth Quarter	$ 60.50	$47.00
Fiscal Year Ended December 31, 2015		
First Quarter	$ 61.70	$ 7.60
Second Quarter	$ 7.90	$ 4.10
Third Quarter	$ 39.55	$ 4.90
Fourth Quarter	$ 24.00	$13.50

Shareholders

As of March 23, 2016, there were 323 holders of record of our Ordinary Shares. Because many Ordinary Shares are held by broker nominees, we are unable to estimate the total number of shareholders represented by these record holders. Our depositary, Deutsche Bank Trust Company Americas, constitutes a single record holder of our Ordinary Shares.

Dividends

Since our inception, we have not declared or paid any dividends on our Ordinary Shares. We intend to retain any earnings for use in our business and do not currently intend to pay dividends on our Ordinary Shares. The declaration and payment of any future dividends will be at the discretion of our board of directors and will depend upon our results of operations, cash requirements, financial condition, contractual restrictions, restrictions imposed by our indebtedness, any future debt agreements or applicable laws and other factors that our board of directors may deem relevant.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	61,362,198	$0.34	79,780,222
Equity compensation plans not approved by security holders	—	—	—
Total	61,362,198	$0.34	79,780,222

2014 Plan

In order to retain qualified individuals, the Board previously established the 2007 Stock Option Plan. The Company currently has issued Options representing 1,541,500 Ordinary Shares under the 2007 Stock Option Plan.

In acknowledgement of the Company's status as a NASDAQ Capital Market listed company, and in order to comply with new laws put in place since 2007, on June 19, 2014, the Board of Directors approved the 2014 Equity Incentive Plan (the "2014 Plan"). The shareholders approved the 2014 Plan on June 19, 2014. The purpose of the 2014 Plan is to enable the Company to continue to attract and retain professional personnel for the purposes of executing its clinical development plan. The material terms of the 2014 are set forth below.

The option plan is administered by the Company's board of directors and grants are made pursuant thereto by the Compensation Committee. The aggregate number of Ordinary Shares that may be issued upon exercise of options under the 2014 Plan shall be the sum of: (i) 141,142,420 Ordinary Shares and (ii) any Ordinary Shares that are represented by awards granted under the Company's 2007 Stock Option Plan that are forfeited, expire or are cancelled without delivery of Ordinary Shares or which result in the forfeiture of Ordinary Shares back to the Company on or after June 19, 2014, or the equivalent of such number of Ordinary Shares after the administrator, in its sole discretion, has interpreted the effect of any stock split, stock dividend, combination, recapitalization or similar transaction in accordance with the 2014 Plan; provided, however, that no more than 1,541,500 Ordinary Shares shall be added to the 2014 Plan pursuant to subsection (ii). Options may be granted at any time. As of March 23, 2016, options to purchase 61,362,198 of our Ordinary Shares were outstanding under the 2014 Plan. Unless sooner terminated, the Plan shall expire on April 30, 2024.

The per share exercise price for the shares to be issued pursuant to the exercise of an option shall be such price as determined by the board of directors and set forth in the individual option agreement, subject to any guidelines as may be determined by the board of directors from time to time, provided, however, that the exercise price shall be not less than the par value of the shares underlying the option, and subject to other conditions set forth in the 2014 Plan.

Options are exercisable pursuant to the terms under which they were awarded and subject to the terms and conditions of the 2014 Plan. In general, an option, or any part thereof, may not be exercised unless the optionee is then a service provider of our company or any parent or subsidiary thereof (as each such term is defined in the 2014 Plan). Any tax consequences arising from the grant or exercise of any option from the payment for shares covered thereby, the sale or disposition of such shares and any other expenses are the responsibility of the optionee unless otherwise required by applicable law.

2007 Stock Option Plan

On August 28, 2007, the Board of Directors approved the 2007 Stock Option Plan, or the 2007 Stock Option Plan, amended on April 26, 2012, June 20, 2012 and April 29, 2013. The shareholders approved the 2007 Stock Option Plan on June 20, 2013. The purpose of the 2007 Stock Option Plan is to provide an additional incentive to employees, officers, directors, consultants and other service providers of the Company

and any parent or subsidiary of the Company (each as defined in the 2007 Stock Option Plan) to further the growth, development and financial success of the company by providing them with opportunities to purchase shares pursuant to the 2007 Stock Option Plan and to promote the success of the business. The material terms of the 2007 Stock Option Plan are set forth below.

The option plan is administered by the board of directors and grants are made pursuant thereto by the Compensation Committee. The aggregate number of Ordinary Shares that may be issued upon exercise of options under the 2007 Stock Option Plan shall not exceed 3,865,000 Ordinary Shares. The board of directors may, at any time during the term of the 2007 Stock Option Plan, increase the number of shares available for grant under the 2007 Stock Option Plan. Options may be granted at any time. As of March 23, 2016, options to purchase 1,541,500 of our Ordinary Shares were outstanding under the 2007 Stock Option Plan. Unless sooner terminated, the Plan shall expire on the tenth anniversary of its effective date, or August 28, 2017.

The per share exercise price for the shares to be issued pursuant to the exercise of an option shall be such price as determined by the board of directors and set forth in the individual option agreement, subject to any guidelines as may be determined by the board of directors from time to time, provided, however, that the exercise price shall be not less than the par value of the shares underlying the option, and subject to other conditions set forth in the 2007 Stock Option Plan.

Options are exercisable pursuant to the terms under which they were awarded and subject to the terms and conditions of the 2007 Stock Option Plan. In general, an option, or any part thereof, may not be exercised unless the optionee is then a service provider of our company or any parent or subsidiary thereof (as each such term is defined in the 2007 Stock Option Plan). Any tax consequences arising from the grant or exercise of any option from the payment for shares covered thereby, the sale or disposition of such shares and any other expenses are the responsibility of the optionee unless otherwise required by applicable law.

Unregistered Sales of Securities

None.

Issuer Purchases of Equity Securities

We did not purchase any of our registered equity securities during the period covered by this Annual Report on Form 10-K.

Item 6. SELECTED FINANCIAL DATA

Not required as we are a smaller reporting company.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in the forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this report including those set forth under Item 1A. "Risk Factors" in this Annual Report on Form 10-K.

Overview

We are a biopharmaceutical company focused on the development and commercialization of life-transforming treatments for a range of rare and orphan autoimmune and inflammatory diseases caused by dysregulation of complement C5, including PNH, GBS and aHUS.

On September 18, 2015, Celsus completed its acquisition of all of the capital stock of Volution, from RPC, Volution's sole shareholder, in exchange for Ordinary Shares, of Celsus (the ''Acquisition''), in accordance with the terms of the Share Exchange Agreement, dated as of July 10, 2015, by and among Celsus and RPC. In connection with the Acquisition, the name of the combined company was changed to Akari Therapeutics, Plc. Our ADSs, each representing 100 Ordinary Shares, began trading on The NASDAQ Capital Market under the symbol ''AKTX'' on September 21, 2015.

For accounting purposes, the Acquisition was treated as a ''reverse acquisition'' and Volution was considered the accounting acquirer. Accordingly, our combined and consolidated financial statements reflect the historical financial statements of Volution as our historical financial statements, except for the legal capital which reflects our legal capital (Ordinary Shares).

We are a clinical-stage biopharmaceutical company focused on the development and commercialization of innovative therapeutics to treat rare and orphan autoimmune and inflammatory diseases. Our lead product, Coversin, a second-generation and potentially best-in-class complement inhibitor, acts on complement component-C5, preventing release of C5a and formation of C5b – 9 (also known as the membrane attack complex or MAC). Coversin is a recombinant small protein (16,740 Da) derived from a protein discovered in the saliva of the *Ornithodoros moubata* tick, where it modulates the host immune system to allow the parasite to feed without alerting the host to its presence or provoking an immune response.

C5 inhibition is a new form of treatment that was commercially pioneered by Alexion Pharmaceuticals in 2007 (Nasdaq: ALXN) with FDA approval of their drug Soliris® (eculizumab) to treat PNH. Soliris® is currently the only drug approved to treat two complement-related orphan indications, PNH and aHUS, and has annual sales of $2.6 billion. Eculizumab is a humanized monoclonal antibody, administered by twice monthly intravenous infusion (IV).

To date, we have demonstrated: (i) 100% inhibition of complement C5 activity by Coversin within 12 hours in a Phase Ia clinical trial in healthy volunteers; (ii) that Coversin inhibits PNH red blood cell lysis in vitro; (iii) that Coversin can achieve full complement inhibition in the blood of eculizumab-resistant patients tested to date and (iv) that complement inhibition is complete whether measured by Elisa CH50 U Eq/ml assay or sheep red blood cell lytic CH50 assay, as demonstrated in our 28-day safety study in NHP where Coversin was dosed once a day for 28 days. We believe that the subcutaneous formulation of Coversin will provide considerable patient benefits, accelerating recruitment for trials, and patient uptake if Coversin is approved by regulatory authorities for commercial sale.

Scientific understanding of the role of complement C5 inhibition in the treatment of a range of rare diseases related to uncontrolled activation of the complement arm of the immune system is growing. These rare diseases include conditions such as PNH, aHUS, MG, GBS, and Sjögren's syndrome.

Coversin entered clinical development in 2013 when a Phase Ia clinical trial was initiated under a Clinical Trials Authorisation (CTA) issued by the Medicines and Healthcare products Regulatory Agency (MHRA), an executive agency of the Department of Health in the United Kingdom. The primary objective of this single ascending dose, first-in-man study was to explore the safety profile of Coversin. The drug was well

tolerated, and no serious or dose-related adverse events were reported. The secondary objective of this Phase Ia clinical trial was to examine the effect of Coversin on complement activity at the highest, therapeutic dose. This showed that the peak onset of action was about nine hours after injection, and that the effect of a single dose persisted for more than 96 hours. The effects were consistent between all subjects and showed 100% inhibition of the complement system (see Phase Ia trial results, at right) within 12 hours. This trial suggested that Coversin is suitable for once daily subcutaneous injection. Confirmation of this and of the optimal repeat dose are expected to be obtained in the Phase Ib repeat dose study initiated in the first quarter of 2016. Our initial clinical targets will be PNH, GBS, aHUS, and the treatment of patients with polymorphisms of the C5 molecule which interfere with correct binding of eculizumab, making them resistant to treatment with that drug. The latter are expected to be initially treated under compassionate use and named patient protocols until sufficient safety and efficacy data have been accumulated to allow for regulatory approval.

We have initiated treatment in a European patient with paroxysmal nocturnal hemoglobinuria (PNH) and resistant to eculizumab due to a polymorphism on February X, 2016. The patient is being treated with Coversin under a clinical trial protocol approved by a EU national regulatory authority for treating patients with eculizumab resistance. The primary objective of the eculizumab-resistance program is to provide patients who have clinically demonstrated resistance to eculizumab early access to Coversin as a potentially lifesaving alternative. These patients are entered into an open label protocol where safety and efficacy are measured on an ongoing basis. We expect to present topline results from these patients as they become available. A Phase Ib clinical trial in healthy volunteers was initiated in January 2016, and we expect to initiate a Phase II trial in PNH patients in the second quarter of 2016. We expect to start a Phase II trial in GBS in the middle of 2016 and in aHUS in late 2016. We expect data from the Phase II trial in PNH to be available by year-end 2016. If Coversin achieves satisfactory results in those Phase II clinical trials, we expect to proceed into Phase III pivotal studies in both Europe and the United States. We have decided to discontinue development of Celsus's prior technology. Our reported Results of Operations for the years ended December 31, 2015 and December 31, 2014 and the other financial information presented below, are combined from those of both us and our preceding entity, Varleigh Immuno Pharmaceuticals. Volution was formed in October 2013, and operationally overlapped with Varleigh through July 2014, when Varleigh effectively ceased operations before formal dissolution in September 2014.

Our research and development expenses consist primarily of personnel expenses, fees paid to external service providers for formulation and synthesis activities, manufacturing and costs of pre-clinical studies and clinical trials. We primarily use external service providers to manufacture our product candidates for clinical trials and for all of our pre-clinical and clinical development work. We charge all research and development expenses to operations as they are incurred. We expect our research and development expenses to remain our primary expense in the near future as we continue to develop our product candidates. We currently perform our research and development activity mainly through outsourcing to subcontractors. Since inception we have generated significant losses in connection with our research and development, including the pre-clinical and clinical development of our product candidates. At December 31, 2015, we had an accumulated deficit of $56,796,613. Since inception, we have funded our operations primarily through the sale of equity securities and debt financing. We have not yet generated any revenues and we expect to continue to incur net losses and negative cash flows for the foreseeable future. These net losses and negative cash flows have had, and will continue to have, an adverse effect on our stockholders' equity and working capital. At December 31, 2015 we had $68,919,995 of cash and cash equivalents available to fund future operations through 2017.

In connection with the consummation of the Acquisition, Celsus issued an aggregate of 722,345,600 Ordinary Shares to RPC, which represented, prior to giving effect to the Financing (defined below), 92.85% of Celsus's outstanding Ordinary Shares following the closing of the Acquisition (or 91.68% of Celsus Ordinary Shares on a fully diluted basis). This yielded a share exchange ratio of approximately 721:1 of Akari Ordinary Shares to RPC shares. Our earnings per share have been retrospectively adjusted in the statement of comprehensive loss to reflect this recapitalization.

In addition, on September 18, 2015, we completed a private placement of an aggregate of 3,958,811 restricted ADSs representing 395,881,100 Ordinary Shares for gross proceeds of $75 million (the ''Financing'') at a price of $18.945 per restricted ADS, which represented approximately 33.3% of the outstanding Ordinary Shares of the Company after giving effect to the Acquisition and the Financing.

Critical Accounting Policies and Use of Estimates

The preparation of the consolidated financial statements in conformity with United States Generally Accepted Accounting Principles requires management to make estimates, judgments and assumptions. Our management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an ''emerging growth company'' can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an ''emerging growth company'' can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We chose to ''opt out'' of the extended transition period related to the exemption from new or revised accounting standards, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. This election is irrevocable. Additionally, we are continuing to evaluate the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act.

Subject to certain conditions set forth in the JOBS Act, as an ''emerging growth company,'' we intend to rely on certain of these exemptions, including without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404 and (ii) complying with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis). These exemptions will apply for a period of five years following the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act or until we are no longer an ''emerging growth company,'' whichever is earlier.

Stock-Based Compensation and Fair Value of Ordinary Shares

We account for awards of equity instruments issued to employees and directors under the fair value method of accounting and recognize such amounts in our Consolidated Statements of Comprehensive Loss. We measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in our Consolidated Statements of Comprehensive Loss using the straight-line method over the service period over which we expect the awards to vest.

We estimate the fair value of all time-vested options as of the date of grant using the Black-Scholes option valuation model, which was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected stock price volatility, which we calculate based on the historical volatility of our common stock. We use a risk-free interest rate, based on U.S. Treasury instruments in effect at the time of the grant, for the period comparable to the expected term of the option. Given our limited history with stock option grants and exercises, we use the ''simplified'' method in estimating the expected term, the period of time that options granted are expected to be outstanding, for our grants.

We classify our share-based payments as either liability-classified awards or as equity-classified awards. We remeasure liability-classified awards to fair value at each balance sheet date until the award is settled. We measure equity-classified awards at their grant date fair value and do not subsequently remeasure them. We have classified our share-based payments which are settled in our common stock as equity-classified awards

and our share-based payments that are settled in cash as liability-classified awards. Compensation costs related to equity-classified awards generally are equal to the grant-date fair value of the award amortized over the vesting period of the award. The liability for liability-classified awards generally is equal to the fair value of the award as of the balance sheet date multiplied by the percentage vested at the time. We charge (or credit) the change in the liability amount from one balance sheet date to another to compensation expense.

Warrants

In connection with the issuance of certain warrants, we applied ASC 470-20, ''Debt with Conversion and Other Options'' (''ASC 470-20 ''). In accordance with ASC 470-20, we first allocated the proceeds received to the warrant, freestanding liability instrument that is measured at fair value at each reporting date, with changes in the fair values being recognized in our statement of comprehensive loss as changes in fair value of warrant liabilities. The fair value of the warrants granted was valued by using the Binomial method of valuation. The anti-dilution rights of the warrants were calculated by using the Binomial method of valuation put option using the same parameters as the warrants call option. The computation of expected volatility is based on realized historical stock price volatility of peer companies. The expected term is based on the contractual term. The risk free interest rate assumption is the implied yield currently available on U.S. Treasury yield zero-coupon issues with a remaining term equal to the expected life of the options. The dividend yield assumption is based on our historical experience and expectation of no future dividend payouts and may be subject to substantial change in the future. We have historically not paid cash dividends and have no foreseeable plans to pay cash dividends in the future. The fair value of the warrants on September 18, 2015 (Acquisition date) was $1,800,154. On December 31, 2015, the fair value of the warrants was $685,141. The change in fair value of the warrants in the year ended December 31, 2015 was a decrease of $1,115,013 and was recognized as a change in fair value of warrant liabilities in the statement of comprehensive loss.

RPC options

In connection with a short-term working capital loan of approximately $3 million that included options in RPC, equivalent to 15% of the current outstanding equity issued by RPC. The initial fair value of the RPC options were estimated using the fair value of Akari shares times RPC's ownership in Akari shares times 15% and was approximately $26 million. The exact terms of these options have not been finalized. We recorded a non-cash liability to options for $26 million, allocated $3 million as a loan discount, $23 million as a non-cash financing expense and recorded interest expense in the amount of $3 million in statement of comprehensive loss as a credit to the loan discount. On December 31, 2015, the fair value of the options was $15,711,017. The change in fair value of the options in the year ended December 31, 2015 was a decrease of $10,293,218 and was recognized as a change in fair value of option liabilities in the statement of comprehensive loss.

On December 31, 2015, the fair value of the options and warrants was $16,396,158.

Functional Currency

The functional currency of Akari is U.S. dollars as that is the primary economic environment in which the Company operates as well as the currency in which it has been financed. The functional currency of Volution is Swiss Francs, as that was the primary economic environment in which the Company operated. The functional currency of Varleigh was the British Pound.

The reporting currency of the Company is U.S. Dollars. The Company translated its non-U.S. operations' assets and liabilities denominated in foreign currencies into U.S. dollars at current rates of exchange as of the balance sheet date and income and expense items at the average exchange rate for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded as foreign currency translation adjustments, a component of accumulated other comprehensive income. Gains or losses from foreign currency transactions are included in exchange losses.

Results of Operations

For the years ended December 31, 2015 and December 31, 2014

Research and development expenses

Research and development expenses for the year ended December 31, 2015 were approximately $5,799,000 compared to $1,616,000 for the year ended December 31, 2014. This 258% or $4,183,000 increase was due to higher expenses of approximately $3,511,000 for manufacturing and clinical trial related activities, $346,000 of salary expenses, $189,000 of patent expenses and $137,000 of other expenses.

We expect our research and development expenses to increase in the future as we conduct additional clinical trials to support the clinical development of Coversin, and advance other product candidates into pre-clinical and clinical development.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2015 were approximately $5,502,000 compared to $303,000 for the year ended December 31, 2014. This 1,716% or $5,199,000 increase was primarily due to higher expenses of legal, consulting, professional and accounting expenses of approximately $1,774,000, $1,044,000 of stock-based compensation expense, $809,000 of salary expenses, $750,000 of compensation expenses for advisory services related to the Acquisition, $229,000 of insurance expenses, $132,000 of board expenses, $118,000 of rent expenses, $112,000 of travel related expenses primarily related to the Acquisition and the Financing and $216,000 of other expenses.

We expect our general and administrative expenses to increase due to increased legal, accounting and professional fees associated with being a publicly reporting company in the United States and rental expense associated with offices in the United States and London to support the Company's operations and anticipated growth.

Excess Consideration

Excess consideration of $19,283,280 was calculated as the difference between the fair value of the consideration expected to be realized from the Acquisition and the values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed of Celsus. We have recorded this non-cash charge in the statements of comprehensive loss.

Other income/expenses

Other expense for the year ended December 31, 2015 was approximately $14,733,000 compared to approximately $28,000 for the year ended December 31, 2014. This change was primarily attributed to non-cash financing expense of approximately $23,000,000 and $3,000,000 of non-cash interest expense related to options of RPC granted in connection with a working capital loan to Volution, higher foreign exchange losses of approximately $91,000 and $44,000 of other expenses, offset by the revaluation of stock option and warrant liabilities of approximately $11,408,000.

Liquidity and Capital Resources

Net cash used in operating activities was approximately $4,966,000 during the year ended December 31, 2015 compared to $1,477,000 used by operating activities during the year ended December 31, 2014. The 236% increase in cash flow used in operating activities of approximately $3,489,000 can be primarily attributed to the ongoing research activities to support Coversin, including manufacturing and clinical trial activities.

Net cash provided by investing activities was approximately $1,392,000 in the year ending December 31, 2015. This is due to approximately $1,411,000 cash received from the reverse acquisition offset by approximately $19,000 from the purchase of property and equipment and a receivable from related party. In the year ending December 31, 2014 we had no investment activity. We anticipate that our investment activities will include income generated from our investment in interest bearing securities in the future.

Net cash provided by financing activities was approximately $69,044,000 during the year ended December 31, 2015 compared to approximately $4,235,000 during the year ended December 31, 2014. This increase is primarily attributed to the net proceeds of approximately $69,574,000 from the Financing completed after the Acquisition and approximately $3,000,000 net proceeds from stockholder loans offset by approximately $3,561,000 of repayments of stockholder loans and $3,690,000 of proceeds from issuance of shares in 2014.

As of December 31, 2015, we had approximately $68,920,000 in cash and cash equivalents, an increase of approximately $65,593,000 from December 31, 2014. In addition, as of December 31, 2015, we had accumulated losses in the total amount of approximately $56,797,000. Since inception, we have funded our operations primarily through the sale of equity securities and debt financing. We have not yet generated any revenues and we expect to continue to incur net losses and negative cash flows for the foreseeable future. These net losses and negative cash flows have had, and will continue to have, an adverse effect on our stockholders' equity and working capital. We believe our current cash and cash equivalents are sufficient to fund future operations through 2017. This forecast of cash resources is forward-looking information that involves risks and uncertainties, and the actual amount of our expenses over the next twelve months could vary materially and adversely as a result of a number of factors, including the risks and uncertainties set forth in Item 1A under the heading ''Risk Factors'' of this Annual Report on Form 10-K.

Since inception, we have funded our operations primarily through the sale of equity securities and debt financings. In October 2013, we issued 100,000 shares in exchange for a note receivable of $112,300. The note was paid in full in 2014. In March 2014, we issued 1,750 shares in exchange for $237,090. In November 2014, we effectuated a 10 for 1 stock split. In December 2014, we issued 900,000 shares in exchange for $3,453,633. In September 2013, Varleigh, the predecessor to Volution issued 2,635,659 Ordinary Shares in exchange for $1,339,940. In September 2015, we completed a private placement of an aggregate of 3,958,811 restricted ADSs representing 395,881,100 Ordinary Shares for gross proceeds of $75 million at a price of $18.945 per restricted ADS.

We are constantly addressing our liquidity and will seek additional fund raisings when necessary to implement our operating plan. Failure to do so may delay research and development activities. We cannot be certain that such funding will be available on acceptable terms or available at all. To the extent that we raise additional funds by issuing equity securities, our shareholders may experience significant dilution. There can be no assurance that we will be successful in obtaining an adequate level of financing needed for our long-term research and development activities. If we are unable to raise sufficient capital resources, we will not be able to continue the development of all of our products or may be required to delay part of our development programs and significantly reduce our activities in order to maintain our operations. We believe that our cash and cash equivalents as of December 31, 2015 will be sufficient to fund operations through 2017. We will require additional capital in order to complete the clinical development of and to commercialize our product candidates and our pre-clinical product candidates.

Research and Development, Patents and Licenses

Our research and development expenditures were approximately $5,799,000 and $1,616,000 in the years ended December 31, 2015 and 2014, respectively. Most of such research and development expenditures were in the form of payments to third parties third parties to carry out our manufacturing, pre-clinical and clinical research activities.

We incurred the following research and development expenses in the years ended 2015 and 2014 (in $000's):

	Years ended December 31,	
	2015	2014
Direct Expenses:		
Coversin	$2,437	$ 547
Other	1,087	329
Clinical trials	41	11
Total direct expenses	$3,565	$ 887
Indirect Expenses:		
Staffing	621	232
Other indirect	1,613	497
Total indirect expenses	$2,234	$ 729
Total Research and Development	$5,799	$1,616

Off-balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required as we are a smaller reporting company.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required to be filed pursuant to this Item 8 are appended to this report. An index of those financial statements is found in Item 15.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Annual Report on Form 10-K, have concluded that, based on such evaluation, our disclosure controls and procedures were effective at a reasonable assurance level. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015, based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2015.

Changes in Internal Control over Financial Reporting

As required by Rule 15d-15(d) under the Securities and Exchange Act of 1934, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, an evaluation of our internal control over financial reporting was conducted to determine whether any changes occurred during the quarter ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As reported in our Form 10-Q for the quarterly period ended September 30, 2015 (the ''Form 10-Q''), our management identified a material weakness in our internal control over financial reporting prior to the Acquisition that related to the lack of internal expertise and resources to analyze and timely record under US GAAP certain non-routine complex transactions that were directly related to and arose as a result of the Acquisition. Prior to the completion of the Acquisition on September 18, 2015, Volution, as a private company, lacked sufficient resources to properly analyze and record complex non-routine transactions. Therefore, management concluded that our disclosure controls and procedures were not effective as of September 30, 2015. During the quarter ended December 31, 2015, our management began to implement the following remediation measures to address these issues:

— Our Chief Financial Officer performs a rigorous and timely review of non-routine complex agreements prior to their execution;

— The hiring of additional accounting personnel, that is intended to reasonably assure management that its disclosure controls and procedures are effective; and

— In the event we enter into non-routine complex transactions, we intend to retain an accounting consultant or other expert advice to assist in the review of the accounting treatment: detailing the facts, circumstances, research and conclusions concerning the accounting treatment of such transaction and communicate its findings to senior management for resolution as needed.

Management believes that the actions described above remediated the material weakness described in the Form 10-Q.

Other than the steps taken to address the material weakness described above, there were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control, that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The response to this item is incorporated by reference from the discussion responsive thereto under the captions ''Management and Corporate Governance Matters,'' ''Section 16(a) Beneficial Ownership Reporting Compliance,'' and ''Code of Conduct and Ethics'' in the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders.

Item 11. EXECUTIVE COMPENSATION

The response to this item is incorporated by reference from the discussion responsive thereto under the caption ''Executive Officer and Director Compensation'' in the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The response to this item is incorporated by reference from the discussion responsive thereto under the captions ''Security Ownership of Certain Beneficial Owners and Management'' and ''Equity Compensation Plan Information'' in the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The response to this item is incorporated by reference from the discussion responsive thereto under the captions ''Certain Relationships and Related Transactions'' and ''Management and Corporate Governance Matters'' in the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The response to this item is incorporated by reference from the discussion responsive thereto under the caption ''Independent Public Accountants'' in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements and Schedules

(a) The following documents are filed as part of this report:

(1) Financial Statements:

See "Index to Consolidated Financial Statements" on page F-1 of this Annual Report on Form 10-K.

AKARI THERAPEUTICS, PLC

COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015
U.S. DOLLARS IN THOUSANDS
INDEX

(2) Financial Statement Schedules:

All financial statement schedules have been omitted because they are not applicable, not required or the information required is shown in the financial statements or the notes thereto.

(3) Exhibits. The exhibits filed as part of this Annual Report on Form 10-K are set forth on the Exhibit List immediately following our consolidated financial statements. The Exhibit List is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Akari Therapeutics, Plc

Date: March 23, 2016

By: /s/ Gur Roshwalb
Gur Roshwalb
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below and on the dates indicated.

Signature	Title	Date
/s/ Gur Roshwalb Gur Roshwalb	Chief Executive Officer and Director (Principal Executive Officer)	March 23, 2016
/s/ Dov Elefant Dov Elefant	Chief Financial Officer (Principal Financial and Accounting Officer)	March 23, 2016
/s/ Ray Prudo Ray Prudo	Executive Chairman of the Board of Directors	March 23, 2016
/s/ Mark S. Cohen Mark S. Cohen	Vice Chairman of the Board of Directors	March 23, 2016
/s/ James Hill James Hill	Director	March 23, 2016
/s/ Stuart Ungar Stuart Ungar	Director	March 23, 2016
/s/ Allan Shaw Allan Shaw	Director	March 23, 2016
/s/ Clive Richardson Clive Richardson	Director	March 23, 2016

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Switzerland

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Akari Therapeutics, Plc

We have audited the accompanying combined and consolidated balance sheets of Akari Therapeutics, Plc as of December 31, 2015 and 2014 and the related combined and consolidated statements of comprehensive loss, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Akari Therapeutics, Plc at December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

Zurich, March 23, 2016

BDO AG

/s/ Christoph Tschumi /s/ ppa. Julian Snow

AKARI THERAPEUTICS, Plc

COMBINED AND CONSOLIDATED BALANCE SHEETS
As of December 31, 2015 and December 31, 2014
(in U.S. Dollars, except share data)

	December 31, 2015	December 31, 2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 68,919,995	$ 3,327,468
Prepaid expenses and other current assets	728,126	7,781
Receivable from related party	10,366	—
Total Current Assets	69,658,487	3,335,249
Restricted cash	142,079	—
Property and equipment, net	40,513	—
Patent acquisition costs, net	52,483	59,417
Total Assets	$ 69,893,562	$ 3,394,666
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	4,320,588	555,528
Accounts payable – related party	—	39,236
Accrued expenses	408,222	42,999
Loans payable – shareholders	—	533,605
Liability related to options and warrants	16,396,158	—
Total Current Liabilities	21,124,968	1,171,368
Other long-term liability	49,069	—
Total liabilities	21,174,037	1,171,368
Commitments and Contingencies		
Shareholders' Equity:		
Share capital of GBP .01 par value Authorized: 5,000,000,000 shares; issued and outstanding: 1,177,693,383 and 722,345,600 at December 31, 2015 and 2014, respectively	18,340,894	11,210,804
Additional paid-in capital	87,018,764	2,445,494
Accumulated other comprehensive income	156,480	46,081
Accumulated deficit	(56,796,613)	(11,479,081)
Total Shareholders' Equity	48,719,525	2,223,298
Total Liabilities and Shareholders' Equity	$ 69,893,562	$ 3,394,666

See notes to combined and consolidated financial statements.

AKARI THERAPEUTICS, Plc

COMBINED AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the Years Ended December 31, 2015 and 2014
(in U.S. Dollars)

	Years Ended	
	December 31, 2015	December 31, 2014
Operating Expenses:		
Research and development costs	$ 5,799,076	$ 1,616,204
General and administrative expenses	5,502,214	303,095
Excess consideration	19,283,280	—
Total Operating Expenses	30,584,570	1,919,299
Loss from Operations	(30,584,570)	(1,919,299)
Other Income (Expense):		
Interest income	20,705	91
Changes in fair value of option and warrant liabilities – gains	11,408,231	—
Financing expense	(22,973,138)	—
Exchange loss	(90,588)	(22,909)
Interest expense	(3,053,948)	(5,436)
Other expenses	(44,224)	—
Total Other Income (Expense)	(14,732,962)	(28,254)
Loss before Income Taxes	(45,317,532)	(1,947,553)
Income Taxes	—	—
Net Loss	(45,317,532)	(1,947,553)
Other Comprehensive Income:		
Foreign Currency Translation Adjustment	110,399	79,438
Comprehensive Loss	$ (45,207,133)	$ (1,868,115)
Loss per common share (basic and diluted)	$ (0.05)	$ (0.02)
Weighted average common shares (basic and diluted)	852,088,530	85,515,588

See notes to combined and consolidated financial statements.

AKARI THERAPEUTICS, Plc

COMBINED AND CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
As of and for the Year Ended December 31, 2015 and 2014
(in U.S. Dollars)

	Varleigh Immuno Pharmaceuticals Ltd		*Akari Therapeutics, Plc*					
	Share Capital		Share Capital		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
Shareholders' Equity, January 1, 2014	11,727,149	$ 1,888,435	72,108,370	$ 1,119,122	$ 6,958,018	$ (33,357)	$ (9,531,528)	$ 400,690
Issuance of share capital (related to the recapitalization of Volution)	—	—	650,237,230	10,091,682	(6,400,959)	—	—	3,690,723
Payment of share subscription receivable	—	—	—	—	—	—	—	—
Dissolution of Varleigh	(11,727,149)	(1,888,435)	—	—	1,888,435	—	—	—
Comprehensive Loss	—	—	—	—	—	79,438	(1,947,553)	(1,868,115)
Shareholders' Equity, December 31, 2014	—	—	722,345,600	11,210,804	2,445,494	46,081	(11,479,081)	2,223,298
Issuance of share capital related to acquisition (Celsus shares outstanding at date of acquisition)	—	—	55,636,283	926,567	19,412,573	—	—	20,339,140
Issuance of share capital related to financing, net of issuance costs	—	—	395,881,100	6,144,075	63,430,279	—	—	69,574,354
Issuance of share capital for advisory fees	—	—	3,830,400	59,448	690,552	—	—	750,000
Stock-based compensation	—	—	—	—	1,039,866	—	—	1,039,866
Comprehensive Loss	—	—	—	—		110,399	(45,317,532)	(45,207,133)
Shareholders' Equity, December 31, 2015	—	—	1,177,693,383	$18,340,894	$87,018,764	$156,480	$(56,796,613)	$ 48,719,525

See notes to combined and consolidated financial statements.

AKARI THERAPEUTICS, Plc

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
As of and for the Years Ended December 31, 2015 and 2014
(in U.S. Dollars)

	Year Ended	
	December 31, 2015	December 31, 2014
Cash Flows from Operating Activities:		
Net loss	$(45,317,532)	(1,947,553)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	10,162	4,942
Stock-based compensation	1,039,866	—
Compensation expense	750,000	—
Amortization of debt discount	3,031,304	—
Excess consideration	19,283,280	—
Financing expense	22,973,138	
Changes in fair value of the liability for options and warrants	(11,408,231)	—
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Prepaid expenses and other assets	913,788	(8,422)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	3,755,173	474,209
Other liabilities	3,469	—
Total adjustments	40,351,949	470,729
Net Cash Used in Operating Activities	(4,965,583)	(1,476,824)
Cash Flows from Investing Activities:		
Cash received from reverse acquisition	1,410,577	—
Receivable from related party	(8,219)	—
Purchase of property and equipment	(10,560)	—
Net Cash Provided by Investing Activities	1,391,798	—
Cash Flows from Financing Activities:		
Proceeds from shareholder loans	3,031,304	432,353
Payments of shareholder loans	(3,561,239)	—
Proceeds from issuance of shares	75,000,000	3,690,723
Issuance costs	(5,425,646)	—
Proceeds from stock subscription	—	112,300
Net Cash Provided by Financing Activities	69,044,419	4,235,376
Effect of Exchange Rates on Cash and Cash Equivalents	121,893	15,262
Net Increase in Cash and Cash Equivalents	65,592,527	2,773,814
Cash and Cash Equivalents, beginning	3,327,468	553,654
Cash and Cash Equivalents, end	$ 68,919,995	$ 3,327,468
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	$ 22,945	$ 5,400

See notes to combined and consolidated financial statements.

NOTE 1 — Nature of Business

Akari Pharmaceuticals, Plc, (the ''Company'' or ''Akari''), formerly Celsus Therapeutics Plc (''Celsus''), is incorporated in the United Kingdom. The Company is a clinical stage biotechnology company, and is focused on developing anti-complement and anti-inflammatory molecules as treatments for a wide range of rare and orphan conditions in the autoimmune and inflammatory diseases sectors.

On September 18, 2015, Celsus Therapeutics Plc completed its acquisition of all of the capital stock of Volution Immuno Pharmaceuticals SA (''Volution''), from RPC Pharma Limited (''RPC''), Volution's sole shareholder, in exchange for ordinary shares, par value £0.01, (''Ordinary Shares''), of Celsus (the ''Acquisition''), in accordance with the terms of the Share Exchange Agreement, dated as of July 10, 2015 (the ''Agreement''), by and among Celsus and RPC. In connection with the Acquisition, the name of the combined company was changed to Akari Therapeutics, Plc. The Company's American Depositary Shares (''ADSs''), each representing 100 Ordinary Shares, began trading on The NASDAQ Capital Market under the symbol ''AKTX'' on September 21, 2015.

In connection with the consummation of the Acquisition, Celsus issued an aggregate of 722,345,600 Ordinary Shares to RPC, which represented, prior to giving effect to the Financing (defined below), 92.85% of Celsus's outstanding Ordinary Shares following the closing of the Acquisition (or 91.68% of Celsus Ordinary Shares on a fully diluted basis). This yielded a share exchange ratio of approximately 721:1 of Akari ordinary shares to RPC shares. The Company's earnings per share have been retrospectively adjusted in the statement of comprehensive loss to reflect this recapitalization. Since the Volution securityholders owned a majority of the capitalization of the Company immediately following the closing of the Acquisition, Volution is considered to be the acquiring company for accounting purposes, and the transaction has been accounted for as a reverse acquisition under the acquisition method of accounting for business combinations in accordance with U.S. GAAP. Accordingly, the assets and liabilities of Celsus have been recorded as of the acquisition closing date at fair value and the combined and consolidated financial statements reflect the historical financial statements of Volution as our historical financial statements.

The Company, as used in the accompanying notes to the combined and consolidated financial statements, refers to Volution prior to the Acquisition and Akari subsequent to the completion of the Acquisition.

In addition, on September 18, 2015, the Company completed a private placement of an aggregate of 3,958,811 restricted ADSs representing 395,881,100 Ordinary Shares for gross proceeds of $75 million (the ''Financing'') at a price of $18.945 per restricted ADS, which represented approximately 33.3% of the outstanding Ordinary Shares of the Company after giving effect to the Acquisition and the Financing.

Volution was originally incorporated in Switzerland as a private limited company and commenced business on October 9, 2013. On October 23, 2013, Varleigh Immuno Pharmaceuticals Ltd (''Varleigh''), a UK limited company, transferred certain patent rights to Volution in exchange for a payment of approximately $107,000, (GBP 65,000), which was the carrying value of the patents in accordance with local accounting standards. Effective September 12, 2014 Varleigh ceased its operations and was dissolved. The transaction resulted in the transfer of the business of Varleigh to Volution. On the date of transfer, the controlling/majority shareholders of Volution were also the controlling/majority shareholders of Varleigh. Upon dissolution, there were no reported assets, liabilities, or accumulated comprehensive income remaining in Varleigh, as such no gain or loss on dissolution was recognized.

On July 3, 2015, the shareholders of Volution exchanged their shares for RPC shares with no changes in individual share ownerships. This qualified as a reorganization.

NOTE 1 — Nature of Business – (continued)

The Company is subject to a number of risks similar to those of clinical stage companies, including dependence on key individuals, uncertainty of product development and generation of revenues, dependence on outside sources of capital, risks associated with clinical trials of products, dependence on third-party collaborators for research operations, need for regulatory approval of products, risks associated with protection of intellectual property, and competition with larger, better-capitalized companies. Successful completion of the Company's development program and, ultimately, the attainment of profitable operations is dependent upon future events, including obtaining adequate financing to fulfill its development activities and achieving a level of revenues adequate to support the Company's cost structure. There are no assurances that the Company will be able to obtain additional financing on favorable terms, or at all or successfully market its products.

NOTE 2 — Summary of Significant Accounting Policies

Principles of Combination and Consolidation — The combined and consolidated financial statements include the accounts of the Company, Volution and Volution Immuno Ltd (a UK Ltd Company), its wholly-owned subsidiary, which was incorporated in London on August 22, 2014.

The financial statements of Varleigh, which was the predecessor business to the Company, have been combined through the date of its dissolution on September 12, 2014.

All intercompany transactions have been eliminated.

Foreign Currency — The functional currency of Akari is U.S. dollars as that is the primary economic environment in which the Company operates as well as the currency in which it has been financed. The functional currency of Volution is Swiss Francs, as that was the primary economic environment in which the Company operated. The functional currency of Varleigh was the British Pound.

The reporting currency of the Company is U.S. Dollars. The Company translated its non-U.S. operations' assets and liabilities denominated in foreign currencies into U.S. dollars at current rates of exchange as of the balance sheet date and income and expense items at the average exchange rate for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded as foreign currency translation adjustments, a component of accumulated other comprehensive income. Gains or losses from foreign currency transactions are included in exchange losses.

Use of Estimates — The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that may affect the reported amounts of assets, liabilities, equity, revenue, expenses and related disclosure of contingent assets and liabilities. Management's estimates and judgments include assumptions used for accrued liabilities, deferred income taxes, liabilities related to options and warrants, stock-based compensation and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates under different assumptions or conditions.

Fair Value Measurements — The carrying amounts of financial instruments, including cash and cash equivalents, restricted cash, receivable from related party, accounts payable, and loans payable shareholders approximate fair value due to their short-term maturities.

The Company's liability related to options and warrants are warrants related to equity and debt financing rounds and options related to RPC and are recognized on the balance sheet at their fair value, with changes in the fair value accounted for in the statement of comprehensive loss and included in financing income or expenses.

Cash and Cash Equivalents — The Company considers all highly-liquid investments with original maturities of 90 days or less at the time of acquisition to be cash equivalents. The Company had no cash equivalents at December 31, 2015 and December 31, 2014.

NOTE 2 — Summary of Significant Accounting Policies – (continued)

Restricted cash — Restricted cash are investments held as collateral for a letter of credit related to the Company's office lease.

Prepaid Expenses and Other Current Assets — Prepaid expenses and other assets consist principally of VAT receivables and prepaid expenses.

Property and equipment, net — Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets at the following annual rates:

	%
Computers, peripheral, and scientific equipment	33
Office furniture and equipment	25

Long-Lived Assets — The Company reviews all long-lived assets for impairment whenever events or circumstances indicate the carrying amount of such assets may not be recoverable. Recoverability of assets to be held or used is measured by comparison of the carrying value of the asset to the future undiscounted net cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset exceeds the discounted future cash flows expected to be generated by the asset.

Patent Acquisition Costs — Patent acquisition costs and related capitalized legal fees are amortized on a straight-line basis over the shorter of the legal or economic life. The estimated useful life is twenty two years.

The Company expenses costs associated with maintaining and defending patents subsequent to their issuance in the period incurred.

Accrued Expenses — As part of the process of preparing the combined and consolidated financial statements, it requires the estimate of accrued expenses. This process involves identifying services that third parties have performed on the Company's behalf and estimating the level of service performed and the associated cost incurred on these services as of each balance sheet date in our combined and consolidated financial statements. Examples of estimated accrued expenses include contract service fees in conjunction with pre-clinical and clinical trials and professional service fees. In connection with these service fees, our estimates are most affected by our understanding of the status and timing of services provided relative to the actual services incurred by the service providers. In the event that we do not identify certain costs that have been incurred or we under or over-estimate the level of services or costs of such services, our reported expenses for a reporting period could be understated or overstated. The date on which certain services commence, the level of services performed on or before a given date, and the cost of services are often subject to our judgment. We make these judgments based upon the facts and circumstances known to us in accordance with U.S. GAAP.

Research and Development Expenses — Costs associated with research and development are expensed as incurred. Research and development expenses include, among other costs, costs incurred by outside laboratories and other accredited facilities in connection with clinical trials and preclinical studies. Research and development expense for the years ended December 31, 2015 and December 31, 2014 amounted to $5,799,076 and $1,616,204, respectively.

Stock-Based Compensation Expense —

Stock-based compensation costs are recognized in earnings using the fair-value based method for all awards granted. Compensation costs for unvested options and awards are recognized in earnings over the requisite service period based on the fair value of those options and awards. For employees, fair value is estimated at the grant date and for non-employees fair value is re-measured at each reporting date as required

(in U.S. Dollars)

NOTE 2 — Summary of Significant Accounting Policies – (continued)

by ASC 718, ''Compensation-Stock Compensation'', and ASC 505-50, ''Equity-Based Payments to Non-Employees.'' Fair values of awards granted under the share option plans are estimated using a Black-Scholes option pricing model. The determination of fair value for stock-based awards on the date of grant using an option pricing model requires management to make certain assumptions regarding a number of complex and subjective variables.

Concentration of Credit Risk — Financial instruments that subject the Company to credit risk consist of cash and cash equivalents. The Company maintains cash and cash equivalents with well-capitalized financial institutions. At times, those amounts may exceed insured limits. The Company has no significant concentrations of credit risk.

Income Taxes — The Company accounts for income taxes in accordance with the accounting rules that require an asset and liability approach to accounting for income taxes based upon the future expected values of the related assets and liabilities. Deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and for tax loss and credit carry forwards, and are measured using the expected tax rates estimated to be in effect when such basis differences reverse. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will, more likely than not, be realized. The Company accounts for R&D tax credits at the time its realization becomes probable.

Uncertain Tax Positions — The Company follows the provisions of ''Accounting for Uncertainty in Income Taxes'', which prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Under ''Accounting for Uncertainty in Income Taxes'', an entity may only recognize or continue to recognize tax positions that meet a ''more-likely-than-not'' threshold. Interest and penalties related to uncertain tax positions are recognized as income tax expense.

Earnings Per Share — Basic earnings (loss) per common share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings (loss) per common share is computed by dividing net income (loss) available to common shareholders by the sum of (1) the weighted-average number of shares of common stock outstanding during the period, (2) the dilutive effect of the assumed exercise of options and warrants using the treasury stock method, and (3) the dilutive effect of other potentially dilutive securities.

Comprehensive Income (Loss) — Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's other comprehensive income (loss) is comprised of foreign currency translation adjustments.

The following table provides details with respect to changes in accumulated other comprehensive income (AOCI), which is comprised of foreign currency translation adjustments, as presented in the combined balance sheets for the years ended December 31, 2015 and 2014:

Balance January 1, 2014	$ (33,357)
Net current period other comprehensive income	79,438
Balance December 31, 2014	46,081
Net current period other comprehensive income	110,399
Balance December 31, 2015	$156,480

NOTE 2 — Summary of Significant Accounting Policies – (continued)

New Accounting Pronouncements —

Not Adopted — In August 2014, the FASB issued Accounting Standard Update 2014-15, Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern. The amendments require management to perform interim and annual assessments of an entity's ability to continue as a going concern and provides guidance on determining when and how to disclose going concern uncertainties in the financial statements. The standard applies to all entities and is effective for annual and interim reporting periods ending after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact on its combined and consolidated financial statements and disclosures.

Not Adopted — In November 2015, the FASB issued ASU (ASU) 2015-17, Balance Sheet Classification of Deferred Taxes, which requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this update apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this update. The amendments in this update are effective for the company's financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in this update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. If an entity applies the guidance prospectively, the entity should disclose in the first interim and first annual period of change, the nature of and reason for the change in accounting principle and a statement that prior periods were not retrospectively adjusted. If an entity applies the guidance retrospectively, the entity should disclose in the first interim and first annual period of change the nature of and reason for the change in accounting principle and quantitative information about the effects of the accounting change on prior periods. The Company is currently evaluating the impact of this standard on its combined and consolidated financial statements. We do not expect this standard to have a material impact on the Company's reported results of operations or financial position.

NOTE 3 — Reverse Acquisition

We completed our acquisition as discussed in Note 1. Based on the terms of the Acquisition and since the Volution securityholders owned approximately 91.68% of the fully-diluted capitalization of the Company immediately following the closing of the Acquisition, Volution is considered to be the acquiring company for accounting purposes, and the transaction has been accounted for as a reverse acquisition under the acquisition method of accounting for business combinations in accordance with U.S. GAAP. Accordingly, the assets and liabilities of Celsus have been recorded as of the acquisition closing date at fair value.

Accordingly, the acquisition consideration for accounting purposes consisted of the Celsus Ordinary Shares and the fair value of vested options and warrants issued by Celsus that were outstanding at the date of the Acquisition immediately prior to closing. Assets and liabilities of Celsus were measured at fair value and added to the assets and liabilities of Volution, and the historical results of operations of Volution were reflected in the results of operations of the Company following the Acquisition.

In connection with the consummation of the Acquisition, the Company issued an aggregate of 722,345,600 Ordinary Shares to RPC, Volution's sole shareholder, in exchange for the outstanding shares of common stock of Volution.

(in U.S. Dollars)

NOTE 3 — Reverse Acquisition – (continued)

Purchase Consideration

The purchase price for Celsus on September 18, 2015, the closing date of the Acquisition, was as follows:

Fair value of Celsus common stock outstanding	$20,034,625[(a)]	
Fair value of Celsus stock options	277,461	(2,516,690 options)
Fair value of Celsus warrants	27,054	(1,782,246 warrants)
Total purchase price	$20,339,140	

(a) computed by multiplying 55,636,283 ordinary shares of Celsus at acquisition by the closing price on September 18, 2015 of $0.3601.

Allocation of Purchase Consideration — preliminary

Under the acquisition method of accounting, the total purchase price was allocated to tangible and identifiable intangible assets acquired and liabilities assumed of Celsus on the basis of their estimated fair values as of the transaction closing date on September 18, 2015. The excess of the total purchase price over the fair value of assets acquired and liabilities assumed was allocated to excess consideration.

The following table summarizes the allocation of the purchase consideration to the assets acquired and liabilities assumed based on their fair values as of September 18, 2015:

Cash and cash equivalents	$ 1,410,577
Restricted cash	142,079
Prepaid expenses and other assets acquired	1,672,028
Excess consideration	19,283,280
Liability related to options and warrants	(1,800,154)
Other assumed liabilities	(368,670)
Total	$20,339,140

The Company believes that the historical values of Celsus's current assets and current liabilities approximate fair value based on the short-term nature of such items.

Excess consideration is calculated as the difference between the fair value of the consideration expected to be realized and the values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed. The Company has recorded this non-cash charge in the statements of comprehensive loss due to the fact that Goodwill could not be justified and was considered fully impaired.

NOTE 4 — Patent Acquisition Costs

Patent acquisition costs, net, are the asset costs of purchased patents that and are amortized over the useful life of the patent determined to be 22 years, at December 31, 2015 and December 31, 2014 consisted of the following:

	December 31, 2015	December 31, 2014
Patent acquisition and related costs	$ 95,050	$ 95,192
Less: Accumulated amortization	(42,567)	(35,775)
	$ 52,483	$ 59,417

(in U.S. Dollars)

NOTE 4 — Patent Acquisition Costs – (continued)

Amortization of patent acquisition costs for the years ended December 31, 2015 and December 31, 2014 was $3,122 and $1,891, respectively.

Approximate amortization expense of patent acquisition costs for the next five years is as follows:

2016	$ 3,100
2017	3,100
2018	3,100
2019	3,100
2020	3,100
Thereafter	36,983

NOTE 5 — Loans Payable — Shareholders

Loans payable — shareholders at December 31, 2015 and December 31, 2014 consisted of the following:

	December 31, 2015	December 31, 2014
Unsecured demand loan (CHF 100,500) bearing interest at 3.5% per annum	$—	$101,252
Unsecured demand loan (EUR 224,250) bearing interest at 4.5% per annum	—	275,241
Unsecured demand loan (GBP 100,000) bearing interest at 4.5% per annum	—	157,112
Unsecured demand loan (GBP 1,998,000) bearing interest at 3.0% per annum	—	—
	$—	$533,605

At a Volution shareholder meeting held on June 22, 2015, Volution raised short-term working capital in the form of loans from shareholders of approximately $3 million. The loans carry with them, options in RPC, equivalent to 15% of the current outstanding equity issued by RPC which have been accounted for in accordance with ASC 718 since RPC is a private company that is a majority shareholder of the Company. The fair value of the RPC options is estimated using the fair value of Akari shares times RPC's ownership in Akari shares times 15 percent and was approximately $26 million. The exact terms of these options have not been finalized. These options do not relate to the share capital of Akari. The Company recorded a liability to options and warrants for $26 million reflected in current liabilities on the balance sheet, allocated $3 million as a loan discount and recorded interest expense over the estimated term of the loan amounting to $3 million in statement of comprehensive loss as a credit to the loan discount (see note 6). The remaining $23 million was recorded as a non-cash financing expense in the statement of comprehensive loss.

Interest expense included in the statement of comprehensive loss related to these loans for the years ended December 31, 2015 and 2014 amounted to $3,053,948 and $5,436, respectively. The 2014 shareholder loans were repaid in April 2015 and the 2015 loans were repaid in October 2015.

(in U.S. Dollars)

NOTE 6 — Fair Value Measurements

Fair value of financial instruments:

The estimated fair value of financial instruments has been determined by the Company using available market information and valuation methodologies. Considerable judgment is required in estimating fair values. Accordingly, the estimates may not be indicative of the amounts the Company could realize in a current market exchange.

The carrying amounts of cash and cash equivalents, receivable from related party, restricted cash, accounts payable, loans payable and liability related to option and warrants approximate their fair value due to the short-term maturity of such instruments.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820, ''Fair Value Measurements and Disclosures'' establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 — quoted prices in active markets for identical assets or liabilities;

Level 2 — inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 — unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

	Carrying Amount $	December 31, 2015 Fair Value $	December 31, 2014 Carrying Amount $	Fair Value $	Fair Value Levels	Reference
Cash and cash equivalents	68,919,995	68,919,995	3,327,468	3,327,468	1	Note 2
Receivable from related party	10,366	10,366	—	—	3	Note 8
Restricted cash	142,079	142,079	—	—	1	Note 2
Accounts payable	4,320,588	4,320,588	555,528	555,528	1	—
Accounts payable – related party	—	—	39,236	39,236	3	—
Loans payable – shareholders	—	—	533,605	533,605	1	Note 5
Liability related to options and warrants	16,396,158	16,396,158	—	—	3	Note 6

In accordance with ASC 820, the Company measures its liability related to options and warrants on a recurring basis at fair value. The liability related to options and warrants is classified within Level 3 value hierarchy because the liability is based on present value calculations and external valuation models whose inputs include market interest rates, estimated operational capitalization rates, volatilities and illiquidity. Unobservable inputs used in these models are significant.

(in U.S. Dollars)

NOTE 6 — Fair Value Measurements – (continued)

Upon completion of the Acquisition, the Company assumed certain warrants that were issued in connection with several private placements by Celsus and certain investors where it sold ordinary shares and warrants. Some of the issued warrants contain non-standard anti-dilution.

As of September 18, 2015, the Acquisition date, warrants to purchase 5,617,977 ordinary shares had full ratchet anti-dilution protection (which would be triggered by a share or warrant issuance at less than $0.1958 price share or exercise price per share). The issuance of ordinary shares in connection with the Financing (see Note 1) triggered the full ratchet anti-dilution protection resulting in an additional 188,303 ordinary shares issuable upon exercise of such warrants for a total of 5,806,280 and reducing the exercise price to $0.18945. As of December 31, 2015, the fair value of the warrants was $685,141. The net change in fair value was recognized as change in fair value of option and warrant liabilities in the Company's consolidated statement of comprehensive loss. The warrants expire on April 3, 2017.

The Company accounts for the liability warrants issued in accordance with ASC 815, ''Derivatives and Hedging'' as a freestanding liability instrument that is measured at fair value at each reporting date, based on its fair value, with changes in the fair values being recognized in the Company's consolidated statement of comprehensive loss as financing income or expense.

The fair value of warrants granted was measured using the Binomial method of valuation.

Fair values were estimated using the following assumptions for the options as of December 31, 2015:

Expected dividend yield	0%
Expected volatility	233.0%
Risk-free interest	0.75%
Expected life	1.26 years

The Company raised short-term working capital in the form of loans from shareholders of approximately $3 million with the loans carrying with it, options in RPC, equivalent to 15% of the current outstanding equity issued by RPC. RPC is a private company that is a majority shareholder of the Company. The options were accounted for in accordance with ASC 718. The fair value of the RPC options is estimated using the fair value of Akari shares times RPC's ownership in Akari shares times 15 percent and was approximately $26 million. These options do not relate to the share capital of Akari. The Company recorded a liability to options and warrants for $26 million, allocated $3 million as a loan discount and recorded interest expense over the estimated term of the loan amounting to $3 million recognized in the statement of comprehensive loss as a credit to the loan discount (see note 5). The remaining $23 million was recorded as a non-cash financing expense in the statement of comprehensive loss.

As of December 31, 2015, the fair value of the RPC options was $15,711,017. The net change in fair value was recognized as change in fair value of option and warrant liabilities in the Company's consolidated statement of comprehensive loss. The Company accounted for the options as a liability in accordance with ASC 815-40-25, ''Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock'' and ASC 815-40-15, ''Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock.''

(in U.S. Dollars)

NOTE 6 — Fair Value Measurements – (continued)

The Company's financial assets and liabilities measured at fair value on a recurring basis, consisted of the following types of instruments as of the following dates:

	December 31, 2015	December 31, 2014
	Fair value measurements using input type Level 3	
Warrants	$ 685,141	—
RPC options	$15,711,017	—
Liability related to options and warrants	**$16,396,158**	**$—**

Fair value measurements using significant unobservable inputs (Level 3):

	Fair value of liability related to stock options and warrants
Balance at December 31, 2014	—
Balance at September 18, 2015 (Acquisition)	1,800,154
Changes in values of liability related to warrants	(11,408,231)
Value of liability related to options – transfer in	26,004,235
Balance at December 31, 2015	$ 16,396,158

NOTE 7 — Shareholders' Equity

Share Capital — The Company has 5,000,000,000 shares of authorized capital and 1,177,693,383 shares outstanding as of December 31, 2015.

On September 18, 2015, in connection with the Acquisition, 55,636,283 shares were issued to Celsus. All periods have been recast to reflect this reverse acquisition.

On September 18, 2015, the Company completed a private placement of 395,881,100 shares for gross proceeds of $75 million at a price of $0.18945 per share.

On September 18, 2015, the Company issued 3,830,400 shares to MTS Health Partners (''MTS''), as partial compensation for financial advisory services to the Company in connection with the Acquisition with a value of $750,000 at a price of $0.1958 per share. The Company also paid MTS $500,000 in cash. These amounts were recorded in general and administrative expenses on the statement of comprehensive loss.

Share option plan —

There were no options granted and outstanding for the year ended December 31, 2014.

Upon completion of the Acquisition, the Company assumed the former Celsus 2014 Equity Incentive Plan (the ''Plan''). In accordance with the Plan, the number of shares that may be issued upon exercise of options under the Plan, shall not exceed 141,142,420 shares. As of December 31, 2015, 79,780,222 ordinary shares are available for future issuance under the Plan. The option plan is administered by the Company's board of directors and grants are made pursuant thereto by the compensation committee. The per share exercise price for the shares to be issued pursuant to the exercise of an option shall be such price equal to the fair market value of the Company's ordinary shares on the grant date and set forth in the individual option agreement. Options terminate ten years after the grant date and typically vest over three to four years.

(in U.S. Dollars)

NOTE 7 — Shareholders' Equity – (continued)

The following is a summary of the Company's stock option activity and related information for the year ended December 31, 2015:

	Number of shares	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Options outstanding as of January 1, 2015	—	$ —		—	$—
Changes during the period:					
Assumed in Acquisition	2,516,690	$1.47	$0.55		
Granted Following the Acquisition	59,710,698	$0.31	$0.20		
Forfeited	(865,190)	$1.22			
Options outstanding as of December 31, 2015	61,362,198	$0.34		9.7	$—
Exercisable options as of December 31, 2015	2,882,017	$0.74		8.6	$—

The following is a summary of the Company's non-vested stock options as of December 31, 2015 and changes during the period:

	Number of shares	Weighted average grant date fair value
Non-vested options as of December 31, 2014	—	$ —
Non-vested options assumed in Acquisition	851,668	$0.40
Options granted	59,710,698	$0.20
Options vested	(1,858,851)	$0.17
Non-vested options forfeited	(223,334)	
Non-vested as of December 31, 2015	58,480,181	$0.21

On September 21, 2015, the Company granted 52,883,513 options to its employees at an exercise price of $0.3221 that vest quarterly over 4 years. In addition, the Company granted 945,112 options to its non-employee directors at an exercise price of $0.3221 that vest in 1 year. On November 16, 2015, the Company granted 1,627,185 options to a non-employee at an exercise price of $0.19 that fully vested on December 31, 2015. On November 25, 2015, the Company granted 4,254,888 options to its non-employee directors at an exercise price of $0.19165 that vest annually over 3 years.

The Company accounts for awards of equity instruments issued to employees and directors under the fair value method of accounting and recognize such amounts in its Consolidated Statements of Comprehensive Loss. The Company measures compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in its Consolidated Statements of Comprehensive Loss using the straight-line method over the service period over which it expects the awards to vest.

The Company estimates the fair value of all time-vested options as of the date of grant using the Black-Scholes option valuation model, which was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected stock price volatility, which is calculated based on the historical volatility of the Company's common stock. The Company uses a risk-free interest rate, based on the U.S. Treasury instruments in effect at the time of the grant, for the period comparable to the expected term

(in U.S. Dollars)

NOTE 7 — Shareholders' Equity – (continued)

of the option. Given its limited history with stock option grants and exercises, the Company uses the ''simplified'' method in estimating the expected term, the period of time that options granted are expected to be outstanding, for its grants.

The Company classifies its stock-based payments as either liability-classified awards or as equity-classified awards. The Company remeasures liability-classified awards to fair value at each balance sheet date until the award is settled. The Company measures equity-classified awards at their grant date fair value and do not subsequently remeasure them. The Company has classified its stock-based payments which are settled in common stock as equity-classified awards and share-based payments that are settled in cash as liability-classified awards. Compensation costs related to equity-classified awards generally are equal to the grant-date fair value of the award amortized over the vesting period of the award. The liability for liability-classified awards generally is equal to the fair value of the award as of the balance sheet date multiplied by the percentage vested at the time. The Company charges (or credits) the change in the liability amount from one balance sheet date to another to compensation expense. Below are the assumptions used for the options assumed and granted in the year ended December 31, 2015:

	2015
Expected dividend yield	0%
Expected volatility	71.28% – 81.79%
Risk-free interest	1.51% – 2.27%
Expected life	5.5 – 10 years

The following is a summary of the Company's stock options granted separated into ranges of exercise price:

Exercise price (range)	Options outstanding as of December 31, 2015	Weighted average remaining contractual life (years)	Weighted average exercise price	Options exercisable as of December 31, 2015	Remaining contractual life (years for exercisable options	Weighted average exercise price
$			$			$
0.19	5,882,073	9.89	0.19	1,627,185	9.89	0.19
0.32	53,828,625	9.72	0.32	—	—	—
0.60 – 0.75	380,000	8.23	0.71	380,000	8.23	0.71
1.19 – 1.56	311,500	4.24	1.40	311,500	4.24	1.40
2.00	960,000	7.73	2.00	563,332	7.73	2.00
	61,362,198			2,882,017		

During the year ended December 31, 2015, the Company recorded approximately $854,000 in share based compensation expenses for employees and directors; and recorded approximately $186,000 in share based compensation expenses for non-employees. As of December 31, 2015, there was approximately $11,149,000 unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Company's stock option plans.

Warrants to service providers and investors —

The warrants assumed in the Acquisition and outstanding as of December 31, 2015 are as follows:

Grant date	Number of warrants	Exercise Price	Expiration date
2012 warrants	1,383,086	$1.72 – $2.25	January 16, 2017 – November 30, 2017
2013 warrants	399,160	$ 2.00	January 16, 2018 – September 17, 2018
	1,782,246		

(in U.S. Dollars)

NOTE 8 — Related Party Transactions

Accounting Services — An entity related to a shareholder provided accounting and bookkeeping services of approximately $131,000 and $25,000, respectively, to the Company during the years ended December 31, 2015 and December 31, 2014.

Other — As of December 31, 2015, there is a receivable balance in the amount of $10,366 with RPC, a major shareholder. The Company paid certain registration fees on RPC's behalf and is treating this as short term in nature with no interest. This is recorded under ''Receivable from related party'' within current assets on the balance sheet.

NOTE 9 — Commitments and Contingencies

Lease commitment — In March 2014, the Company entered into a lease agreement for offices in London. The lease term commenced on December 1, 2014 and expires in March 2019. The lease can be cancelled early by either party upon 3 months' notice.

The Company also has a five year lease for offices in the United States effective July 2014. The lease expires in August 2019.

Future minimum lease payments under the Company's operating leases are as follows as of December 31, 2015:

	London	United States
2016	$ 39,100	$ 297,260
2017	39,100	312,909
2018	39,100	330,291
2019	9,775	225,297
	$127,075	$1,165,757

For the years ended December 31, 2015 and December 31, 2014, the Company incurred rental expense in the amount of approximately $104,000 and $1,800.

NOTE 10 — Earnings Per Share

Basic earnings (loss) per common share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings (loss) per common share is computed by dividing net income (loss) available to common shareholders by the sum of (1) the weighted-average number of shares of common stock outstanding during the period, (2) the dilutive effect of the assumed exercise of stock options using the treasury stock method, and (3) the dilutive effect of other potentially dilutive securities.

	Years Ended December 31,	
Earnings per share	**2015**	**2014**
Company posted	Net loss	Net loss
Basic weighted average shares outstanding	852,088,530	85,515,588
Dilutive effect of common stock equivalents	None	None
Dilutive weighted average shares outstanding	852,088,530	85,515,588

For purposes of the diluted net loss per share calculation, stock options and warrants are considered to be potentially dilutive securities and are excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive. Therefore, basic and diluted net loss per share was the same for the periods presented due to the Company's net loss position.

(in U.S. Dollars)

NOTE 10 — Earnings Per Share – (continued)

The following table shows the number of stock equivalents that were excluded from the computation of diluted earnings per share for the respective period because the effect would have been anti-dilutive:

	Year ended December 31, 2015	Year ended December 31, 2014
Total stock options	61,362,198	—
Total warrants-equity classified	1,782,246	—
Total warrants-liability classified	5,806,280	—
Total stock options and warrants	68,950,724	—

NOTE 11 — Taxes

Tax rates:

The Company is incorporated in Great Britain. The effective corporate tax rate applying to a company that is incorporated in Great Britain on December 31, 2015 is 20.25%, reduced from 21.50% from December 31, 2014. For companies with taxable income of less than £300,000 and having no related companies the corporate tax rate is 20%.

Tax assessment:

The periods open to enquiry by the United Kingdom (“UK”) tax authorities are 2014 and 2015. The Company has not been issued final tax assessments since its establishment in Switzerland.

Deferred taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Management currently believes that since the Company has a history of losses, it is more likely than not that the deferred tax assets relating to the loss carryforwards and other temporary differences will not be realized in the foreseeable future. Therefore, the Company provided a full valuation allowance to reduce the deferred tax assets.

The main reconciling item between the statutory tax rate of the Company and the effective tax rate is the recognition of valuation allowances in respect of deferred taxes relating to accumulated net operating losses carried forward due to the uncertainty of the realization of such deferred taxes.

As of December 31, 2015 and 2014, there were no known uncertain tax positions. We have not identified any tax positions for which it is reasonably possible that a significant change will occur during the next 12 months.

The components of loss before income taxes are as follows:

	December 31, 2015	December 31, 2014
Domestic	(39,599,123)	(332,663)
Foreign	(5,718,409)	(1,614,890)
Loss before income tax	(45,317,532)	(1,947,553)

(in U.S. Dollars)

NOTE 11 — Taxes – (continued)

Income taxes relating to the Company's operations are as follows:

	December 31, 2015	December 31, 2014
Current income taxes		
Domestic	—	—
Foreign	—	—
Deferred income taxes	—	—
Domestic	—	—
Foreign	—	—
Income tax expense/recovery	—	—

Income taxes at the UK statutory rate compared to the Company's income tax expenses as reported are as follows:

	December 31, 2015	December 31, 2014
Net loss before income tax	(45,317,532)	(1,947,553)
Statutory rate	20.25%	21.50%
Expected income tax recovery	(9,176,800)	(418,724)
Impact on income tax expense/recovery from		
Change in valuation allowance	1,771,655	572,139
Permanent differences – excess consideration	3,904,864	—
Permanent differences – liability related to options and warrants	2,955,733	—
Change of tax rate from prior year	15,595	—
Tax rate difference in foreign jurisdictions	528,953	(153,415)
Income tax expense	—	—

The Company's deferred tax assets and liabilities consist of the following:

	December 31, 2015	December 31, 2014
Deferred tax assets		
Stock-based compensation	210,573	—
Tax loss carry forward	3,968,414	2,407,332
Valuation allowance	(4,178,987)	(2,407,332)
Deferred tax assets/liabilities	—	—

Pursuant to ASC 740-10-25-3 *Income Taxes*, an income tax provision has not been made for UK or additional foreign taxes since the Company is not generating income nor are expected to in the foreseeable future. The Company expects that future earnings will be reinvested, but could become subject to additional tax if they were remitted as dividends or were loaned to the Company, or if the Company should sell or dispose of its stock in the foreign subsidiaries. It is not practical to determine the deferred tax liability, if any, that might be payable on foreign earnings because if the Company were to repatriate these earnings, the Company believes there would be various methods available to it, each with different UK tax consequences.

(in U.S. Dollars)

NOTE 11 — Taxes – (continued)

The Company's operating loss carry forward of all jurisdictions expire according to the following schedule:

	Domestic	Foreign
2016	—	—
2017	—	—
2018	—	—
2019	—	—
2020	—	—
Beyond 2020	15,643,618	7,278,009
Total operating loss carry forwards	15,643,618	7,278,009

As of December 31, 2015 the Company had approximately $21.3 million of UK operating loss carryforwards to reduce future UK taxable income. These carryforwards to do not expire. As of December 31, 2015 the Company had approximately $16.9 million of foreign operating loss carryforwards in Switzerland ($2.8 million). The carryforwards in Switzerland expire in seven years.

Research and development credits:

The Company carries out extensive research and development activities, and may benefit from the UK research and development tax relief regime, whereby the Company can receive an enhanced UK tax deduction on its research and development activities. Where the Company is loss making for the period it can elect to surrender taxable losses for a refundable tax credit. The losses available to surrender are equal to the lower of the sum of the research and development qualifying expenditure and enhanced tax deduction and the Company's taxable losses for the period with the tax credit for December 31, 2015 available at a rate of 14.5%. The credit therefore gives a cash flow advantage to Company's at a lower rate than would be available if the enhanced losses were carried forward and relieved against future taxable profits.

Qualifying expenditures comprise of chemistry and manufacturing consumables, employment costs for research staff, clinical trials management and other subcontracted research expenditures.

In August 2015, the Company filed a credit claim for 2014 tax year. The credit claim was in the amount of £1,033,484 for the year ended 31 December 2014 and was received in September 2015.

For the year ended December 31, 2015 the Company ceased one research and development activity in the first quarter of 2015 and commenced another in the third quarter of 2015. The first quarter's research and development activity was based on the Company's trade prior to the Group restructure and a claim may be possible on the basis the Company was a going concern during this period.

As the third quarter's research and development expenditure involved the commencement of a new research and development activity a new research and development report will be required and assessed the UK tax authorities. Due to the uncertainty of the approval of these tax credit claims and the potential that an election for a tax credit in the form of cash is not made, the Company did not a record a related receivable as of December 31, 2015.

(in U.S. Dollars)

NOTE 12 — Segment Information

The chief operating decision maker (''CODM'') is the Company's CEO. Neither the CODM nor the Company's directors receive disaggregated financial information about the locations in which research and development is occurring. Therefore, the Company considers that it has only one reporting segment.

The following table presents the Company's tangible fixed assets by geographic region:

	December 31, 2015	December 31, 2014
United States	$32,373	$—
United Kingdom	8,140	—
Switzerland	—	—
Total	$40,513	$—

NOTE 13 — Subsequent Events

In January 2016, we entered into a new lease for our offices in London through March 13, 2019 for approximately 1,260 square feet, effective January 1, 2016.

Exhibit No.	Exhibit Description
2.1	Share Exchange Agreement, dated as of July 10, 2015, by and between Celsus Therapeutics Plc and RPC Pharma Limited (incorporated by reference to the exhibit previously filed on the Registrant's Current Report on Form 8-K filed on July 13, 2015.)
3.1	Memorandum of Association of Akari Therapeutics, Plc (formerly Celsus Therapeutics Plc) (incorporated by reference to the exhibit previously filed with the Registrant's Registration Statement on Form 20-F (No. 000-54749) filed on June 28, 2012.)
3.2	New Articles of Association of Akari Therapeutics, Plc (formerly Celsus Therapeutics Plc) (incorporated by reference to the exhibit previously filed with the Registrant's Registration Statement on Form 20-F (No. 000-54749) filed on June 28, 2012.)
4.1	Form of Deposit Agreement among the Registrant, Deutsche Bank Trust Company Americas, as Depositary, and all Owners and Holders from time to time of American Depositary Shares issued thereunder (incorporated by reference to the exhibit previously filed with the Registrant's Registration Statement on Form F-6 (No. 333-185197) filed on November 30, 2012.)
4.2	Amendment to Deposit Agreement among the Registrant, Deutsche Bank Trust Company Americas, as Depositary, and all Owners and Holders from time to time of American Depositary Shares issued thereunder (incorporated by reference to the registrant's Post-Effective Amendment No. 1 to Registration Statement on Form F-6 (No. 333-185197) filed on December 24, 2013.)
4.3	Form of American Depositary Receipt; the Form is Exhibit A of the Form of Amendment to the Deposit Agreement (incorporated by reference to the exhibit previously filed with the Registrant's Registration Statement on Form F-6 (No. 333-185197) filed on November 30, 2012.)
4.4	Form of April 2012 Warrant (incorporated by reference to the exhibit previously filed with the Registrant's Registration Statement on Form 20-F/A (No. 000-54749) filed on August 8, 2012.)
4.5	Form of Warrant dated November 30, 2012 (incorporated by reference to the exhibit previously filed with the Registrant's Registration Statement on Form F-6 (No. 333-185197) filed on November 30, 2012.)
4.6	Form of Series A Warrant dated January 17, January 31 and February 28, 2013 (incorporated by reference to the exhibit previously filed with the Registrant's Post-Effective Amendment on Registration Statement on Form F-1 (No. 333-185247) filed on March 22, 2013.)
4.7	Form of Series B Warrant dated January 17, 2013 (incorporated by reference to the exhibit previously filed with the Registrant's Post-Effective Amendment on Registration Statement on Form F-1 (No. 333-185247) filed on March 22, 2013.)
4.8	Form of Series C Warrant dated January 17, 2013 (incorporated by reference to the exhibit previously filed with the Registrant's Post-Effective Amendment on Registration Statement on Form F-1 (No. 333-185247) filed on March 22, 2013.)
4.9	Form of Series GSS Warrant dated January 17, January 31 and February 28, 2013 (incorporated by reference to the exhibit previously filed with the Registrant's Post-Effective Amendment on Registration Statement on Form F-1 (No. 333-185247) filed on March 22, 2013.)
4.10	Form of Amendment No. 2 to Deposit Agreement (incorporated by reference to the exhibit previously filed with the Registrant's Post-Effective Amendment on Registration Statement Form F-6 (File No. 333-185197) filed on September 9, 2015).
4.11	Form of American Depositary Receipt; the Form is Exhibit A of the Form of Amendment to the Deposit Agreement (incorporated by reference to the exhibit previously filed with the Registrant's Post-Effective Amendment on Registration Statement Form F-6 (File No. 333-185197) filed on September 9, 2015).
10.1+	Amended and Restated 2007 Stock Option Plan, dated April 26, 2012 (incorporated by reference to the exhibit previously filed with the Registrant's Registration Statement on Form 20-F (No. 000-54749) filed on June 28, 2012.)

Exhibit No.	Exhibit Description
10.2+	Second Amendment to Amended and Restated 2007 Stock Option Plan, dated June 20, 2012 (incorporated by reference to the exhibit previously filed with the Registrant's Registration Statement on Form 20-F (No. 000-54749) filed on June 28, 2012.)
10.3+	2014 Equity Incentive Plan (incorporated by reference to the exhibit previously filed with the Registrant's Report of Foreign Private Issuer on Form 6-K (No. 001-36288) filed on June 24, 2014.)
10.4+	Separation Agreement, dated April 30, 2015, by and between Celsus Therapeutics Plc and Pablo Jimenez (incorporated by reference to the exhibit previously filed with the Registrant's Current Report on Form 8-K filed on May 1, 2015.)
10.5	Relationship Agreement, dated as of July 10, 2015, by and between Celsus Therapeutics Plc and RPC Pharma Limited. (incorporated by reference to the exhibit previously filed with the Registrant's Current Report on Form 8-K filed on July 13, 2015.)
10.6	Form of Working Capital Agreement, by and between Celsus Therapeutics Plc and RPC Pharma Limited. (incorporated by reference to the exhibit previously filed with the Registrant's Current Report on Form 8-K filed on July 13, 2015.)
10.7	Form of Lock-Up Agreement, by and among Celsus Therapeutics Plc and RPC Pharma Limited. (incorporated by reference to the exhibit previously filed with the Registrant's Current Report on Form 8-K filed on July 13, 2015.)
10.8+	Amended and Restated 2014 Equity Incentive Plan (incorporated by reference to the exhibit previously filed with the Registrants Definitive Proxy Statement on Schedule 14A filed on August 3, 2015.)
10.9	Form of Securities Purchase Agreement, dated August 17, 2015 by and among Celsus Therapeutics Plc and the Buyers (as defined therein) (incorporated by reference to the exhibit previously filed with the Registrant's Current Report on Form 8-K filed on August 18, 2015.)
10.10	Form of Registration Rights Agreement, dated August 17, 2015 by and among Celsus Therapeutics Plc and the Buyers (as defined therein) (incorporated by reference to the exhibit previously filed with the Registrant's Current Report on Form 8-K filed on August 18, 2015.)
10.11+	Executive Employment Agreement, dated as of September 21, 2015, by and between the Company and Gur Roshwalb, M.D. (incorporated by reference to the exhibit previously filed with the Registrant's Current Report on Form 8-K filed on September 22, 2015.)
10.12+	Executive Employment Agreement, dated as of September 21, 2015, by and between the Company and Dov Elefant (incorporated by reference to the exhibit previously filed with the Registrant's Current Report on Form 8-K filed on September 22, 2015.)
10.13+	Employment Contract, dated as of September 21, 2015, by and between the Company and Clive Richardson (incorporated by reference to the exhibit previously filed with the Registrant's Current Report on Form 8-K filed on September 22, 2015.)
10.14+	Amended and Restated Non-Employee Director Compensation Policy (incorporated by reference to the exhibit previously filed with the Registrant's Current Report on Form 8-K filed on November 25, 2015.)
16.1	Letter from Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global, to the Securities and Exchange Commission, dated December 24, 2015 (incorporated by reference to the exhibit previously filed with the Registrant's Current Report on Form 8-K filed on December 24, 2015.)
21.1	List of subsidiaries
23.1	Consent of registered public accounting firm
31.1	Certification of Chief Executive Officer
31.2	Certification of the Chief Financial Officer
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit No.	Exhibit Description
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Linkbase Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Labels Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

+ Indicates management contract or compensatory plan.