



Interim Results for the Six Months Ended 30 June 2015

Building momentum to develop innovative drugs for treatment of cancer and autoimmune diseases

London, 30 September 2015 - Tiziana Life Sciences plc ("Tiziana", AIM: TILS), the research and clinical stage biotechnology company focussing on proprietary drug candidates to treat cancer and autoimmune diseases, today announces its interim results for the six months ended 30 June 2015.

Highlights during the period:

-
- £8.3m (gross) raised through placing of shares and convertible loan note including:
- £2.7m raised through a share placing in March 2015; and
- £5.6m through convertible loan note in April 2015
- Acquires exclusive licence from Nerviano Medical Sciences, for milciclib, a small molecule drug candidate, which blocks the action of specific enzymes called cyclin-dependent kinases ("CDKs"), which are involved in cell division as well as a number of other protein kinases. Milciclib has been granted orphan designation by the European Commission and by the U.S. Food and Drug Administration for the treatment of malignant thymoma / thymic epithelial tumour. It has also been shown in preclinical studies that milciclib has potential in other cancer indications, in particular liver cancer and breast cancer. Milciclib is currently in advanced stages of clinical development for treatment of thymoma cancer in human. Additional plans to further explore its potential for treatments of hepatocellular carcinoma and breast cancer are underway
- Acquires exclusive licence to a novel anti-cancer stem cell agent, capable of targeting aggressive tumour forming cells originating from the breast, pancreas, colon and prostate, from Cardiff University scientists
- Acquires exclusive licence to a novel and currently the only fully human engineered anti-human CD3 antibody for treatment autoimmune diseases. This phase II asset has potential applications in a wide range of autoimmune and inflammatory diseases
- Company director Riccardo Dalla-Favera has been elected to the U.S. National Academy of Sciences
- Professor Chris McGuigan and Dr Kunwar Shailubhai appointed to the Board
- For the six months to 30 June 2015 the consolidated Group made a loss of £4.11m
- The Group ended the period with £6.96m cash as at 30 June 2015

Gabriele Cerrone, Chairman and founder of Tiziana, commented:

"Tiziana Life Sciences has had a successful six months. We have built on our strong end to last year and the funds raised have enabled us to significantly bolster our pipeline, which now addresses several areas of significant unmet medical need in both cancer and autoimmune diseases. Looking ahead, we are confident of being well positioned to progress these programmes to their next respective value inflection points."

About Tiziana Life Sciences

Tiziana Life Sciences plc is a UK biotechnology company that focuses on the discovery and development of novel drug candidates for treatment of cancer and autoimmune diseases in humans.

In May 2015, the Company entered in an exclusive licence from Cardiff University scientists relating to a novel anti-cancer stem cell agent, capable of targeting aggressive tumour forming cells originating from the breast, pancreas, colon and prostate.

In January 2015, the Company entered into an exclusive licence from Nerviano Medical Sciences relating to milciclib, a small molecule drug candidate, which blocks the action of specific enzymes called cyclin-dependent kinases (CDK) involved in cell division as well as a number of other protein kinases. Milciclib is currently in phase II clinical trials for thymic carcinoma (thymoma) in patients previously treated with chemotherapy.

The Company also in-licensed another clinical asset Foralumab in December 2014 from Novimmune. Foralumab is currently the only fully human engineered anti-human CD3 antibody in clinical development. This phase II asset has potential applications in a wide range of autoimmune and inflammatory diseases, such as multiple sclerosis, type-1 diabetes (T1D), inflammatory bowel disease (IBD), psoriasis and rheumatoid arthritis, where modulation of a T-cell response is desirable.

Tiziana Life Sciences' research team has discovered that Bcl-3 has a prominent role in the metastasis of mammary cancers, and has elucidated the mechanism of Bcl-3 action to be a regulator of cancer cell motility. Tiziana has also determined that Bcl-3 inhibition suppresses cell motility in triple-negative and other breast cancer sub-types, suggesting that Bcl-3 may be a master regulator of this metastatic property not only in aggressive breast cancers, but across the clinical spectrum of breast disease. Triple negative breast cancer (testing negative for estrogen receptors (ER-), progesterone receptors (PR-), and HER2 (HER2-)), is an unmet medical needs with high mortality rates. Metastatic spreading of the cancer is the single most important cause of the high mortality. Our technology with drug candidate inhibiting specifically Bcl-3 is an innovative approach to suppress growth of metastases.

Background

Tiziana Pharma Ltd (TPL), Tiziana Life Sciences plc's operating subsidiary, was established in November 2013 with the aim of developing novel therapeutics for cancer with a focus on late stage metastases. TPL, founded on research from the European Cancer Stem Cell Institute, University of Cardiff, identified the B-cell Lymphoma 3 (Bcl-3) gene as a potential drug target to halt cancer metastasis, where malignant tumours spread to other parts of the body, a process typically associated with poor patient prognosis. TPL entered into an agreement with the European Cancer Stem Cell Institute for the exclusive worldwide license to any compound with potential therapeutic application against Bcl-3.

On 24th April 2014 Tiziana Life Sciences plc (the Company; Tiziana) began trading on AIM under the ticker symbol "TILS" following the completion of the reverse acquisition of Alexander David Investments plc and concurrent name change to Tiziana Life Sciences plc. The Company issued 16,666,667 ordinary shares at a price of 12p through a placing to new investors raising £2m and a convertible loan note raising £0.73m to complete the reverse acquisition.

Licensing Agreements

On 20th January 2015, the Company entered into a licence agreement with Nerviano Medical Centre, an Italian company dedicated to the discovery and development of breakthrough treatments for cancer, exclusively licensed milciclib to the Company. Milciclib blocks the action of specific enzymes called cyclin-dependent kinases ("CDKs"), which are involved in cell division as well as a number of other protein kinases. Milciclib is currently in phase II clinical trials for thymic carcinoma in patients previously treated with chemotherapy. Milciclib has demonstrated that it is well tolerated in over 263 patients in phase I and II clinical trials and has been granted orphan designation by the European Commission and by the U.S. Food and Drug Administration ("FDA") for the treatment of malignant thymoma / thymic epithelial tumours. Subject to successful completion of the ongoing phase II trials, Tiziana is committed to initiate a phase III study in this indication in 2016.

On 7th May 2015, the Company signed an agreement with the University of Cardiff to license their anti-cancer stem cell technology. The novel agent, known as OH14, is an inhibitor of c-FLIP (cellular FLICE (FADD-like IL-1 β -converting enzyme)-inhibitory protein), a known suppressor of apoptosis

(programmed cell death). c-FLIP acts inside the cell by preventing the instructive cell death that occurs when a signal protein produced by neighbouring cells attaches to the target cell's surface. c-FLIP blocks this death signal from entering the cell. Suppression of apoptosis is a recognised driver of cancer cell proliferation, thus by inhibiting this suppression it should be possible for cell death to occur and proliferation of cancer to be thwarted. Under the terms of the agreement, Tiziana will fund a research project at the University focused on building the structure activity relationships (SARs) around OH14 and to improve the activity of this series of compounds.

The Company also in-licensed another clinical asset Foralumab in December 2014 from Novimmune. Foralumab is currently the only fully human engineered anti-human CD3 antibody in clinical development. This phase II asset has potential applications in a wide range of autoimmune and inflammatory diseases, such as multiple sclerosis, type-1 diabetes (T1D), inflammatory bowel disease (IBD), psoriasis and rheumatoid arthritis, where modulation of a T-cell response is desirable. The clinical development plans with Foralumab are currently being finalised.

Together with the existing licence agreements, the Company now has two novel drug candidates that are in advance stages of clinical development. Our strong pre-clinical discovery portfolio comprising of proprietary drug candidates with novel molecular mechanisms further strengthens the solid foundation for the Company's growth.

Appointments

Board of Directors

On 23rd January 2015, the Company appointed Professor Chris McGuigan and Dr Kunwar Shailubhai to the Board.

Professor McGuigan is Chairman of Life Sciences Hub Wales Limited, Professor of Medicinal Chemistry, School of Pharmacy and Pharmaceutical Sciences, Cardiff University and Director of the National Research Network in Health and Life Sciences of the Welsh Government. He is also on the boards of Synergy Pharmaceuticals and ContraVir Pharmaceuticals, both New York biotechnology companies listed on NASDAQ and on the scientific advisory board of Nucana Biomed, an Edinburgh based company with assets in clinical trials. To date Professor McGuigan has invented three new agents that have reached clinical trials, with peak value of US\$3bn. He has over 220 peer reviewed scientific publications with over 100 patents filed.

Dr Shailubhai is a Co-Founder and Chief Scientific Officer of Synergy Pharmaceuticals, Inc. (previously senior vice president), a NASDAQ-listed biotechnology company focusing on innovative therapeutics for treatment of gastrointestinal disorders and diseases, and colon cancer. Dr Shailubhai has held leadership positions at Monsanto Life Sciences Company (St. Louis, MO), where he worked on a number of projects in inflammatory diseases, and Callisto Pharmaceuticals. Dr Shailubhai previously served as a Senior Staff Fellow at the National Institutes of Health and as an Assistant Professor at the University of Maryland. Dr Shailubhai has 17 issued patents, several pending patent applications and 40 research publications in journals of international repute.

U.S. National Academy of Sciences

On 7th May 2015, Board member Riccardo Dalla-Favera was elected to the U.S. National Academy of Sciences.

Riccardo Dalla-Favera, MD, is the Joanne and Percy Uris Professor of Clinical Medicine and professor of pathology and cell biology in the department of genetics and development, and director, Institute for Cancer Genetics at Columbia University, New York City. He has been a leader in the field of molecular oncology and has made fundamental contributions to the field of cancer, especially in the study of the molecular genetics of B cell malignancies. As a researcher, he has contributed much of the current knowledge on the genetic lesions responsible for human B cell lymphoma, which have led to the development of diagnostic tests and are being tested as targets in clinical trials with lymphoma patients.

Outlook

All of the Company's programmes address areas of significant unmet medical need; either as a potential new approach to metastatic cancer with Bcl-3 or stratification of patients to provide more personalised treatment with the "TOP 20", to new molecules to help sufferers of thymic and other cancers (miliclib), or a fully human monoclonal antibody with potential application in a number of autoimmune and inflammatory diseases (foralumab). Now with the latest in-licensing of anti-cancer stem cell technology from the University of Cardiff (c-FLIP) the Company has an innovative research portfolio with two advance stage clinical assets and strong R&D portfolio. These programmes will use the funds raised in the March and April 2015 fundraisings to reach the individual programme's inflection points.

Gabriele Cerrone
Executive Chairman

Financial Overview

Financial highlights of the Group for the six months to 30 June 2015;

- Loss of £4.11m
- Loss per share of 4.6p
- £6.96m cash as at 30 June 2015
- Research and development expenditure of £2.74m

Consolidated Statement of Comprehensive Income for the six months ended 30 June, 2015

		6 months to 30 June 2015 £'000 (unaudited)	6 months to 30 June 2014 £'000 (unaudited)	12 months to 31 Dec 2014 £'000
Research and development		(2,738)	(141)	(794)
Operating expenses	3	(1,164)	(585)	(1,787)
Cost of listing	3	-	(755)	(755)
Operating loss		(3,902)	(1,481)	(3,336)
Financial income	3	1	-	-
Financial expense	3	(210)	(93)	(234)
Operating loss before taxation		(4,111)	(1,574)	(3,570)
Tax expense		--	--	60
Operating loss after taxation		(4,111)	(1,574)	(3,510)
Net (loss) for the period attributable to equity owners		(4,111)	(1,574)	(3,510)
Other comprehensive income for the period		--	--	--
Total comprehensive (loss) attributable to equity owners		(4,111)	(1,574)	(3,510)
Basic and diluted (loss) per share (pence)				
Basic and diluted (loss) per share on continuing operations	4	(4.6p)	(4.8p)	(15.6p)
Total basic and diluted (loss) per share		(4.6p)	(4.8p)	(15.6p)

**Consolidated Statement of Financial
Position
as at 30 June, 2015**

		30 June 2015 £'000 (unaudited)	30 June 2014 £'000 (unaudited)	31 Dec 2014 £'000
	Notes			
Assets				
Current assets:				
Investments		-	15	--
Trade and other receivables	5	168	269	194
Cash and cash equivalents		6,959	3,550	2,266
Total current assets		7,127	3,834	2,460
Total assets		7,127	3,834	2,460
Equity and liabilities				
Shareholders equity				
Called up share capital		9,374	9,143	9,144
Share premium		18,742	16,294	16,294
Share based payment reserve	6	503	31	146
Shares to be issued reserve	6	387	23	182
Convertible loan note reserve	7	7,835	137	2,259
Merger relief reserve		5,625	5,625	5,625
Other reserve		(28,286)	(28,286)	(28,286)
Retained earnings	8	(7,810)	(1,574)	(3,587)
Equity attributed to the owners of the Company		6,370	1,393	1,777
Current liabilities:				
Trade and other payables	9	757	2,441	683
Total Equity and Liabilities		7,127	3,834	2,460

**Consolidated Statement of Cash Flows
for the six months ended 30 June, 2015**

	6 months to 30 June 2015 £'000 (unaudited)	6 months to 30 June 2014 £'000 (unaudited)	12 months to 31 Dec 2014 £'000
Cash flows from operating activities			
Total comprehensive loss for the period before tax	(4,111)	(1,574)	(3,570)
Investment acquired at acquisition	--	(15)	--
Liabilities acquired at acquisition	--	523	--
Consideration deemed transferred at acquisition	--	311	--
Convertible loan equity component	--	137	--
Convertible loan interest accrued	113	28	84
Convertible loan interest paid as equity	4	7	7
Share based payment - options	401	31	146
Share based payment - warrants	205	23	182
Loss on foreign exchange	--	--	2
Write off of investments	--	--	15
Cost of listing	--	--	755

Net (increase) / decrease in operating assets			
-Trade / other receivables	26	(243)	(91)
Net increase / (decrease) in operating liabilities			
-Trade / other liabilities	(181)	(199)	291
Net cash used in operating activities	(3,543)	(971)	(2,719)
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	2,678	2,003	2,004
Proceeds from issuance of convertible loan notes	5,671	2,454	2,454
Interest on convertible instruments	(113)	--	(77)
Net cash generated from financing activities	8,236	4,457	4,381
Cash flows from investing activities	--	--	64
Cash acquired at acquisition	--	--	64
Net cash generated from investing activities	4,693	3,486	2,266
Net increase / (decrease) in cash and cash equivalents	2,266	--	--
Cash and cash equivalents at beginning of period	--	64	--
Cash acquired at acquisition	6,959	3,550	2,266
Cash and cash equivalents at end of period			

**Consolidated Statement of Changes in Equity
for the six month period to 30 June 2015**

(Unaudited)	Share Capital	Share Premium	Share Based Payment Reserve	Shares To Be Issued Reserve	Convertible Loan Note Reserve	Merger Reserve	Other Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2014	-	-	-	-	-	-	-	-	-
Transactions with owners									
<i>Acquisition of Tiziana Pharma Ltd</i>									
Issue of Shares	1,875	-	-	-	-	5,625	-	-	7,500
Reverse acquisition adjustment	6,663	14,489	-	-	-	-	(28,286)	-	(7,134)
Share placing	500	1,500	-	-	-	-	-	-	2,000
Redemption of convertible loan note	102	305	-	-	-	-	-	-	407
Issue of share capital under share-based payment scheme	3	-	-	-	-	-	-	-	3
Share based payment (options)	-	-	31	-	-	-	-	-	31
Share based payment (warrants)	-	-	-	23	-	-	-	-	23
Convertible loan note - equity component	-	-	-	-	137	-	-	-	137

Total transactions with owners	9,143	16,294	31	23	137	5,625	(28,286)	-	2,967
<u>Comprehensive income</u>									
Loss for the period	-	-	-	-	-	-	-	(1,574)	(1,574)
Total comprehensive income	-	-	-	-	-	-	-	(1,574)	(1,574)
Balance at 30 June 2014	9,143	16,294	31	23	137	5,625	(28,286)	(1,574)	1,393
Balance at 1 July 2014	9,143	16,294	31	23	137	5,625	(28,286)	(1,574)	1,393
<u>Transactions with owners</u>									
Issue of share capital under share-based payment scheme	1	-	-	-	-	-	-	-	1
Share based payment (options)	-	-	115	-	-	-	-	-	115
Share based payment (warrants)	-	-	-	159	-	-	-	-	159
Convertible loan note - equity component	-	-	-	-	2,122	-	-	(77)	2,045
Total transactions with owners	1	16,294	146	182	2,259	5,625	(28,286)	(1,651)	3,713
<u>Comprehensive income</u>									
Loss for the period	-	-	-	-	-	-	-	(1,936)	(1,936)
Total comprehensive income	-	-	-	-	-	-	-	(1,936)	(1,936)
Balance at 30 December 2014	9,144	16,294	146	182	2,259	5,625	(28,286)	(3,587)	1,777

(Unaudited)	Share Capital	Share Premium	Share Based Payment Reserve	Shares To Be Issued Reserve	Convertible Loan Note Reserve	Merger Reserve	Other Reserve	Retained Earnings	Total Equity
Balance at 1 January 2015	9,144	16,294	146	182	2,259	5,625	(28,286)	(3,587)	1,777
<u>Transactions with owners</u>									
Issue of share capital	230	2,448	-	-	-	-	-	-	2,678
Share based payment (options)	-	-	401	-	-	-	-	-	401
Share based payment (warrants)	-	-	-	205	-	-	-	-	205
Convertible loan note - equity component	-	-	-	-	6,258	-	-	(112)	6,146
Associated transaction costs	-	-	(44)	-	(682)	-	-	-	(726)
Total transactions with owners	9,374	18,742	503	387	7,835	5,625	(28,286)	(3,699)	10,481

Comprehensive income									
Loss for the period	-	-	-	-	-	-	-	(4,111)	(4,111)
Total comprehensive income	-	-	-	-	-	-	-	(4,111)	(4,111)
Balance at 30 June 2015	9,374	18,742	503	387	7,835	5,625	(28,286)	(7,810)	6,370

Notes to the Interim Financial Statements for the six month period to 30 June 2015

1. GENERAL INFORMATION

Tiziana Life Sciences PLC is a public limited company incorporated in the United Kingdom under the Companies Act and quoted on the AIM market of the London Stock Exchange (AIM: TILS). The address of its registered office is 18 South Street, Mayfair, London W1K 1DG. The principal activities of the Company and its subsidiaries (the Group) are that of a clinical stage biotechnology company focussed on targeted drugs to treat diseases in oncology and immunology.

These consolidated interim financial statements are presented in pounds sterling because that is the functional currency of the primary economic environment in which the group operates.

The ultimate parent of the group is Planwise Group Limited, incorporated in the British Virgin Islands. Gabriele Cerrone is the ultimate beneficial owner of the entire issued share capital of Planwise Group Ltd.

2. Accounting policies

The accounting policies applied and adopted are consistent with those followed in the preparation of the Group's audited financial statements for the year ended 31 December 2014. None of the newly applicable IFRS standards and amendments had an impact on the Group's interim consolidated financial information.

Some of the significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The policies which management consider critical because of the level of complexity, judgment or estimation involved in their application and their impact on the financial Information are;

- Basis of consolidation (reverse acquisition)
- Convertible loan notes
- Share based payments

Basis of preparation

The consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. These accounts have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and certain financial instruments.

The condensed interim financial information contained in this interim statement does not constitute financial statements as defined by section 434(3) of the Companies Act 2006. The condensed interim financial information has been neither audited nor reviewed by the Group's auditors. The financial information for the period ended 30 June 2015 is taken from the current management accounts. The comparative financial information for the year ended 31 December 2014 is taken from the statutory accounts. The comparative information for the period ended 30 June 2014 is taken from last years interim results.

There are no additional standards or interpretations applicable to the group for the accounting period commencing 1 January 2015 for adoption.

In preparing the condensed interim financial information the Directors have considered the Group's financial projections, borrowing facilities and other relevant financial matters, and the Board is satisfied that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial information.

Basis of consolidation

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies of the subsidiary and therefore exercises control. The existence and effect of both current voting rights and potential voting rights that are currently exercisable or convertible are considered when assessing whether control of an entity is exercised. Subsidiaries are consolidated from the date at which the Group obtains the relevant level of control and are de-consolidated from the date at which control ceases.

Business combination

The consolidated position of the Group is as a result of the reverse acquisition of Alexander David Investments plc by Tiziana Pharma Ltd and the subsequent listing of the Company as Tiziana Life Sciences plc on 24 April 2014. Reverse acquisition for the business combination in the year as detailed below:

On 24th April 2014, the Company (Alexander David Investments plc, (ADI)) acquired via a share for share exchange the entire issued share capital of Tiziana Pharma Limited, whose principal activity is that of a clinical stage biotechnology company focussed on targeted drugs to treat diseases in oncology and immunology.

Due to the relative values of the companies, the former Tiziana Pharma Limited shareholders became majority shareholders with 96.1% of the enlarged share capital in ADI which was renamed Tiziana Life Sciences plc, and hence hold the majority of the voting rights. Furthermore, the executive management of Tiziana Pharma Limited became the executive management of Tiziana Life Sciences plc. A qualitative and quantitative analysis of these factors led the Directors to conclude that in this transaction Tiziana Pharma Limited has the controlling interest and should be treated as the accounting acquirer.

In determining the appropriate accounting treatment for the reverse acquisition, the Directors considered the Application Supplement to IFRS 3, Business combinations. However, they concluded that this transaction fell outside the scope of IFRS 3 since Tiziana Life Sciences plc, whose activity prior to the acquisition was purely the maintenance of the AIM listing, did not constitute a business. It was therefore determined that the transaction should be accounted for in a manner that was similar to the reverse acquisition accounting as described in IFRS 3, but without recognising goodwill.

In accordance with IAS 8 *Accounting Policies, changes in Accounting Estimates and Errors*, in developing an appropriate accounting policy the Directors have considered the pronouncements of other standard setting bodies and specifically looked to accounting principles in the United Kingdom (UK GAAP) for guidance (FRS 6 *Acquisitions and mergers*).

The following accounting treatment has been applied in respect of the reverse acquisition;

- The assets and liabilities of the legal subsidiary, Tiziana Pharma Limited are recognised and measured in the consolidated financial statements at their pre-combination carrying amounts, without restatement to their fair value.
- The retained reserves recognised in the consolidated financial statements reflect the retained reserves of Tiziana Pharma Limited to the date of acquisition.
- In applying IFRS 3 by analogy, the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal

- parent Tiziana Life Sciences plc, including the equity instruments issued under the share exchange to effect the business combination.
- A reverse acquisition reserve has been created to enable the presentation of a consolidated balance sheet which combines the equity structure of the legal parent with the non-statutory reserves of the legal subsidiary.
- Comparative numbers are based upon the consolidated financial statements of the legal subsidiary, Tiziana Pharma Limited for the year ended 31 December 2013 apart from the equity structure which reflects that of the parent.

Tiziana Pharma Limited was incorporated on 4th November 2013 and is preparing its first set of financial statements to 31 December 2014. Therefore, the parent and subsidiary have the same reporting date but Tiziana Pharma Limited has a long period of account. No adjustment has been made in the consolidated financial statements for the difference in length of reporting period because the only transaction in Tiziana Pharma Limited at 31 December 2013 was the issue of ordinary share capital of £1.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated upon consolidation. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Fair Value Measurement

Management have assessed the categorisation of the fair value measurements using the IFRS 13 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows;

- Level 1 - valued using quoted prices in active markets for identical assets;
- Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1;
- Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

Convertible loan notes

Under IAS 32 the liability and equity components of convertible loan notes must be presented separately on the Statement of Financial Position. The Group has examined the terms of each issue of convertible loan notes and determined their accounting treatment accordingly. Convertible loan notes are treated differently depending upon a number of factors.

Where there is an option to repay the loan note as equity or cash

The Group considers these to be Convertible Loan Instruments and estimates the fair value consideration in respect of the liability. The Group carries out an assessment to determine the fair value of a similar liability that does not have any associated equity conversion option. The interest rate of a similar liability is estimated by the Group in order to evaluate the fair value of the liability and the resulting equity component.

Convertible loans are accounted for as compound instruments. The fair value of the liability portion of the convertible loan notes is determined using a market interest rate for an equivalent nonconvertible loan note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan notes. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity, net of tax effects, and is not subsequently re-measured.

Where there is no option to repay as cash and the interest rate is fixed

The Group considers these to be Convertible Equity Instruments and records the principal of the loan note as an equity liability in a shares to be issued reserve. The accrued interest on the principal amount

is also recorded in the shares to be issued reserve. Upon redemption of the instrument and the issue of share capital, the amount is reclassified from shares to be issued reserve to share capital and share premium.

Where there is no option to repay as cash and the interest rate is variable

The Group considers these to be Convertible Debt Instruments and records the principal of the loan note as a debt liability in the liabilities section of the balance sheet. The accrued interest on the principal amount is recorded in the income statement and as an increase in the debt liability. Upon redemption of the instrument and the issue of share capital, the amount is reclassified from the debt liability to share capital and share premium.

Share based payments

The calculation of the fair value of equity-settled share based awards and the resulting charge to the statement of comprehensive income requires assumptions to be made regarding future events and market conditions. These assumptions include the future volatility of the Company's share price. These assumptions are then applied to a recognised valuation model in order to calculate the fair value of the awards.

Where employees, directors or advisers are rewarded using share based payments, the fair value of the employees', directors' or advisers' services are determined by reference to the fair value of the share options / warrants awarded. Their value is appraised at the date of grant and excludes the impact of any nonmarket vesting conditions (for example, profitability and sales growth targets). Warrants issued in association with the issue of Convertible Loan Notes are also considered as share based payments and a share based payment charge is calculated for these too.

In accordance with IFRS 2, a charge is made to the Statement of Comprehensive Income for all share-based payments including share options based upon the fair value of the instrument used. A corresponding credit is made to a Share Based Payment Reserve, in the case of options / warrants awarded to employees, directors or advisers, and Shares To Be Issued Reserve in the case of warrants issued in association with the issue of Convertible Loan Notes, net of deferred tax where applicable.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options / warrants expected to vest. Nonmarket vesting conditions are included in assumptions about the number of options / warrants that are expected to become exercisable.

Estimates are subsequently revised, if there is any indication that the number of share options / warrants expected to vest differs from previous estimates. No adjustment is made to the expense or share issue cost recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options / warrants, the proceeds received are allocated to share capital with any excess being recorded as share premium.

Where share options are cancelled, this is treated as an acceleration of the vesting period of the options. The amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately within the Statement of Comprehensive Income.

All goods and services received in exchange for the grant of any share based payment are measured at their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short term highly liquid deposits with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3. Operating and financial expenses

Included in the Research and Development costs of £2,738k are the following licence costs:

- In January 2015, the Company incurred £2,217k (\$3.5m) of costs for the exclusive licence from Nerviano Medical Sciences.

Operating costs of the Group for the half-year includes £361k of professional fees. Other overheads continue to remain at an acceptable level.

4. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	6 months to 30 June 2015 (unaudited)	6 months to 30 June 2014 (unaudited)	12 months to 31 Dec 2014
Total comprehensive (loss)/income for the period (£'000)	(4,111)	(1,574)	(3,570)
Basic and diluted weighted average number of shares	88,933,928	33,018,141	22,866,387
Basic and diluted (loss) per share - pence	<u>(4.6)</u>	<u>(4.8)</u>	<u>(15.6)</u>

As the Group is reporting a loss from continuing operations for the year then, in accordance with IAS 33, the share options are not considered dilutive because the exercise of the share options would have an anti-dilutive effect. The basic and diluted earnings per share as presented on the face of the income statement are therefore identical. All earnings per share figures presented above arise from continuing and total operations and therefore no earnings per share for discontinued operations are presented.

5. Trade and other receivables

	6 months to 30 June 2015 £'000	6 months to 30 June 2014 £'000	12 months to 31 Dec 2014 £'000
Trade and other receivables	139	133	103
Short term lendings & other financial assets	--	5	-
Prepayments	29	131	91
	<u>168</u>	<u>269</u>	<u>194</u>

6. Share based payments

Options

The company operates share-based payment arrangements to remunerate directors and key employees in the form of a share option scheme. The exercise price of the option is normally equal to the market price of an ordinary share in the company at the date of grant. The options may be exercised over periods ranging from three to five years from the date of grant and lapse if not exercised by that date.

On 24 April 2014, 4,787,500 share options were granted at an exercise price of £0.15 per share and are exercisable for a period of 10 years from the date of vesting.

On 25 June 2014, a total of 385,000 share options were granted at range of exercise prices from £0.28 to £0.33 per share and are exercisable for a period of 10 years from the date of vesting.

On 7 July 2014 50,000 share options were granted at an exercise price of £0.35 per share and are exercisable for a period of 10 years from the date of vesting.

On 26 January 2015 2,300,000 share options were granted at an exercise price of £0.35 per share and are exercisable for a period of 10 years from the date of vesting.

On 26 January 2015 650,000 share options were granted at an exercise price of £0.50 per share and are exercisable for a period of 10 years from the date of vesting.

On 26 January 2015 50,000 share options were granted at an exercise price of £0.465 per share and are exercisable for a period of 10 years from the date of vesting.

On 2 March 2015 300,000 share options were granted at an exercise price of £0.57 per share and are exercisable for a period of 10 years from the date of vesting.

No options were exercisable during the year to 31 December 2014.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Date of issue	Number at 30 June 2015	Exercise price	Date from which exercisable	Expiry Date
24 April 2014	1196875	0.15	24 April 2015	24 April 2025
24 April 2014	1196875	0.15	24 April 2016	24 April 2026
24 April 2014	1196875	0.15	24 April 2017	24 April 2027
24 April 2014	1196875	0.15	24 April 2018	24 April 2028
25 June 2014	90000	0.28	17 May 2015	17 May 2025
25 June 2014	90000	0.28	17 May 2016	17 May 2026
25 June 2014	90000	0.28	17 May 2017	17 May 2027
25 June 2014	90000	0.28	17 May 2018	17 May 2028
25 June 2014	6250	0.33	24 April 2015	24 April 2025
25 June 2014	6250	0.33	24 April 2016	24 April 2026
25 June 2014	6250	0.33	24 April 2017	24 April 2027
25 June 2014	6250	0.33	24 April 2018	24 April 2028
07 July 2014	12500	0.35	18 June 2015	18 June 2025
07 July 2014	12500	0.35	18 June 2016	18 June 2026
07 July 2014	12500	0.35	18 June 2017	18 June 2027
07 July 2014	12500	0.35	18 June 2018	18 June 2028
26 January 2015	2300000	0.35	26 January 2015	26 January 2025
26 January 2015	150000	0.5	26 January 2016	26 January 2026
26 January 2015	150000	0.5	26 January 2017	26 January 2027
26 January 2015	150000	0.5	26 January 2018	26 January 2028
26 January 2015	150000	0.5	26 January 2019	26 January 2029
26 January 2015	50000	0.5	26 January 2016	26 January 2025
02 March 2015	75000	0.57	02 March 2016	02 March 2026
02 March 2015	75000	0.57	02 March 2017	02 March 2027
02 March 2015	75000	0.57	02 March 2018	02 March 2028
02 March 2015	75000	0.57	02 March 2019	02 March 2029

The Directors have used the Black-Scholes option pricing model to estimate the fair value of the options applying the assumptions below. The total fair value of the share option instruments is deemed to be approximately £510,000.

	24 April 2014	25 June 2014	7 July 2014
Grant date share price	£0.12	£0.39	£0.44
Exercise share price	£0.15	£0.28 to £0.33	£0.35
Vesting periods	25% each Yr 1, Yr 2, Yr 3, Yr 4	25% each Yr 1, Yr 2, Yr 3, Yr 4	25% each Yr 1, Yr 2, Yr 3, Yr 4

Risk free rate	0.55% to 1.54%	0.55% to 1.54%	0.55% to 1.54%
Expected volatility	99% to 197%	99% to 197%	99% to 197%
Option life	10 years	10 years	10 years

	<u>26 January 2015</u>	<u>2 March 2015</u>
Grant date share price	£0.465	£0.635
Exercise share price	£0.35 to	£0.35
Vesting periods	Immediate, 25% each Yr 1, Yr 2, Yr 3, Yr 4	25% each Yr 1, Yr 2, Yr 3, Yr 4
Risk free rate	0% to 1.13%	0.52% to 1.1%
Expected volatility	59.6%	59.6%
Option life	10 years	10 years

Warrants

At the date of the reverse acquisition warrants over 388,148 shares existed at an exercise price of £1.50 per share. The warrant is exercisable until 18 February 2016;

On 24 April 2014, warrants were granted over 1,095,000 shares at an exercise price of £0.20 per share by way of an arrangement fee for the convertible note holders agreeing to subscribe for convertible loan notes. The warrant is exercisable from until 24 April 2016.

On 16 June 2014, warrants were granted over 1,995,774 shares at an exercise price of £0.32 per share by way of an arrangement fee for the convertible note holders agreeing to subscribe for convertible loan notes. The warrant is exercisable until 28 March 2017.

On 2 March 2015, warrants were granted over 150,000 shares at an exercise price of £0.50 per share by way of an arrangement fee for the provision of consultancy services. The warrant is exercisable until 21 January 2026; and

On 2 March 2015, warrants were granted over 150,000 shares at an exercise price of £0.50 per share by way of an arrangement fee for the provision of consultancy services. The warrant is exercisable until 21 January 2027; and

On 2 March 2015, warrants were granted over 150,000 shares at an exercise price of £0.50 per share by way of an arrangement fee for the provision of consultancy services. The warrant is exercisable until 21 January 2028; and

On 2 March 2015, warrants were granted over 150,000 shares at an exercise price of £0.50 per share by way of an arrangement fee for the provision of consultancy services. The warrant is exercisable until 21 January 2029; and

On 20 April 2015, warrants were granted over 1,756,185 shares at an exercise price of £1.05 per share by way of an arrangement fee for the convertible note holders agreeing to subscribe for convertible loan notes. The warrant is exercisable until 31 December 2017.

The Directors have estimated the fair value of the warrants in services provided using an appropriate valuation model. The total fair value of the warrant instruments is deemed to be approximately £983,533. For each set of warrants, the charge has been expensed over the vesting period. The share based payment charge for the six months to 30 June 2015 of £204,512 (six months to June 2014: £23,177, twelve months to December 2014: £182,227) has been expensed in the statement of comprehensive income.

7. Convertible loan notes

Planwise Convertible Loan Notes 2014

At the date of the reverse acquisition a convertible loan note of £400,000 plus accrued interest was in existence and was converted into ordinary shares in the Company at a price of £0.12 per share as detailed in the Admission Document dated 31 March 2014.

Planwise Convertible Loan Notes 2016

From the date of the reverse acquisition a convertible loan note of £200,000 was in existence as detailed in the Admission Document dated 31 March 2014. Proceeds of the subscriptions for the notes are to be used exclusively to finance the Company's ongoing working capital requirements. The terms of the loan note are that the loan notes, plus accrued interest at a rate of 4 per cent above Bank of England base rate per annum, will convert into ordinary shares in the Company at a price of £0.10 per share at the election of Planwise any time after the second anniversary of the re-admission to AIM on 24 April 2014.

Accounting for the convertible debt instrument

The net proceeds received from the issue of the Planwise Convertible Loan Note 2016 has been recorded as a debt liability in the balance sheet and the accrued interest charged to the income statement and the debt liability. The liability for the convertible debt instrument at 30 June 2015 is;

	Planwise Convertible Loan Note 2016 £000
Convertible loan notes issued	200
Accrued interest	11
	<u>211</u>

Investor Convertible Loan Notes: Tranche A

From the date of the reverse acquisition a Convertible Equity Instrument of £730,000 was in existence as detailed in the Admission Document dated 31 March 2014. Proceeds of the subscriptions for the instruments are to be used to finance the Company's on-going working capital requirements. The terms of the equity instrument are that the instrument, plus accrued interest at a rate of 6 per cent per annum, will convert into ordinary shares in the Company at a price of £0.16 per share at the election of the note holders any time after the date that is 180 days after the readmission to AIM on 24 April 2014. There is no option to repay in cash.

By way of an arrangement fee for the note holders agreeing to subscribe £730,000 for the Investor Convertible Loan Notes: Tranche A, the Company agreed to grant to the holders warrants to subscribe for up to 1,095,000 Shares at an exercise price of £0.20 per share. The fair value of these warrants is included in the share based payment calculations for the period.

Investor Convertible Loan Notes: Tranche B

On 16 June 2014 the Company entered into an agreement to issue £1,451,472 of Convertible Equity Instruments. Proceeds of the subscriptions for the instruments are to be used to finance the Company's on-going working capital requirements. The terms of the equity instrument are that the instrument, plus accrued interest at a rate of 6 per cent per annum, will convert into ordinary shares in the Company at a price of £0.24 per share at the election of the note holders any time after 28 March 2015. There is no option to repay in cash.

By way of an arrangement fee for the equity instrument holders agreeing to subscribe £1,451,472 for the Investor Convertible Loan Notes: Tranche B, the Company agreed to grant to the holders warrants to subscribe for up to 1,995,774 Shares at an exercise price of £0.32 per share. The fair value of these warrants is included in the share based payment calculations for the period.

Investor Convertible Loan Notes: Tranche C

On 20 April 2015 the Company entered into an agreement to issue £6,146,633 of Convertible Equity Instruments. Proceeds of the subscriptions for the notes are to be used to finance the Company's on-going working capital requirements. The terms of the equity instrument are that the instrument, plus

accrued interest at a rate of 4 per cent per annum, will convert into ordinary shares in the Company at a price of £0.70 per share at the election of the note holders any time after 25 June 2016.

By way of an arrangement fee for the equity instrument holders agreeing to subscribe £6,146,633 for the Investor Convertible Loan Notes: Tranche C, the Company agreed to grant to the note holders warrants to subscribe for up to 1,756,185 Shares at an exercise price of £1.05 per share. The fair value of these warrants is included in the share based payment calculations for the period.

The principal amount of the Convertible Equity Instrument is recorded as a shares to be issued reserve and the accrued interest also charged to the same reserve.

	Tranche A	Tranche B	Tranche C	Total
Convertible equity instruments issued	730	1,451	6,147	8,328
Interest charge	52	89	48	189
	<u>782</u>	<u>1,540</u>	<u>6,195</u>	<u>8,517</u>

8. Retained earnings

The retained earnings for the Company to the date of the reverse acquisition are those of the legal subsidiary, Tiziana Pharma Ltd.

	6 months to 30 June 2015 £'000	6 months to 30 June 2014 £'000	12 months to 31 Dec 2014 £'000
Retained earnings brought forward	(3,587)	--	--
Total comprehensive loss for the period	(4,111)	(1,574)	(3,510)
Interest on convertible equity instruments	(112)	--	(77)
Retained earnings carried forward	<u>(7,810)</u>	<u>(1,574)</u>	<u>(3,587)</u>

9. Trade and other payables

	6 months to 30 June 2015 £'000	6 months to 30 June 2014 £'000	12 months to 31 Dec 2014 £'000
Convertible loan note liability	211	2,273	206
Trade and other payables	144	148	41
Accruals	152	17	436
Other creditors	250	--	--
Short term borrowings	--	3	--
	<u>757</u>	<u>2,441</u>	<u>683</u>