COMPANY NUMBER 03508592

TIZIANA LIFE SCIENCES PLC
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

STATUTORY AND OTHER INFORMATION

Directors:	Mr G. M. A. Cerrone Dr R. Dalla-Favera Dr K. Shailubhai Mr W. Simon
Secretary:	Mr P J. Cooper FCA
Registered Office:	3rd Floor, 11-12 St James's Square, London, SW1Y 4LB
Principal Bankers:	Allied Irish Bank, Ealing Cross, 85 Uxbridge Road, London, W5 5TH
Auditors:	Mazars LLP, Tower Bridge House, St Katharine's Way, London, E1W 1DD
Nominated Advisors:	Cairn Financial Advisers LLP, 61 Cheapside, London, EC2V 6AX
Nominated Brokers:	Beaufort Securities Limited, 131 Finsbury Pavement, London, EC2A 1NT
Solicitors:	Cooley (UK) LLP, Dashwood, 69, Old Broad Street, London, EC2M 1QS.
Registrars:	Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

EXECUTIVE CHAIRMAN'S STATEMENT

I am pleased to report on the Company and its subsidiaries, together the 'Group', results for the year ended 31st December 2016.

Background

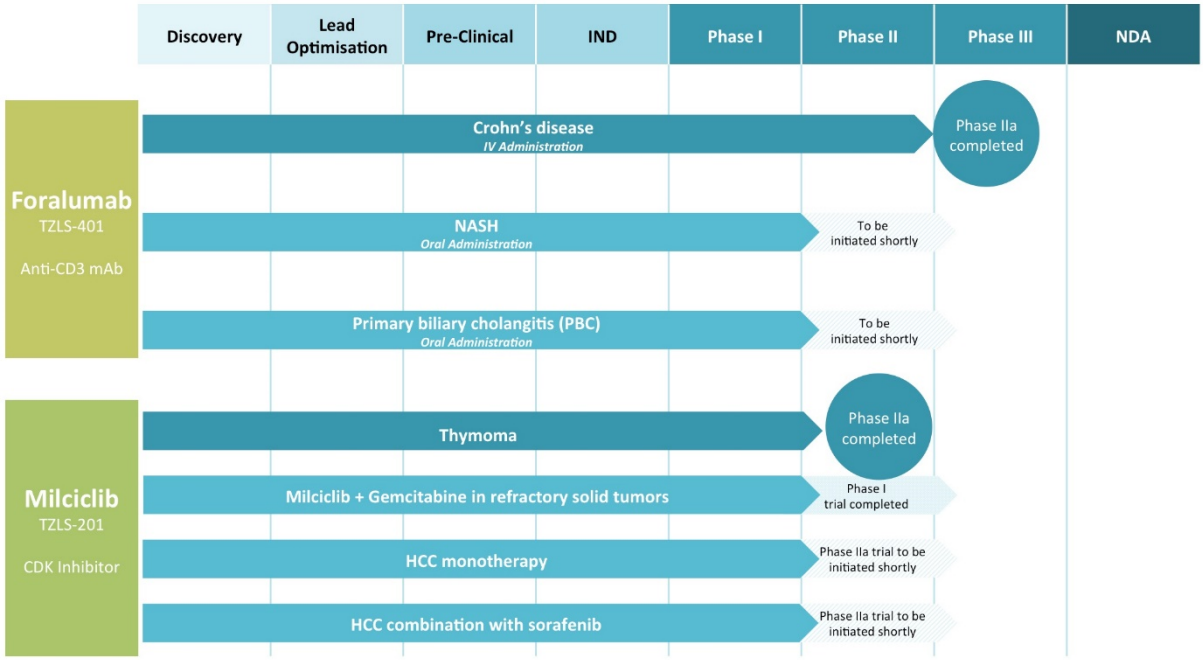
Tiziana Life Sciences plc is a UK AIM-listed biotechnology company (AIM:TILS) focused on the discovery and development of next generation therapeutics for cancers and immune diseases in man. The Group combines field-leading medical scientists, providing deep knowledge and novel insights into disease mechanisms, together with a highly experienced clinical development team. Since its foundation in 2013, Tiziana Life Sciences has expanded its pipeline of assets to include clinical stage development therapeutic candidates in both oncology and immunology, as well as a pre-clinical drug discovery pipeline of small molecule New Chemical Entities.

Clinical Programmes

The Group's approach is to target large markets with high-unmet medical need. Driven by an obesity epidemic, non-alcoholic fatty liver disease (NAFLD) has become the most common liver disease, affecting one-third of the Western world. Between 3 and 5% of patients progress to a more severe form of disease, non-alcoholic steatohepatitis (NASH), which is predicted to become the leading cause of liver transplantation in USA by 2020.

The race for therapeutics that address the market for NASH, which is estimated to reach £16.2 billion by 2025 (10.7% CAGR from 2015 to 2025), has led to a flurry of acquisitive activity in 2016 with four announced deals, totalling more than £2.3 billion in value. Around 20% of NASH patients progress further to cirrhosis of the liver, which may ultimately develop into lethal hepatocellular carcinoma (HCC), the primary cause of obesity-related cancer death in middle-aged men in the USA. No currently approved drugs for HCC exist – liver transplant being the only option for end-stage patients.

Tiziana Life Sciences has two lead clinical programmes:



Foralumab (TZLS-401 / NI-0401)

Foralumab is a fully human engineered anti-CD3 monoclonal antibody (mAB). It was in-licensed in December 2014 from Novimmune. Also in January 2016, Tiziana outlined its clinical development plan for foralumab with initial plans to evaluate foralumab in two clinical indications: non-alcoholic steatohepatitis (NASH) and graft vs host disease (GvHD).

As the only fully human engineered anti-human CD3 mAB in clinical development, foralumab has significant potential with advantages of short duration of treatment regimen and reduced immunogenicity. With Phase IIa development for Crohn's Disease completed, modulation of T-cell response provides potential extension into a wide range of other autoimmune and inflammatory diseases, such as GvHD, ulcerative colitis, multiple sclerosis, type-1 diabetes (T1D), inflammatory bowel disease (IBD), psoriasis and rheumatoid arthritis.

Foralumab is being developed as both an immunosuppressive and immunomodulatory agent, with therapeutic benefits of rendering T-cells unable to orchestrate an immune response and induction of immune tolerance via maintenance of regulatory T-cells. There is further potential for foralumab to be combined with another of the Group's assets, **TZLS-501**, a fully human anti-IL-6R mAB in development to target Crohn's disease, NASH and primary biliary cholangitis (PBC).

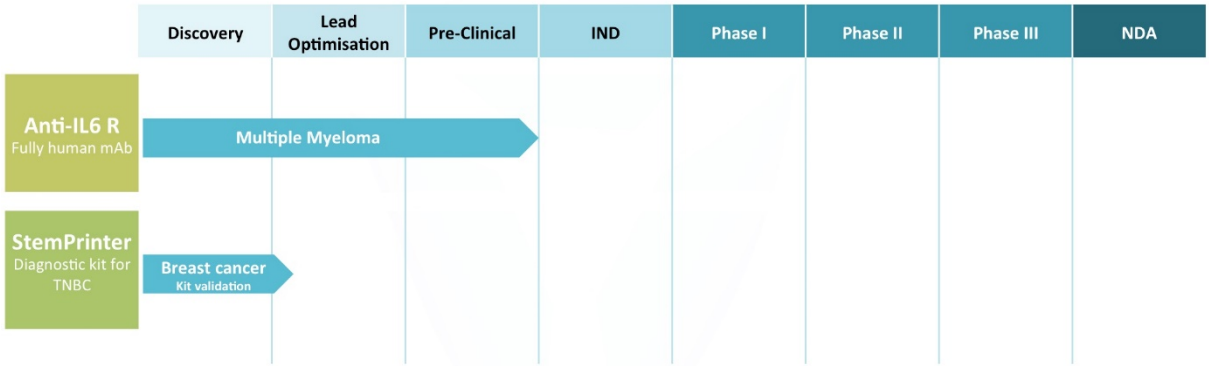
In November 2016, the Group announced new data for *oral* efficacy in humanized mouse models with foralumab, a major milestone and a potential breakthrough for treatment of NASH and autoimmune disease. This unique oral technology stimulates the natural gut immune system and potentially provides a therapeutic effect in inflammatory and autoimmune diseases with apparently greatly reduced toxicity. Positive therapeutic effects with foralumab were consistently demonstrated in animal studies conducted by Prof. Kevan Herold (Yale University) and Prof. Howard Weiner (Harvard University).

Milciclib (TZLS-201)

Milciclib, the Group's lead compound, was exclusively licenced in January 2015 from Nerviano Medical Sciences. Milciclib blocks the action of a set of enzymes called cyclin-dependent kinases (CDKs) involved in cell division processes that are key to the progression of cancers.

Prior to in-licensing, 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. Milciclib is currently in phase II clinical trials for thymic carcinoma (thymoma) in patients previously treated with chemotherapy, and for hepatocellular carcinoma.

Pre-Clinical Programmes



In pre-clinical development, the Group has two programmes:

TZLS-501 (Anti-IL6R)

TZLS-501 is a fully human anti IL-6R monoclonal antibody, acquired from Novimmune, with a novel mechanism of action targeting multiple myeloma. The mAb possesses a high affinity for IL-6R and the IL-6/IL-6R complex and effectively blocks the complex even at high IL-6 circulating levels, showing superiority and overcoming the limitations of other IL-6 pathway drugs. Therefore, TZLS-501 demonstrates a decreased potential for adverse events with improved efficacy in patients with high circulating levels of IL-6 and controlling chronic inflammation in diseases such as multiple myeloma, rheumatoid arthritis and other autoimmune diseases.

StemPrinter

Stemprinter, a diagnostic kit for triple negative breast cancer, is currently under analysis, with more details expected later this year.

Other early-stage therapeutic and diagnostic technologies under evaluation

TZLS-101

In January 2016, the Group announced that its research agreement with Cardiff University, focused on pioneering the development of Bcl-3 inhibitors as potential drugs to treat cancer, has led to the identification of a first-in-class lead clinical candidate, CB1 (TZLS-101), with potent anti-metastatic activity, and with an impressive *in vivo* efficacy and safety profile. Metastatic spreading of cancers is the single most important cause of their high mortality. This partnership was recognised as the winner of the Innovation in Healthcare category at Cardiff University's Innovation and Impact Awards 2016.

TZLS-214

Tiziana's novel anti-cancer stem cell agent, TZLS-214 / c-FLIP is currently under analysis.

LonGevia

In July 2016, Tiziana acquired a unique bio-repository of local samples and data from a Sardinian company, Shardna SpA. Residents of Sardinia are among the world's longest living people, with on average five times greater likelihood of reaching age 100 compared with the USA. The Group has established *LonGevia Genomics Srl*, a regional subsidiary specifically to develop these assets to identify novel drug targets and diagnostic applications through leveraging next generation gene sequencing and state of the art "-omics" technologies.

Financial summary

Consolidated Statement of Comprehensive Income

The Group has made a loss for the year of £7,208k (2015: £8,632k). The loss is detailed in the consolidated statement of comprehensive income on page 14.

Consolidated Statement of Financial Position

At the end of the year the Group cash balance amounted to £4,703,367 (2015: £8,903,000) and the total assets of the Group amounted to £5,051,148 (2015: £9,250,000).

Fund raising

In the period, the Group successfully raised funds to further progress its on-going clinical trials and give the Group the resources to expand its presence internationally.

On 13st January 2016, Tiziana entered into an agreement to issue £709,407 of Investor Convertible Loan Notes: Tranche F through the issue of 472,938 unsecured convertible loan notes. The notes are redeemable by the holders at any time after 31 December 2016 and will be redeemed, at the election of the Group, in cash or by conversion into new ordinary shares in the Group at a conversion price of £1.50 per share.

On 18th April 2016 and 28th June 2016, Tiziana received notice from warrant holders to exercise warrants raising £219,000 and £66,000 respectively.

Funds raised by Tiziana will be used to fund the development of the Group's clinical stage assets, Milciclib and Foralumab, to meet the Group's ongoing liabilities in respect of licence agreements, and for general working capital purposes.

Research & Development

In January 2016, the Company announced that its research agreement with Cardiff University, focused on pioneering the development of Bcl-3 inhibitors as potential drugs to treat cancer, has led to the identification of a first-in-class lead clinical candidate, CB1 (TZLS-101), with potent anti-metastatic activity, and with an impressive *in vivo* efficacy and safety profile. This partnership was recognised as the winner of the Innovation in Healthcare category at Cardiff University's Innovation and Impact Awards 2016. Tiziana intends to file an Investigational New Drug (IND) application for CB1 in June 2017, and expects to move this drug candidate into clinical trials shortly thereafter.

Also in January 2016 Tiziana outlined its clinical development plan for foralumab with initial plans to evaluate foralumab in two clinical indications; namely, graft vs host disease and non-alcoholic steatohepatitis (NASH). Foralumab is the only fully human anti-CD3 monoclonal antibody currently in development for the modulation of autoimmune disease.

The Company's small molecule drug candidate, milciclib, continues to progress through Phase II trials for thymic carcinoma (thymoma) in patients previously treated with chemotherapy.

Tiziana's novel anti-cancer stem cell agent, TZLS-214 / c-FLIP is currently under analysis, a lead candidate is expected to be disclosed later this year. StemPrinter is also currently under analysis with more detailed expected later this year.

In July 2016, Tiziana acquired a unique bio-repository of local samples and data from Sardinian company Shardna SpA. Residents of Sardinia are among the world's longest living people, with on average five times greater likelihood of reaching age 100 compared with the USA. The Company has established *LonGevia Genomics Srl*, a regional subsidiary specifically to develop these assets to identify novel drug targets and diagnostic applications through leveraging next generation gene sequencing and state of the art "-omics" technologies.

Appointments

Management team

On 4 April 2016, Tiziano Lazzaretti was appointed as Chief Financial Officer, taking over from Phil Boyd, who tendered his resignation on 7th May 2015 in order to focus on other opportunities.

Mr Lazzaretti has extensive experience in the healthcare and pharmaceutical industry and joins Tiziana from Pharmentis Srl, an Italian pharmaceutical business, where he served as Group Finance Director since 2011. Prior to this, Mr Lazzaretti held senior roles at Alliance Boots Healthcare, Accenture and other listed companies such as SNIA Spa and Fiat Group. He has a Bachelor of Science (BSc hons) in Accounting and Finance from the University of Turin, Italy and was awarded a Master in Business Administration (MBA) from Bocconi University, Milan.

Scientific Advisory Board

On 11 January 2016, the Group announced the addition of two key members to the Scientific Advisory Board: Professors Kevan Herold, MD and Howard Weiner, MD.

Dr. Kevan Herold

Dr. Kevan Herold is Professor of Immunobiology and of Medicine (Endocrinology) as well as Deputy Director, Yale Center for Clinical Investigation, Director of the Yale Diabetes Center and Director of the TrialNet Center at Yale. His investigative work has focused on developing new ways to prevent and treat autoimmune diseases, using novel translational immunologic and metabolic approaches to prevent progression, in particular anti-CD3 monoclonal antibody therapy. His clinical interests are in the management of endocrine diseases, and he is involved in a number of national and international clinical studies of new treatments.

Dr. Howard Weiner

Dr. Howard Weiner is the Robert L. Kroc Professor of Neurology at the Harvard Medical School, Director and Founder of the Partners Multiple Sclerosis (MS) Center and Co-Director of the Ann Romney Center for Neurologic Diseases at Brigham & Women's Hospital in Boston. The Partners MS Center is the first integrated MS Center that combines clinical care, MRI imaging and immune monitoring to the MS patient as part of the 2000 patient CLIMB cohort study. He has pioneered immunotherapy in MS and has investigated immune mechanisms in nervous system diseases including MS, Alzheimer's disease, amyotrophic lateral sclerosis, stroke and brain tumours. He has also pioneered the investigation of the mucosal immune system for the treatment of autoimmune and other diseases and the use of anti-CD3 to induce regulatory T cells for the treatment of these diseases.

Outlook

It has been a busy twelve months for the Group as we have bolstered our senior leadership team and Scientific Advisory Board, and continued to progress our pipeline of drugs to treat rare cancers and difficult to treat autoimmune inflammatory diseases.

We have outlined our clinical development plan for foralumab with initial plans to evaluate foralumab in two clinical indications: graft vs. host disease and NASH. Milciclib is currently in phase II clinical trials for thymic carcinoma (thymoma) in patients previously treated with chemotherapy, and for hepatocellular carcinoma.

Looking forward, we are confident of being well positioned to progress these programmes to their next respective value inflection points.

Gabriele Cerrone

Executive Chairman

STRATEGIC REPORT

Business review

A review of the business, its results and outlook is included in the Executive Chairman's Statement on page 2.

Key performance indicators

The Board monitors the Key Performance Indicators (KPIs) that it considers appropriate for the industry and stage of development of the Group. The Group is a research and development based Biotechnology concern with a number of pre-clinical and clinical assets. These assets require sufficient investment to reach defined milestones by which the Group and its investors can judge the chances of ultimate success and thereby the value of the Group. At this stage of Group development significant sources of revenue generation are unlikely and the Group is cash consuming. The Group KPIs are therefore chosen to monitor the progress of the individual scientific programmes, the external market environment for the potential drugs being developed and the cash requirements of the Group.

Financial KPIs

Cash consumption
The cash position of the business is measured on a continual basis with reference both to the general and administrative expenses required to run the Group, and more particularly to the cash required for ongoing research, development and acquisition of the Group's scientific assets. During 2016 the Bcl-3i project licensed from Cardiff University was the main focus of direct funding, along with the two major clinical programmes in-licensed from Novimmune and Nerviano.

The Group monitors current and projected cash consumption to ensure that there are sufficient funds available to develop the Group's scientific assets. The Group raised additional cash in January and April 2016 to fund research and development, to meet the Group's ongoing liabilities in respect of licence agreements, and for general working capital purposes. The Group maintains a virtual operating model resulting in low cash consumption for general and administrative expenses during the period.

Share price
The Group monitors its share price to determine whether the market view of the Group's position and prospects is aligned with the view of management, and to consider the most appropriate time to raise further capital in the interest of the Group and current shareholders. The Group re-listed on the AIM Market on 24th April 2014 at a share price of 12p per share and ended the financial period at 185.3p per share. As at 31st April 2017 the Group's share price was 230.0p per share. The Board considers the appreciation of the share price during the period, and subsequently, to reflect the market's understanding of the future value of the licensed programmes and research and clinical development undertaken by the Company.

Non-financial KPIs

External (life sciences) market environment
The Group monitors the life sciences market for a number of factors;

- New developments in drug research and development
- New medical treatment paradigms
- Patent filings by third parties pertinent to the Group's programmes
- Existing and novel drugs in development by third parties
- Healthcare regulation and policy in the major territories
- Private and public financings of life science companies to indicate investor appetite for life science risk

The Group is developing its scientific assets within the European and US territories, but for potential global application. The environment for life science companies was positive throughout the 2016.The Group succeeded in its fund raising activity based on the progress made by the business in line with their plans to develop a cross section of projects.

Principal risks and uncertainties

The Group assesses and monitors the inherent risks in the life sciences industry, as well as other micro and macro-economic factors that may present risk to the Group's progression. The Group also considers Group-specific risks such as research progress, personnel and operational facilities and collaborations.

There are significant risks associated with any life science business. The Board believes that the following risks are the most significant, however, the risks listed do not necessarily comprise all those associated with an investment in the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and / or tax requirements. The risks listed are not set out in any particular order of priority and this is not an exhaustive list of risks.

If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially and adversely affected. In such cases, the Company's share price may decline and an investor may lose part or all of his investment.

Business risks

Dependence on key personnel
The success of the Group, in common with other businesses of a similar size, is dependent on the expertise and experience of the Directors, management and key collaborators. However, the retention of such key personnel cannot be guaranteed. Should key personnel leave, the Group's business, prospects, financial condition or results of operations may be materially adversely affected.

Early stage of operations
The Group's operations are at an early stage of development and there can be no guarantee that the Group will be able to, or that it will be commercially advantageous for the Group to, develop its proprietary technology and acquired scientific assets. Further, the Group has no positive operating cash flow and its ultimate success will depend on the Board's' ability to implement the Group's strategy, generate cash flow and access equity markets. Whilst the Board is optimistic about the Group's prospects, there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved. The Group will not generate any material income until commercialisation or licensing of its scientific assets has successfully commenced and in the meantime the Group will continue to expend its cash reserves. There can be no assurance that the Group's proposed operations will be profitable or produce a reasonable return, if any, on investment.

Technology and products
The Group is a drug discovery and development Group. The development and commercialisation of its scientific assets, will require research progress and positive results from multiple clinical trials, which by their very nature are inherently uncertain. There is a risk that safety issues may arise when the products are tested. This risk is common to all new classes of drugs and, as with all other drug companies, there is a risk that trials may not be successful.

Research and development risk
The Group operates in the life sciences and biopharmaceutical development sector and will be looking to exploit opportunities within that sector. The Group is therefore involved in complex scientific research, and industry experience indicates that there may be a very high incidence of delay or failure to produce results. The Group may not be able to develop new products or to identify specific market needs that can be addressed by technology solutions developed by the Group. The ability of the Group to develop new technology relies, in part, on the recruitment of appropriately qualified staff as the Group grows, or to identify and collaborate with high quality scientific teams and investigators. The Group may be unable to find a sufficient number of appropriately highly trained individuals to satisfy its growth rate which could affect its ability to develop as planned.

Product development timelines
Product development timelines are at risk of delay, particularly since it is not always possible to predict the rate of patient recruitment into clinical trials. There is a risk therefore that product development could take longer than presently expected; if such delays occur the Group may require further working capital. The Group will seek to minimise the risk of delays by careful management of projects.

Uncertainty related to regulatory approvals
The Group will need to obtain various regulatory approvals and otherwise comply with extensive regulations regarding safety, quality and efficacy standards in order to market its future products. These regulations, including the time required for regulatory review, vary from country to country and can be lengthy, expensive and uncertain. While efforts will be made to ensure compliance with government standards, there is no guarantee that any products will be able to achieve the necessary regulatory approvals to promote that product in any of the targeted markets and any such regulatory approval may include significant restrictions for which the Group's products can be used. In addition, the Group may be required to incur significant costs in obtaining or maintaining its regulatory approvals. Delays or failure in obtaining regulatory approval for products would be likely to have a serious adverse effect on the value of the Group and have a consequent impact on its financial performance.

Competition
Technological competition from pharmaceutical companies, biotechnology companies and universities is intense and can be expected to increase. Many competitors and potential competitors of the Group have substantially greater product development capabilities and financial, scientific, marketing and human resources than the Group. The future success of the Group depends, in part, on its ability to maintain a competitive position, including an ability to further progress through the necessary pre-clinical and clinical trials towards regulatory approval for sale and commercialisation. Other companies may succeed in commercialising products earlier than the Group or in developing products that are more effective than those which may be produced by the Group. While the Group will seek to develop its capabilities in order to remain competitive, there can be no assurance

that research and development by others will not render the Group's intellectual property obsolete or uncompetitive.

Patents
The field of pharmaceutical development is highly litigious. The Group's priorities are to protect its intellectual property and seek to avoid infringing other companies' intellectual property. The Group engages reputable legal advisers to mitigate the risk of patent infringement and to assist with the protection of the Group's intellectual property. However, there remains the risk that the Group may face opposition from other companies to patents that it seeks to have granted. The value of the Group's intellectual property is vulnerable to challenge both after and, in some jurisdictions, before a patent is granted. As a patent cannot be enforced until it has been granted, the Group will be unable to take action against third parties who infringe its intellectual property unless and until patents are granted. There is a risk that, if granted, the Group's patents may subsequently be revoked and, if revoked after details of the Group's intellectual property have been made public as part of the patent registration process, there would be serious and adverse implications for the value of the Group's intellectual property.

Future funding requirements
The Group will need to raise additional funding in the future to undertake work beyond that being funded by the Group's current cash reserves. There is no certainty that this will be possible at all or on acceptable terms. In addition, the terms of any such financing may be dilutive to, or otherwise adversely affect, existing shareholders.

General legal and regulatory issues
The Group's operations are subject to laws, regulatory restrictions and certain governmental directives, recommendations and guidelines relating to, amongst other things, occupational safety, laboratory practice, the use and handling of hazardous materials, prevention of illness and injury, environmental protection and animal and human testing. There can be no assurance that future legislation will not impose further government regulation, which may adversely affect the business or financial condition of the Group.

Currency risk
The Group holds its cash reserves in UK Sterling. As is the nature of international life science companies, the Group has purchases and licensing agreement obligations denominated in Euro and US Dollar. There is a risk that adverse movements in exchange rates may increase the currency liability in UK Sterling. The Group monitors currency exchange rates and makes judgments as to whether to enter into currency hedging contracts. Currently no such hedging contracts are in place.

Interest rate risk
The only significant interest-bearing asset within the Group are the cash reserves, and the only interest bearing liability is the convertible loan notes. In the current low interest rate environment the Board does not consider interest rate risk to be significant. Should the interest rate environment change or the Group seek to take on interest bearing debt the interest rate risk may increase.

By order of the Board
Mr G. M. A. Cerrone
22nd May 2017

3rd Floor, 11-12 St James's Square, London, SW1Y 4LB

DIRECTORS REPORT

The Directors present their report and the financial statements of the Company and its Group for the year ended 31st December 2016.

Results and dividend

The results of the Group for the year are set out on page 14. No dividends were declared or paid in the year (2015: nil).

Directors

The directors of the Company who were in office during the year and to the date of these financial statements were:

Mr Gabriele Cerrone	Executive Chairman
Dr Riccardo Dalla-Favera	Non-Executive Director
Prof Christopher McGuigan	Non-Executive Director, Died 11th March 2016.
Dr Kunwar Shailubhai	Non-Executive Director,
Mr Willy Simon	Non-Executive Director,

Significant shareholdings

The directors have been notified or are aware of the following interests in 3% or more of the ordinary share capital of the company at 31st March 2017:

	Ordinary shares	
	Number	**Percentage**
Planwise Group Limited*	56,205,322	59.54%
Nerviano Medical Sciences Srl	4,233,616	4.49%
Maria McGuigan	3,114,618	3.30%

*Mr Gabriele Cerrone, a director, is the ultimate beneficial owner of the entire issued share capital of Planwise Group Limited.
** Prof Chris McGuigan was a non-executive director of Tiziana Life Sciences PLC until his passing on 11th March 2016.

Staff policy

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability. Applications for employment by disabled persons are given full and fair consideration having regard to their particular aptitudes and abilities. Where existing employees become disabled, it is the Group's policy, wherever possible, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

Corporate governance

The Board of Directors is committed to maintaining high standards of corporate governance and is accountable to the shareholders for the proper corporate governance of the group. The UK Corporate Governance Code does not apply to AIM companies, and Tiziana Life Sciences plc instead aspires to the principles of corporate governance set out in the QCA Guidelines. Tiziana Life Sciences plc operates within the life science sector in an effective and efficient way, with integrity and due regard for the interests of shareholders, and applies principles of general governance applicable to the size and stage of development of the Group.

Audit Committee

The Audit Committee of the Board comprises Riccardo Dalla-Favera and Willy Simon. It is chaired by Mr Simon, and is responsible for:

i. Monitoring the quality of internal controls and ensuring the financial performance of the Group is properly measured and reported on;
ii. Consideration of the Directors' risk assessment and suggest items for discussion at the full Board;
iii. Receipt and review of reports from the Company's management and auditors relating to the interim and annual accounts, including a review of accounting policies, accounting treatment and disclosures in the financial reports;

iv. Consideration of the accounting and internal control systems in use throughout the Company and its subsidiaries; and
v. Overseeing the Company's relationship with external auditors, including making recommendations to the Board as to the appointment or re-appointment of the external auditors, reviewing their terms of engagement, and monitoring the external auditors' independence, objectivity and effectiveness.

The audit committee meets not less than twice in each financial year and has unrestricted access to the Company's auditors.

Remuneration Committee

The Remuneration Committee of the Board comprises Riccardo Dalla-Favera and Kunwar Shailubhai. It is chaired by Mr Dalla-Favera, and is responsible for:

i. The review of the performance of the executive directors;
ii. Recommendations to the Board on matters relating to the remuneration and terms of service of the executive directors; and
iii. Recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time.

In making their recommendations the Remuneration Committee will have due regard to the interests of the Shareholders and the performance of the Company.

Statement of directors' responsibilities

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and the financial performance and cash flows of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether in preparation of the Group and Company financial statements the Group and Company has complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the group financial statements;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Directors Indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur n the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything do e or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Appropriate directors and officer's liability insurance cover is in place in respect of all Company directors.

Disclosure of Information to Auditors

So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware, and they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Mazars LLP were appointed as auditors in the year and have indicated their willingness to continue in office. In accordance with section 489 of the Companies Act 2006, a resolution proposing that Mazars LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

Future developments

The Executive Chairman's Statement on pages 2 to 5 provides a summary of future developments of the Group.

Research and development activities

The research and development activities of the Group are described in the Executive Chairman's Statement on page 2 to 5.

Post balance sheet events

Subsequent to the period end the Group announced the acquisition of a worldwide license for an anti-onterleukin antibody. The Group also raised some additional finance due to the exercise of warrants. Details of the events can be found in the Executive Chairman's Statement on pages 2 to 5 and at Note 27 to the financial statements.

Financial instruments

The use of financial instruments is considered by the Board and the exposure of the Group to price, credit, liquidity and cash flow risks are considered. Details of the risks and mitigation can be found in the Strategic Report on pages 6 to 8, and at note 22 to the financial statements.

By order of the Board
Mr Gabriele Cerrone

22nd May 2017

3rd Floor, 11-12 St James's Square, London, SW1Y 4LB

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TIZIANA LIFE SCIENCES PLC

We have audited the financial statements of Tiziana Life Sciences PLC for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Bob Neate (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House

St Katharine's Way

London

E1W 1DD

22nd May 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

Continuing Operations	Note	**2016** £'000	**2015** £'000
Research and development costs		(2,956)	(6,287)
Operating expenses		(4,332)	(2,327)
Operating loss	4	(7,288)	(8,614)
Finance costs	9	(9)	(18)
Loss before taxation		(7,297)	(8,632)
Taxation	10	89	-
Loss for the year attributable to equity owners		(7,208)	(8,632)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to equity owners		(7,208)	(8,632)
Loss per share			
Basic and diluted (loss) per share on continuing operations	11	(7.7p)	(9.5p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
ASSETS			
Non-Current assets			
Property, plant and equipment	12	28	-
Total Non-current assets		28	-
Current assets			
Other receivables	13	103	347
Other current assets	14	217	-
Cash and cash equivalents		4,703	8,903
Total current assets		5,023	9,250
TOTAL ASSETS		5,051	9,250
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to equity holders of the company			
Called up share capital	16	2,832	9,375
Share premium	20	2,071	20,632
Share based payment reserve	16,20	1,935	1,008
Shares to be issued reserve (warrants)	16,20	191	102
Shares to be issued reserve	18	13,535	12,287
Merger relief reserve	21	-	5,625
Other reserve	21	(28,286)	(28,286)
Capital redemption reserve	21	-	-
Retained earnings	21	11,036	(12,239)
Total equity		3,314	8,504
Liabilities			
Current liabilities			
Trade and other payables	24	1,737	746
		1,737	746
TOTAL EQUITY AND LIABILITIES		5,051	9,250

The financial statements were approved by the board of directors and authorised for issue on 22nd May 2017.

Mr G.M.A Cerrone Director

Company Number: 03508592 (England and Wales)

COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	31 December 2016 £'000	31 December 2015 £'000
ASSETS			
Non-current assets			
Investment in subsidiaries	15	12,652	7,500
Property, plant and equipment	12	12	-
Intercompany Receivable	13	-	2,612
Current assets			
Other receivables	13	9	33
Other current assets	14	217	-
Cash and cash equivalents		4,649	8,871
TOTAL ASSETS		17,539	19,016
EQUITY AND LIABILITIES			
Equity Capital and reserves attributable to equity holders of the company			
Called up share capital	16	2,832	9,375
Share premium	19	2,071	20,632
Shares to be issued reserve	18	13,535	12,287
Merger relief reserve	20	-	5,625
Share based payment reserve	16, 21	2,000	1,073
Shares to be issued reserve (warrants)	16, 21	254	165
Capital redemption reserve	22	-	-
Retained earnings	21	(4,443)	(30,641)
		16,249	18,516
Total equity			
Liabilities			
Current liabilities			
Trade and other payables	22	1,290	500
		1,290	500
TOTAL EQUITY AND LIABILITIES		17,539	19,016

The Company reported a loss for the financial year ended 31 December 2016 of £4,253k (2015: £6,894k).

The financial statements were approved by the board of directors and authorised for issue on 22nd May 2017.

Mr Gabriele Cerrone Director

Company Number: 03508592 (England and Wales)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Total comprehensive loss for the period before taxation	(7,208)	(8,632)
Convertible loan interest accrued	9	-
Share based payment – options	927	972
Share based payment – warrants	89	102
Net (increase)/decrease in operating assets/other receivables	0	(153)
Net increase/(decrease) in operating liabilities /other liabilities	866	63
Depreciation	8	-
Other share based payments	-	2,138
Loss on foreign exchange	158	-
Lease adjustment	41	-
NET CASH USED IN OPERATING ACTIVITIES	(5,110)	(5,510)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	453	2,638
Proceeds from issuance of convertible loan notes	709	10,235
Fundraising cost	-	(726)
NET CASH GENERATED FROM FINANCING ACTIVITIES	1,162	12,147
Cash flows from investing activities		
Acquisition of property, plant and equipment	(35)	-
Acquisition of other investments	(217)	
NET CASH GENERATED FROM INVESTING ACTIVITIES	(252)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,200)	6,637
Cash and cash equivalents at beginning of year	8,903	2,266
CASH AND CASH EQUIVALENTS AT END OF YEAR	4,703	8,903

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Total comprehensive loss for the period before taxation	(4,252)	(6,890)
Convertible loan interest accrued	9	-
Convertible loan interest paid as equity	-	-
Share based payment - options	927	972
Share based payment - warrants	89	102
Net(increase)/decrease in operating assets/other receivables	15	(1,722)
Net increase/(decrease) in operating liabilities/other liabilities	555	(117)
Loss on foreign exchange	38	-
Other share based payments	-	2,138
NET CASH USED IN OPERATING ACTIVITIES	(2,619)	(5,517)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	454	2,638
Proceeds from issuance of convertible loan notes	709	10,235
Fundraising costs	-	(726)
NET CASH GENERATED FROM FINANCING ACTIVITIES	1,163	12,147
Cash flows from investing activities		
Acquisition of property, plant and equipment	(18)	-
Acquisition of other investments	(217)	
Capital contribution to subsidiaries	(2,531)	
NET CASH GENERATED FROM INVESTING ACTIVITIES	(2,765)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,222)	6,630
Cash and cash equivalents at beginning of year	8,871	2,241
CASH AND CASH EQUIVALENTS AT END OF YEAR	4,649	8,871

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital	Share Premium	Merger Relief Reserve	Capital Redemption Reserve	Share Based Payment Reserve	Restated Shares To Be Issued Reserve	Convertible Loan Note Reserve	Other Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2015	9,144	16,294	5,625	-	146	-	2,259	(28,286)	(3,405)	1,777
Transactions with owners										
Issue of share capital under share-based payment scheme	231	4,338	-	-	-	-	-	-	-	4,569
Share based payment (options)	-	-	-	-	972	-	-	-	-	972
Share based payment (warrants)	-	-	-	-	-	102	-	-	-	102
Convertible loan note – equity component	-	-	-	-	-	-	10,028	-	(312)	9,716
Options cancelled in the year		-	-	-	(110)	-	-	-	110	
Total transactions with owners	9,375	20,632	5,625	-	862	102	10,028	-	(202)	15,539
Comprehensive income										
Comprehensive loss for the year	-	-	-	-	-	-	-	-	(8,632)	(8,632
Total comprehensive income										
Balance as at 31 December 2015	9,375	20,632	5,625	-	1,008	102	12,287	(28,286)	(12,239)	8,504
Transactions with owners										
Issue of share capital under share-based payment scheme	61	393	-	-	-	-	-	-	-	454
Share based payment (options)	-	-	-	-	927	-	-	-	-	927
Share based payment (warrants)	-	-	-	-	-	89	-	-	-	89
Convertible loan note – equity component	-	-	-	-	-	-	1,248	-	(690)	558
Options cancelled in the year	-	-	-	-	-	-	-	-	-	
Cancellation of deferred shares	(6,604)	-	-	6,604	-	-	-	-	-	
Capital reduction	-	(18,954)	(5,625)	(6,604)	-	-	-	-	31,183	
Prior year adjustments	-	-	-	-	-	-	-	-	(10)	(10
				-						
Total transactions with owners	(6,543)	(18,561)	(5,625)	-	927	191	1,248	-	30,483	2,018
Comprehensive income										
Comprehensive loss for the year	-	-	-	-	-	-	-	-	(7,208)	(7,208
Total comprehensive income	-	-	-	-	-	-	-	-	(7,208)	(7,208
Balance as at 31 December 2016	2,832	2,071	-	-	1,935	191	13,535	(28,286)	11,036	3,314

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital	Share Premium	Merger Relief Reserve	Capital Redemption Reserve	Share Based Payment Reserve	Shares to Be Issued Reserve	Convertible Loan Note Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2015	9,144	16,294	5,625	-	211	63	2,259	(23,549)	10,047
Transactions with owners									
Issue of share capital	231	4,338	-	-	-	-	-	-	4,569
Issue of shares	-	-	-	-	-	-			-
Share based payment (options)	-	-	-	-	972	-			972
				-					102
Convertible loan note – equity component	-	-	-	-	-	102	10,028	(312)	9,716
Options cancelled in the year	-	-	-		(110)	-	-	110	-
Total transactions with owners	231	20,632	5,625	-	862	102	10,028	(202)	15,359
Comprehensive income									
Loss for the year	-	-	-	-	-	-	-	(6,890)	(6,890)
Total comprehensive income	-	-	-	-	-	-	-	(6,890)	(6,890)
Balance as at 31 December 2015	9,375	20,632	5,625	-	1,073	165	12,287	(30,641)	18,516
				-					
Transactions with owners				-					
Issue of share capital	61	393	-	-	-	-	-	-	454
Share based payment (options)	-	-	-	-	927	-	-	-	927
Share based payment (warrants)	-	-	-	-	-	89	-	-	89
Convertible loan note – equity component	-	-	-	-	-	-	1,248	(690)	558
Cancellation of deferred shares	(6,604)	-	-	6,604	-	-	-	-	-
Capital reduction	-	(18,954)	(5,625)	(6,604)	-	-	-	31,183	-
Prior year adjustments			-	-				(43)	(43)
				-					
Total transactions with owners	(6,543)	(18,561)	(5,625)		927	254	1,248	30,449	1,516
Comprehensive income									
Loss for the year	-	-	-	-	-	-	-	(4,252)	(4,252)
Total comprehensive income	-	-	-	-	-	-	-	(4,252)	(4,252)
	-								
Balance as at 31 December 2016	2,832	2,071	-	-	2,000	254	13,535	(4,443)	16,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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 given on page 1. 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 financial statements are presented in thousands of pounds sterling (£'000) which is the functional currency of the primary economic environment in which the Company 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 Limited.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group and 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 permitted by section 408 of the Companies Act 2006, a separate profit and loss account for the Company has not been presented in these financial statements.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The directors believe that there are reasonable grounds to believe that the company and consolidated entity will be able to continue as going concerns, after consideration of the following factors;

- Cash and cash equivalents totalling £4.7m at 31 December 2016
- Conversion of warrants on 24th March 2017 raising £572,648 before expenses

Accordingly, the directors believe that the company and consolidated entities will be able to continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial statement. The financial statement does not include any adjustment relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company and consolidated entities do not continue as going concerns.

New and Revised Standards

Standards in effect in 2016

There were no new standards, amendments and interpretations issued that would be expected to have a material effect on the group.

IFRS in issue but not applied in the current financial statements

The directors do not expect that the adoption of new IFRS Standards, Interpretations and Amendments that have been issued but are not yet effective will have a material impact on the financial statements of the Group in future periods, except IFRS 16 Leases which will impact on the recognition of leases currently classified as operating leases.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed."
A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Group's activities and which have not therefore been adopted in preparing these financial statements.

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 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.

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 prepared its first set of financial statements to 31 December 2014. Therefore, the parent and subsidiary had the same reporting date but Tiziana Pharma Limited had a long period of account. No adjustment was 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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board. The Board allocates resources to and assess the performance of the segments. The Board considers there to be only one operating segment being the research and development of biotechnological and pharmaceutical products.

Taxation

The tax expense for the year represents the total of current taxation and deferred taxation. The charge in respect of current taxation is based on the estimated taxable profit for the year. Taxable profit for the year is based on the profit as shown in the income statement, as adjusted for items of income or expenditure which are not deductible or chargeable for tax purposes. The current tax liability for the year is calculated using tax rates which have either been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates which have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Foreign currency translation

Foreign currency transactions are translated using the rate of exchange applicable at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at the year end of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

On consolidation, the assets and liabilities of foreign subsidiaries are translated into Pound Sterling at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the component of other comprehensive income relating to that particular foreign subsidiary is recognised in profit or loss.

License fees

Payments related to the acquisition of rights to a product or technology are capitalised as intangible assets if it is probable that future economic benefits from the asset will flow to the entity and the cost of the asset can be reliably measured.

Payments made which provide the right to perform research are carefully evaluated to determine whether such payments are to fund research or acquire an asset. Where fees related to research and development projects are recognised as an expense in the income statement, due to the uncertainty in the length of time that the Group will hold them the expense is recognised fully at the point of recognition.

Research and development

All on-going research and development expenditure is currently expensed in the period in which it is incurred. Due to the regulatory environment inherent in the development of the Group's products, the criteria for development costs to be recognised as an asset, as set out in IAS 38 'Intangible Assets', are not met until a product has been granted regulatory approval and it is probable that future economic benefit will flow to the Group. The Group currently has no qualifying expenditure.

Financial instruments

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Loans and receivables

Loans and receivables are recognised initially at fair value and are subsequently measured at amortised cost, with no discounting where the effect is not material.

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.

Financial liabilities

The Group classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was committed.

Trade and other payables

Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method. As the payment period of trade payables is short future cash payments are not discounted as the effect is not material.

Investments

Investments are held as non-current assets and comprise investments in subsidiary undertakings and are stated at cost less provision for any impairment.

Share capital

Ordinary shares of the company are classified as equity.

Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current period and the comparative period are as follows.

Plant and equipment	**3 years**
Fixtures and fittings	**5 years**

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Depreciation is allocated to the operating expenses line of the income statement.

Impairment

A financial asset not carried at fair value is assessed at each reporting date to determine whether there is objective evidence that it should be impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency of a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise and indications that a debtor will enter bankruptcy.

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Non-financial assets are impaired when its carrying amount exceed its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.

Operating leases

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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.

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. Non market 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.

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 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 Convertible loan note reserve. The accrued interest on the principal amount is also recorded in the Convertible loan note reserve. Upon redemption of the instrument and the issue of share capital, the amount is reclassified from the convertible loan note 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial information in accordance with generally accepted accounting practice, in the case of the Group being International Financial Reporting Standards as adopted by the European Union, requires the directors to make estimates and judgements that affect the reported amount of assets, liabilities, income and expenditure and the disclosures made in the financial statements. Such estimates and judgements must be continually evaluated based on historical experience and other factors, including expectations of future events.

When entering into agreements with third parties which provide the rights to conduct research into specific biological processes the group account for these agreements as an expense if the agreements are 'milestone' in nature and relate to the Group's own research and development costs. Such agreements involve periodic payments and are evaluated as representing payments made to fund research.

The only other critical accounting estimates and judgements in the preparation of the financial statements were fair value estimates used in the calculation of share based payments and warrants which have been detailed above in note 2, accounting policies, and note 17, share based payments, to the accounts.

4. OPERATING LOSS

The Group and Company's operating loss for the year is stated after charging the following:

	2016 £'000	2015 £'000
Depreciation	8	-
Foreign exchange losses/(Gain)	159	(21)
	167	(21)

5. SEGMENTAL REPORTING

During the year under review Management identified the Group's only operating segment as the research and development of biotechnological and pharmaceutical products. This one segment is monitored and strategic decisions are made based upon it and other non-financial data collated from industry intelligence. The form of financial reporting reported to the Board is consistent with those presented in the annual financial statements.

6. AUDITOR'S REMUNERATION

	2016 £'000	2015 £'000
Remuneration receivable by the Company's auditor for the audit of the consolidated and Company financial statements, including £9k for the audit of Company subsidiaries	36	-
Remuneration receivable by the Company's previous auditor for the audit of the consolidated and Company previous financial statements	-	41

7. EMPLOYEES

Group	2016 £'000	2015 £'000
Staff costs comprised:		
Directors' salaries	158	199
Wages and salaries	580	19
Social security costs	28	20
Share based payment charge	749	301
	1,512	539
The average monthly number of employees, including directors, employed by the group during the year was:		
Corporate and administration	6	5
	6	5

A charge for share based payments totalling £749k (2015: £395k) was made in the year.

Company	2016 £'000	2015 £'000
Staff costs comprised:		
Directors' salaries	35	94
Share based payment charge	749	301
	784	395

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2016		2015	
Director	Directors' fee	Salary	Directors' fee	Salary
P. Boyd	-	-	-	56,913
W Simon	-	38,000	-	-
G. Cerrone	-	80,000	-	80,000
R. Dalla-Favera	-	20,000	-	35,000
K. Shailubhai	-	20,000	-	13,378
C. McGuigan	-	-	-	13,678
	-	158,000	-	199,269

The following share options were granted to directors in the year:

Director	2016 Number of options	2015 Number of options
R. Dalla Favera	-	100,000
P. Boyd	-	300,000
A Gutmann	-	-
G. Cerrone	3,259,403	2,000,000
K. Shailubhai	-	300,000
	3,259,403	2,700,000

The key management personnel of the Group are considered to be mostly represented by the directors.

No director has yet benefitted from any increase in the value of share capital since issuance of the options.

No director exercised share options in the year. The company has not made any payments to defined benefit or defined contribution pension schemes on behalf of directors or employees.

9. FINANCE COSTS

Group	2016 £'000	2015 £'000
Loan interest paid on convertible loan notes (recognised as debt)	-	9
Finance charge accrued on convertible loan notes (recognised as debt)	9	9
	9	18

10. TAXATION

	2016 £'000	2015 £'000
Group		
Current tax (credit)	(89)	-
Deferred tax		
Origination and reversal of timing differences	Nil	Nil
Total tax (credit) for period	(89)	-

The tax charge for the year is different from the standard rate of corporation tax in the United Kingdom of 21.49%. The difference can be reconciled as follows:

Loss before taxation	(7,208)	(8,632)
Loss charged at standard rate of corporation tax 20% (2015: 21.49%)	(1,441)	(1,748)
Tax calculated at the applicable rate based on loss for the year	1,226	1,529
Expenses not deductible for taxation	219	219
Adjustments due to prior periods	(89)	-
	(89)	-

No deferred tax asset has been recognised in respect of trading losses carried forward because of uncertainty as to when these losses will be recoverable.

11. LOSS PER SHARE

Basic loss 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.

	2016	2015
(Loss) attributable to equity holders of the company (£)	(7,207,597)	(8,632,226)
Weighted average number of ordinary shares in issue	93,592,195	91,242,884
Basic loss per share (pence per share)	(7.7)	(9.5)

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.

12. PROPERTY, PLANT AND EQUIPMENT

Details of the Groups property, plant and equipment are as follows:

Group	Furniture and fixtures £'000	IT equipment £'000	Total £'000
Cost			
At 1 January 2016	-	-	-
Additions	12	24	36
Disposals	-	-	-
At 31 December 2016	12	24	36
Depreciation			
At 1 January 2016	-	-	-
Charge in year	1	7	8
At 31 December 2016	1	7	8
Net book value as at 31 December 2016	11	17	28
Net book value as at 31 December 2015	-	-	-

13. OTHER RECEIVABLES

	2016 £'000	2015 £000
Group		
Other receivables	93	258
Taxation receivable	-	15
Prepayments	10	74
	103	347

There are no differences between the carrying amount and fair value of any of the trade and other receivables above.

Company	2016 £000	2015 £000
Intercompany receivables	-	2,612
Taxation receivable	-	15
Prepayments and accrued income	9	18
	9	2,645

14. OTHER ASSETS

In June 2016, the Board approved the purchase of the Data repository of DNA from SharDNA (an Italian entity in liquidation) for EUR 258,000, approximately £217,000.

Management recognizes that the transaction is not the purchase of a business but the purchase of key assets owned by SharDNA. These assets are to be owned by Tiziana Life Sciences PLC and will be loaned to its subsidiary Longevia SRL for no extra cost.

No research and development work has been carried out to this date, but Management anticipates that this will commence within the next 12 months.

As there is current legal action pending against the liquidators as to the validity to the sale of the assets, the Company is unable to utilise these assets until the legal action is resolved. For this reason, the investment has been recognised as a current asset until such a time that the Company is able to use this asset.

15. INVESTMENTS IN SUBSIDIARIES

Company	Shares in group undertakings	Capital Contribution	Total
	£'000	£'000	£'000
Cost			
At 1 January 2016	7,500	-	7,500
Additions	9	5,143	5,152
Disposals	-	-	-
At 31 December 2016	7,509	5,143	12,652
Provisions			
At 1 January 2016	-	-	-
Charge in year	-	-	-
At 31 December 2016	-	-	-
Net book value as at 31 December 2016	7,509	5,143	12,652
Net book value as at 31 December 2015	7,500	-	7,500

The capital contribution represents the movement in the operations of the group to its subsidiary undertakings, with the Company acting as the Group's holding company.

The company's interest in subsidiary undertakings is as follows:

Name	Principal activity	Registered Address	Percentage shareholding	Country of incorporation
Tiziana Pharma Limited	Clinical stage biotechnology company	3rd Floor, 11-12 St James's Square, London, SW1Y 4LB	100%	England & Wales
Tiziana Therapeutics Inc	Clinical stage biotechnology company	420 Lexington Avenue Suite 2525 New York, NY 10170	100%	USA
Longevia Genomics SRL	Biotech Discovery Company	Via Constantinopli 42 09100- Cagliria (CA)	100%	Italy

Tiziana Therapeutics Inc was incorporated on 28 October 2015. This entity was set up to house the Company's US operations.

Longevia Genomics SRL was incorporated on 4 July 2016.This entity was established to enable the Company to carry out R&D activities in Sardinia.

16. SHARE CAPITAL

Company and Group	Number of shares	£000
In issue 1 January 2015:		
Ordinary shares issued at 3.0 pence	84,672,312	2,540
Deferred A shares at 4.9 pence	108,121,391	5,298
Deferred B shares at 9.99 pence	13,068,521	1,306
Transactions in the year:		
Ordinary shares issued at 50.5 pence	4,233,616	127
Ordinary shares issued at 3.0 pence	28,000	1
Ordinary shares issued at 75 pence	3,400,000	102
Ordinary shares issued at 150 pence	58,222	1
In issue 31 December 2015	213,582,062	9,375
In issue 1 January 2016:		
Ordinary shares issued at 3 pence	84,700,312	2,541
Ordinary shares issued at 50.5 pence	4,233,616	127
Ordinary shares issued at 75 pence	3,400,000	102
Ordinary shares issued at 150 pence	58,222	1
Deferred A shares at 4.9 pence	108,121,391	5,298
Deferred B shares at 9.99 pence	13,068,521	1,306
Transactions in the year:		
Ordinary shares issued at 3 pence	2,001,250	61
Sale of Deferred shares	1	-
Deferred shares transferred to Capital redemption reserve	(121,189,912)	(6,604)
In issue 31 December 2016	94,393,401	2,832

On 22nd January 2015 the company issued a further 4,233,616 ordinary shares at 50.5 pence each in order to satisfy the Licence requirements with Nerviano.

On 25th March 2015 the company issued a further 28,000 ordinary shares at 3 pence each in order to satisfy the exercise of options.

On 31st March 2015 the company issued a further 3,400,000 ordinary shares at 75 pence each by way of a further placing of ordinary shares to raise finance.

On 5th November 2015 the company issued a further 58,222 ordinary shares at 150 pence each in order to satisfy the exercise of warrants.

On 26th April 2016 the company issued a further 1,095,000 ordinary shares at 3 pence each in order to satisfy the exercise of warrants.

On 28th June 2016 the company issued a further 206,250 ordinary shares at 3 pence each in order to satisfy the exercise of warrants.

On 28th June 2016 the company issued a further 700,000 ordinary shares at 3 pence each in order to satisfy the exercise of a convertible loan note.

On 30th June 2016 the company's deferred shares were bought back by Cooley UK as part of a capital reduction exercise. These were transferred to a capital redemption reserve.

17. SHARE BASED PAYMENTS

Group and Company

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.

	2016		2015	
	Weighted Average exercise price (pence)	Options ('000)	Weighted Average exercise price (pence)	Options ('000)
Outstanding at 1 January	28	7,985	16	5,222
Granted	154	4,464	41	4,000
Cancelled	-	-	(15)	(1,237)
Outstanding at 31 December	73	12,449	28	7,985
Exercisable at 31 December	33	4,151,750	28	1,996,250

On 23 January 2015 2,050,000 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 23 January 2015 600,000 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 23 January 2015 300,000 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.

On 2 March 2015 600,000 options were granted at an exercise price of £0.55 per share and are exercisable for a period of 10 years from the date of vesting.

On 7 May 2015 1,237,500 options were cancelled at exercise prices of £0.15 and £0.35 per share and would have been exercisable for a period of 10 years from the date of vesting.

On 7 May 2015 150,000 options were granted at an exercise price of £0.15 per share and are exercisable before 31st January 2018

On 21 October 2015 600,000 options were granted at an exercise price of £2 per share and are exercisable before 21st October 2019

On 23 March 2016 400,000 options were granted at an exercise price of £1.26 per share and are exercisable before 23rd March 2026.

On 9 June 2016 105,000 options were granted at an exercise price of £1.50 per share and are exercisable for a period of 10 years from the date of vesting.

On 9 June 2016 3,259,403 options were granted at an exercise price of £1.50 per share and are exercisable with special conditions for a period of 15 years from the date of vesting.

On 5 November 2016, 100,000 options were granted at an exercise price of £1.86 per share and are exercisable for a period of 10 years from the date of vesting.

On 1 December 2016, 600,000 options were granted at an exercise price of £1.925 per share and are exercisable based upon performance conditions for a period of 5 years from the date of vesting. The performance conditions are based on the successful completion of human clinical trials for two of the R&D projects in the Groups pipeline.

No options were exercised during the period to 31st December 2016. 28,000 options were exercised during the year to 31st December 2015.

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

Date of issue	Number at 31 December 2016	Exercise price	Date from which exercisable	Expiry Date
24 April 2014	962,500	0.15	24 April 2015	24 April 2025
24 April 2014	962,500	0.15	24 April 2016	24 April 2026
24 April 2014	962,500	0.15	24 April 2017	24 April 2027
24 April 2014	962,500	0.15	24 April 2018	24 April 2028
25 June 2014	90,000	0.28	17 May 2015	17 May 2025
25 June 2014	90,000	0.28	17 May 2016	17 May 2026
25 June 2014	90,000	0.28	17 May 2017	17 May 2027
25 June 2014	90,000	0.28	17 May 2018	17 May 2028
25 June 2014	6,250	0.33	24 April 2015	24 April 2025
25 June 2014	6,250	0.33	24 April 2016	24 April 2026
25 June 2014	6,250	0.33	24 April 2017	24 April 2027
25 June 2014	6,250	0.33	24 April 2018	24 April 2028
07 July 2014	12,500	0.35	18 June 2015	18 June 2025
07 July 2014	12,500	0.35	18 June 2016	18 June 2026
07 July 2014	12,500	0.35	18 June 2017	18 June 2027
07 July 2014	12,500	0.35	18 June 2018	18 June 2028
23 January 2015	2,050,000	0.35	23 January 2015	23 January 2025
23 January 2015	150,000	0.5	1 October 2015	1 October 2025
23 January 2015	150,000	0.5	1 October 2016	1 October 2026
23 January 2015	150,000	0.5	1 October 2017	1 October 2027
23 January 2015	150,000	0.5	1 October 2018	1 October 2028
23 January 2015	75,000	0.57	12 September 2015	12 September 2025
23 January 2015	75,000	0.57	12 September 2016	12 September 2026
23 January 2015	75,000	0.57	12 September 2017	12 September 2027
23 January 2015	75,000	0.57	12 September 2018	12 September 2028
02 March 2015	150,000	0.55	2 March 2015	2 March 2025
02 March 2015	150,000	0.55	2 March 2016	2 March 2026
02 March 2015	150,000	0.55	2 March 2017	2 March 2027
02 March 2015	150,000	0.55	2 March 2018	2 March 2028
07 May 2015	150,000	0.15	24 April 2015	31 January 2018
21 October 2015	600,000	2.00	21 October 2016	21 October 2019
23 March 2016	100,000	1.26	23 March 2017	22 March 2026
23 March 2016	100,000	1.26	23 March 2018	22 March 2026
23 March 2016	100,000	1.26	23 March 2019	22 March 2026
23 March 2016	100,000	1.26	23 March 2020	22 March 2026
09 June 2016	26,250	1.50	09 June 2017	09 June 2027
09 June 2016	26,250	1.50	09 June 2018	09 June 2028
09 June 2016	26,250	1.50	09 June 2019	09 June 2029
09 June 2016	26,250	1.50	09 June 2020	09 June 2030
09 June 2016	3,259,403	1.50	If weighted average of an ordinary share is greater than £3 for 120 consecutive dealing days	15 years from vesting date
05 November 2016	100,000	1.86	05 November 2017	05 November 2027
01 December 2016	600,000	1.925	Successful completion of clinical trials within 24 months of 1st September 2016	5 years from vesting conditions being met

The total outstanding fair value of the share option instruments is deemed to be approximately £1,868,000 (2016: £972,000).

The Directors have used the Black-Scholes option pricing model to estimate the fair value of most of the options applying the assumptions below.

Historical volatility relies in part on the historical volatility of a group of peer companies that management believes is generally comparable to the Company.

The Company has not paid any dividends on common stock since its inception and does not anticipate paying dividends on its common stock in the foreseeable future.

The Company has estimated a forfeiture rate of zero.

	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

	23 January 2015	2 March 2015	7 May 2015
Grant date share price	£0.575	£0.615	£0.465
Exercise share price	£0.35 to £0.57	£0.28 to £0.33	£0.15
Vesting periods	900,000 25% each Yr 1, Yr 2, Yr 3, Yr 4 2.05m immediate	25% each Yr 1, Yr 2, Yr 3, Yr 4	Immediate
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	2 years 9 months

	23 March 2016	9 June 2016	5 November 2016
Grant date share price	£1.26	£1.38	£1.86
Exercise share price	£1.26	£1.5	£1.86
Vesting periods	25% each Yr 1, Yr 2, Yr 3, Yr 4	Immediate,25% each Yr 1, Yr 2, Yr 3, Yr 4	33.3% each Yr 1, Yr 2, Yr 3
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	10-15 years	10 years

	1 December 2016
Grant date share price	£1.86
Exercise share price	£1.925
Vesting periods	within 24 months of 1 September 2016
Risk free rate	0.55% to 1.54%
Expected volatility	99% to 197%
Option life	2 years

For the options issued with a market condition attached, the Directors have used the Monte Carlo simulation to estimate the fair value of these options, the Company uses the following methods to determine its underlying assumptions:

- expected volatilities are based on the historical volatilities of the market
- the expected term of the awards is based on managements' assessment of when the market condition is likely to be achieved of 15 years
- a range of fair value's per share were produced and management have determined the most appropriate value based on their knowledge of the market and vesting conditions being fulfilled.

Warrants

On 2nd March 2015, warrants were granted over 600,000 shares at an exercise price of £0.50 per share in lieu of the issue of options. The warrants are exercisable in 25% portions until 22 January 2016, 22 January 2017, 22 January 2018, and 22 January 2019.

On 20th April 2015, warrants were granted over 1,756,185 shares at an exercise price of £2.50 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 2020.

On 31st May 2015, warrants were granted over 292,500 shares at an exercise price of £0.66 per share in lieu of fundraising fees. The warrants are exercisable until 31 May 2022.

On 11th May 2015, warrants were granted over 55,000 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 2020.

On 16th December 2015, warrants were granted over 1,021,792 shares at an exercise price of £2.50 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 2020.

On 12th January 2016, warrants were granted over 189,176 shares at an exercise price of £2.50 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 2020.

On the 18th of April 2016, the Company received notice from warrant holders to exercise warrants over 1,095,000 ordinary shares at an exercise price of £0.20 per share, providing the Company with gross proceeds of £216,000.

On the 28th of June 2016, the Company received notice from warrant holders to exercise warrants over 206,250 ordinary shares at an exercise price of £0.32 per share, providing the Company with gross proceeds of £66,000.

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 £276,000. For each set of warrants, the charge has been expensed over the vesting period. A share based payment charge for the year of £88,854 (year to December 2015: £102,345) has been expensed in the statement of comprehensive income.

18. CONVERTIBLE LOAN NOTES

Group and Company

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 on-going 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 readmission to AIM on 24 April 2014. The Company considers this to be a Convertible Debt Instrument as detailed in the policy described at note 2.

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 31 December 2016 is;

	Planwise Convertible Loan Note 2016 £000
Convertible loan notes issued	200
Accrued interest	25
	225

19. CONVERTIBLE EQUITY INSTRUMENTS

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. These warrants were exercised on the 28 April 2016.

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. Some of these warrants holders exercised their warrants on 29 June 2016.

Investor Convertible Loan Notes: Tranche C

On 20 April 2015 the Company entered into an agreement to issue £6,846,633 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 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 £6,846,633 for the Investor Convertible Loan Notes: Tranche C, the Company agreed to grant to the holders warrants to subscribe for up to 1,756,185 Shares at an exercise price of £1.05 per share. The fair value of some of these warrants is included in the share based payment calculations for the period.

Investor Convertible Loan Notes: Tranche D

On 11 May 2015 the Company entered into an agreement to issue £250,000 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 4 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.

By way of an arrangement fee for the equity instrument holders agreeing to subscribe £250,000 for the Investor Convertible Loan Notes: Tranche D, the Company agreed to grant to the holders warrants to subscribe for up to 71,430 Shares at an exercise price of £1.05 per share.

Investor Convertible Loan Notes: Tranche E

On 16 December 2015 the Company entered into an agreement to issue £3,831,708 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 £1.50 per share at the election of the note holders any time after 31 December 2016. There is no option to repay in cash.

By way of an arrangement fee for the equity instrument holders agreeing to subscribe £3,831,708 for the Investor Convertible Loan Notes: Tranche E, the Company agreed to grant to the holders warrants to subscribe for up to 1,021,792 Shares at an exercise price of £2.50 per share.

Investor Convertible Loan Notes: Tranche F

On 12 January 2016 the Company entered into an agreement to issue £709,641 of Convertible Equity Instruments. Proceeds of the subscriptions for the instruments are to be used to finance the Group'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 £1.50 per share at the election of the note holders any time after 31 December 2016.

By way of an arrangement fee for the equity instrument holders agreeing to subscribe £709,641 for the Investor Convertible Loan Notes: Tranche F, the Company agreed to grant to the holders warrants to subscribe for up to 189,176 Shares at an exercise price of £2.50 per share.

The principal amount of the Convertible Equity Instrument for Tranches A to F are recorded as shares to be issued reserve and the accrued interest also charged to the same reserve.

	A	B	C	D	E	F	**Total**
Balance as at January 2016	859	1,531	5,800	256	3,841	-	12,287
Convertible equity instruments issued	-	-	-	-	-	709	709
Addition to Equity (Interest)	44	120	246	10	231	39	690
Convertible equity instruments exercised		(150)					(150)
	903	1,501	6,046	266	4,072	748	13,536

20. SHARE PREMIUM

Group and Company	**2016**	**2015**
	£000	£000
Balance at 1 January	20,632	16,294
Premium on issue of shares	393	4,338
Capital reduction	(18,954)	-
Balance at 31 December	2,071	20,632

21. RESERVES

The shares to be issued reserve represent the value of equity shares which could be issued in future accounting periods if the warrants in issue are exercised.

The share based payment reserve represents the value of equity shares which could be issued in future accounting periods if the share based payment options in issue are exercised.

The merger relief reserve was created as a result of the reverse merger reverse acquisition of Alexander David Investments plc. The reserve represents the difference between the fair value of the consideration transferred and the nominal value of the shares. This reserve has been written off as part of the balance sheet capital reduction exercise described below.

The other reserve was created as a result of the reverse acquisition of Alexander David Investments plc in the year and the accounting treatment required, which is described in Note 2. The reserve is required due to the fact that the reverse acquisition accounting requires the legal parent's equity structure to be shown.

Retained earnings represent the cumulative profits / (losses) of the entity which have not been distributed to shareholders. This reserve has been credited as part of the capital reduction exercise described below.

On the 14th of September the High court granted the Company permission to cancel its share premium account and its capital redemption reserve. The order had previously been ratified at the AGM held on 30th June 2016.

The Company also decided to cancel its merger relief reserve as part of the capital reduction exercise.

22. FINANCIAL INSTRUMENTS

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The directors regularly review and agree policies for managing each of these risks which are summarised below.

Market risk

Market risk encompasses three types of risk, being foreign currency exchange risk, price risk and fair value interest rate risk. The Group policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled ''interest rate risk'' below. The directors do not consider the Group's exposure to price risk to be significant. The Group's risk management is coordinated by the directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The Group does not engage in the trading of financial assets for speculative purposes nor does it write options.

Credit risk

Credit risk is managed on a group basis. Credit risk arises principally from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposure to customers including committed transactions and outstanding receivables. The group reviews its banking arrangements carefully to minimise such risks and currently has no customers and therefore this risk is viewed as minimal. Management monitor loans between members of the group as part of their internal reporting and assess outstanding receivables for ability to be repaid.

Liquidity risk

The group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The Group ordinarily finances its activities through cash generated from operating activities and private and public offerings of equity and debt securities.

Foreign currency risks

The group operates internationally although the majority of its operations are based in the United Kingdom and the majority of assets and liabilities denominated in British Pounds. It therefore is exposed to foreign exchange risk arising from exposure to various currencies primarily the Euro and US Dollar.

Due to the majority of assets being denominated in British Pounds the group has no formal policies for managing foreign currency risks.

Interest rate risk

The Group has limited exposure to interest-rate risk arising from its bank deposits. These deposit accounts are held at variable interest rates based on Allied Irish Bank base rate.

The directors do not consider the impact of possible interest rate changes based on current market conditions to be material to the net result for the year or the equity position at the year-end for either the year ended 31 December 2015 or 31 December 2016.

23. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maximise shareholder value through the optimisation of the debt and equity balance.

The Group monitors its capital structure and makes adjustments, as and when it is deemed necessary and appropriate to do so, using such methods as the issuing of new shares. The capital structure of the Group has come from equity issues and the issue of convertible loan notes in the form of convertible equity instruments or convertible debt instruments.

The Company currently does not have any specific policies and processes for managing capital and is not subject to any externally imposed capital requirement other than requirements of the Companies Act 2006.

24. TRADE AND OTHER PAYABLES

Group	**2016**	**2015**
	£000	£000
Trade payables	1,213	314
Accruals	299	216
Convertible loan note liability	225	216
	1,737	746

Company	**2016**	**2015**
	£000	£000
Trade payables	998	191
Accruals	67	93
Convertible loan note liability	225	216
	1,290	500

25. RELATED PARTY TRANSACTIONS

Tiziana Pharma Limited is a wholly owned subsidiary of Tiziana Life Sciences plc. At year end, Tiziana Life Sciences plc had transferred £4,186,078 in total to Tiziana Pharma Limited during the year. Included within other debtors of Tiziana Life Sciences plc's company financial statements at the balance sheet date is £4,186,078 (2015: £2,443,915) owed by Tiziana Pharma Limited.

Tiziana Therapeutics Inc. is a wholly owned subsidiary of Tiziana Life Sciences plc. During the year, Tiziana Life Sciences plc transferred £957,709 (2015: £167,918) to Tiziana Therapeutics Inc. This balance is included within other debtors.

26. OPERATING LEASES

The Group leases number of office premises under operating lease. The future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2016	2015
	£000	£000
Less than one year	216	-
Between one and five years	496	-
More than five years	-	-
	712	-

Lease expenses during the period amount to £118,721 (2015: £5,000).

27. POST BALANCE SHEET EVENTS

On 3rd January 2017, the Company announced that it had acquired exclusive world-wide license for NI-1201, a fully human anti-interleukin-6 receptor (IL-6R) monoclonal antibody (mAb), from Novimmune SA. In exchange for the exclusive license from Novimmune the Company agreed to an upfront cash payment, milestone payments, and a royalty on future sales. An upfront payment of $100,000 was paid in February 2017.

On 14th March 2017, the Company announced that it had appointed Dr. Arun Sanyal to its scientific advisory board to support the clinical development of its NI-0401 product.

On 28th March 2017, the Company received a notification from warrant holders to exercise warrants over 1,789,524 ordinary shares in the Company at an exercise price of 32p per share, providing the Company with gross proceeds of £572,648. Following the issue of shares the enlarged issued share capital of the Company comprises 96,182,925 ordinary shares of 3p each.

28. FINANCIAL COMMITMENTS

The Group's main financial commitments relate to the contractual payments in respect of its licensing agreements. Due to the uncertain nature of scientific research and development and the length of time required to reach commercialisation of the products of this research and development, pre-clinical, clinical and commercial milestone obligations are not detailed until there is a reasonable certainty that the obligation will become payable. Contractual commitments are detailed where amounts are known and certain.

- Milciclib project Research funding of approximately £1.6m has been committed to for 2017 and beyond. Other payments relate to the achievement of clinical milestones or the payment of royalties.

- Stemprinter – sponsored research funding of €150,000 in, 2017 subject to suitable progress of research (automatically renewed for up to 4 years if research milestones are achieved). Other payments relate to the achievement of clinical milestones or the payment of royalties.

- Foralumab project – license fees payable for the continued development of foralumab of $250,000 in 2017 and 2018 for a total fee payment of $750,000. Diligence obligations are payable to BMS / Medarex should the project continue and no Phase III clinical trial has been initiated by 15 December 2017. Other payments relate to the achievement of clinical milestones or the payment of royalties.

Other financial commitments

- The Company expanded its operations in the US from January 2017 to include a new R&D centre in the USA. As a result, an additional 5 employees have been hired. The financial commitment with regards to the new hires is approximately £250,000.

  The Company entered into a new lease agreements for the new R&D centre. The lease runs for a period of one year and the financial commitment is approximately £11,000.