COMPANY NUMBER 03508592

TIZIANA LIFE SCIENCES PLC
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2015

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STATUTORY AND OTHER INFORMATION

Directors:	Mr G. M. A. Cerrone Dr R. Dalla-Favera Dr K. Shailubhai Mr W. Simon
Secretary:	Mr P. Cooper FCA
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Principal Bankers:	Allied Irish Bank, Ealing Cross, 85 Uxbridge Road, London, W5 5TH
Auditors:	Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP
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 Group's results for the year ended 31st December 2015.

Background

Tiziana Life Sciences plc's focus is the development of novel therapeutics for cancer with a focus on late stage metastases and complementary diagnostic tools, based on gene expression signature, with the capability of predicting disease aggressiveness and prognosis in breast cancer patients.

The Group also has interests, beyond pure oncology, in the discovery and development of monoclonal antibody-based biologics used to benefit patients with inflammatory and auto-immune disorders.

Material Licensing Agreements concluded during the year

During the 2015 financial year the Group has signed two additional license agreements. It concluded negotiations with Nerviano, an Italian Group dedicated to the discovery and development of breakthrough treatments for cancer, to exclusively license milciclib to the Group. Milciclib blocks the action of specific enzymes called cyclin-dependent kinases ("CDKs"), which are involved in cell division (metastasis) as well as a number of other protein kinases. Milciclib is currently in phase II clinical trials for thymic carcinoma in patients previously treated with chemotherapy. Milciclib has demonstrated that it is well tolerated in over 263 patients in phase I and II clinical trials and has been granted orphan designation by the European Commission and by the U.S. Food and Drug Administration ("FDA") for the treatment of malignant thymoma / thymic epithelial tumours. Subject to successful completion of the ongoing thymoma trials, Tiziana is committed to initiate a phase Ib/IIa study in hepatic cellular carcinoma (HCC) in 2016, to be followed by a study in triple negative breast cancer (TNBC).

On 7th May 2015, the Company signed an agreement with the University of Cardiff to license their anti-cancer stem cell technology. The novel agent, known as OH14, is an inhibitor of c-FLIP (cellular FLICE (FADD-like IL-1β-converting enzyme)-inhibitory protein), a known suppressor of apoptosis (programmed cell death). c-FLIP acts inside the cell by preventing the instructive cell death that occurs when a signal protein produced by neighbouring cells attaches to the target cell's surface. c-FLIP blocks this death signal from entering the cell. Suppression of apoptosis is a recognised driver of cancer cell proliferation, thus by inhibiting this suppression it should be possible for cell death to occur and proliferation of cancer to be thwarted. Under the terms of the agreement, Tiziana will fund a research project at the University focused on building the structure activity relationships (SARs) around OH14 and to improve the activity of this series of compounds.

We now have a total of two research projects and two clinical programmes together with research into a cancer stem cell diagnostic as a solid foundation for the Group's growth.

Financial summary

Consolidated Statement of Comprehensive Income

The Group has made a loss for the year of £8,632,000 (2014: £3,327,000 – as adjusted see note 2). The loss is detailed in the consolidated statement of comprehensive income on page 13.

Consolidated Statement of Financial Position

At the end of the year the Group cash balance amounted to £8,903,000 (2014: £2,266,000) and the total assets of the Group amounted to £9,250,000 (2014: £2,460,000).

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 31st March 2015, Tiziana raised £2.55m through the issue of 3.4m ordinary shares through a placing to new investors at a price of £0.75 per share.

On 21st April 2015, the Group entered into an agreement to issue £6.14m of Investor Convertible Loan Notes: Tranche C. The notes, plus accrued interest are redeemable by the holders any time after 25th June 2016, and will be redeemed at the election of the Company in cash, or by conversion into new ordinary shares at a conversion price of £0.70 per share at the election of the note holders.

On 16th December 2015, Tiziana Life Sciences raised £3.8m through the issue of 2,554,472 unsecured convertible loan notes to investors (Tranche E).

Post year end on 13st January 2016, Tiziana entered into an agreement to issue £709,406 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 Company, in cash or by conversion into new ordinary shares in the Company at a conversion price of £1.50 per share. Further details of the post year end fund raising can be found at Note 24 Post Balance Sheet Events.

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.

Pre-clinical progress

Post period on 8th 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, with potent anti-metastatic activity, and with an impressive *in vivo* efficacy and safety profile. Tiziana intends to file an Investigational New Drug (IND) application on CB1 in 2016, and expects to move this drug candidate into clinical trials before the end of the year.

Also post period on 11th 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 ulcerative colitis, an inflammatory bowel disease.

Appointments

Board of Directors

Dr Kunwar Shailubhai – Director, Non-Executive

On 23rd January 2015 the Company appointed Dr. Kunwar Shailubhai to the Board, as a non-executive director. Dr. Shailubhai is a Co-Founder and Chief Scientific Officer of Synergy Pharmaceuticals, Inc. (previously senior vice president), a NASDAQ-listed biotechnology company focusing on innovative therapeutics for treatment of gastrointestinal disorders and diseases, and colon cancer. Dr. Shailubhai has held leadership positions at Monsanto Life Sciences Company (St. Louis, MO), where he worked on a number of projects in inflammatory diseases, and Callisto Pharmaceuticals. Dr. Shailubhai previously served as a Senior Staff Fellow at the National Institutes of Health and as an Assistant Professor at the University of Maryland. Dr. Shailubhai has 17 issued patents, several pending patent applications and 40 research publications in journals of international repute.

Willy Jules Simon – Director, Non-Executive

On 24th November 2015 the Company appointed Willy Jules Simon to the Board, as a non-executive director. Willy Simon is a banker and worked at Kredietbank N.V. and Citibank London before serving as an executive member of the Board of Generale Bank NL from 1997 to 1999 and as the chief executive of Fortis Investment Management from 1999 to 2002. He acted as chairman of Bank Oyens & van Eeghen from 2002 to 2004. From 2004 until 2012, he served as a non-executive director of Redi & Partners Ltd., a fund of funds. He was previously chairman of AIM-traded Velox3 plc (formerly 24/7 Gaming Group Holdings plc) until 2015 and had been a director of Playlogic Entertainment Inc., a NASDAQ OTC listed company.

Post period on 11th March 2016 the Company noted the passing of Professor Chris McGuigan. Professor McGuigan was a co-founder of Tiziana Life Sciences and was appointed as a non-executive director in January 2015.

Management team

On 9th December 2015, James (Jim) Tripp was appointed as Chief Operating Officer (COO) and Head of Global Clinical Operations.

Mr Tripp has over twenty years' experience in biopharmaceutical operations and has been involved in all phases of drug development from discovery through commercialisation. He started his career in pharmaceuticals while attending Harvard School of Public Health and at Massachusetts General Hospital in Boston, MA. Before joining the Company he was Director, Clinical Management at Novo Nordisk, A/S, where he managed the U.S. team overseeing the oral insulin/GLP-1 portfolio, expanding the Victoza® label, and completing confirmatory studies required for Saxenda® which was recently approved to treat obese patients. Prior to Novo Nordisk, Mr Tripp was employed at Regeneron Pharmaceuticals (REGN:Nasdaq) where he started as a Therapeutic Area Project Manager for inflammation programs, focusing on developing IL-1 Trap (now Arcalyst®) and then creating and heading up the Clinical Compliance & Training group for the Clinical & Project Management Office.

Post period end on 4th 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.

Also post period on 4th May 2016, Tiziana expanded its clinical development team with the appointment of Robert Evans, PharmD. as Vice President of Clinical Sciences. Dr. Evans joined Tiziana Life Sciences in April 2016 as Vice President of Clinical Sciences. Prior to joining the Company, Dr. Evans served as Vice President of Clinical Development at Glenmark Pharmaceuticals, Inc. and was responsible for providing project and clinical leadership across multiple programs focused on the treatment of oncology, respiratory and dermatology disorders. Prior to Glenmark, Dr. Evans served in scientific leadership roles in the Immunology and Inflammation Group at Regeneron Pharmaceutical.

Scientific Advisory Board

Post period on 11th January 2016, the Company 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.

U.S. National Academy of Sciences

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

Riccardo Dalla-Favera

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

Outlook

The Group's focused portfolio address areas of significant unmet medical need; either as a potential new approach to metastatic cancer with our Bcl-3 inhibitor and through stratification of breast cancer patients to provide more personalised treatment with the use of 20 defined stem cell markers (the "TOP 20"), to new molecules that will treat sufferers of thymic and other rare or difficult to treat cancers (milciclib), or a fully human monoclonal antibody with potential application in a number of autoimmune and inflammatory diseases (foralumab). The Company is on-track to take CB1, the lead Bcl-3 candidate, into the clinic stage in late 2016 or early 2017, complete the milciclib thymoma recruitment in 2016, and move forward with the antibody foralumab into other indications. Finally, with the latest in-licensing of anti-cancer stem cell technology from the University of Cardiff (c-FLIP) the Company has an innovative research portfolio with two clinical assets. These programmes will use the funds raised in the March, April and December 2015 and January 2016 fundraisings to reach the individual programme's inflection points.

The past year was a very exciting period of further portfolio growth within Tiziana, focusing in two distinct disease areas: rare to treat cancers and difficult to treat autoimmune inflammatory diseases. Furthermore, the addition of these core compounds provides a strong foundation for our company to remain attractive to investors, to add value for our shareholders and to ensure that Tiziana Life Sciences continue to pursue a bright future.

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 pages 2-5.

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 company development significant sources of revenue generation are unlikely and the Group is cash consuming. The 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 company.

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 2015 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 April, May and December 2015 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 Company monitors its share price to determine whether the market view of the Company'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 Company and current shareholders. The Company re-listed on the AIM Market on 24th April 2014 at a share price of 12p per share and ended the financial period at 217.5p per share. As at 23rd May 2016 the Company's share price was 143.8p 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 2015 but with first signs of weaknesses fully impacting form early 2016. Despite this, 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 will be operating in the life sciences and biopharmaceutical development sector and will look to exploit opportunities within that sector. The Group will therefore be 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
6th June 2016

18 South Street, Mayfair, London, W1K 1DG

DIRECTORS' REPORT

The Directors present their report and the financial statements of the Company and its Group for the year ended 31st December 2015.

Results and dividend

The results of the group for the year are set out on page 12. No dividends were declared or paid in the year (2014: 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, Appointed 22nd January 2015 to 11th March 2016. (§)
Dr Kunwar Shailubhai	Non-Executive Director, Appointed 22nd January 2015
Dr Philip Boyd	Director, resigned 7th May 2015
Mr Andrew Gutmann	Non-Executive Director, Resigned 22nd January 2015
Mr Willy Simon	Non-Executive Director, Appointed 24th November 2015

(§) as noted in the Executive Chairman's Statement, Prof Christopher McGuigan passed away on 11th March 2016.

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 26th May 2016:

	Ordinary shares	
	Number	**Percentage**
Planwise Group Limited*	55,822,565	60.46%
Nerviano Medical Sciences Srl	4,233,616	4.53%
The Estate of the late Chris McGuigan**	3,114,618	3.33%

*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 company 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 company'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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 financial statements the Group has complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the group financial statements;
- state whether in preparation of the parent company financial statements applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

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

Grant Thornton UK 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 Grant Thornton UK 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 4 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.

Post balance sheet events

The Group successfully raised finance for the Group subsequent to the period end. Details of the events can be found in the Executive Chairman's Statement on pages 2 to 5 and at Note 24 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 21 to the financial statements.

By order of the Board
Mr Gabriele Cerrone
6th June 2016

18 South Street, Mayfair, London, W1K 1DG

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 2015 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flow, 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.

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.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out in the Directors' Report 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.

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 website at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 2015 and of the group's loss for the year then ended;
- the group 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 matter prescribed by the Companies Act 2006
In our opinion 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.

Matters on which we are required to report by exception
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.

Marc Summers
Senior Statutory, FCA Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
6th June 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	**2015** £'000	**2014#** £'000
Research and development costs		(6,287)	(794)
Operating expenses		(2,327)	(1,786)
Cost of listing		-	(755)
Operating loss	4	(8,614)	(3,335)
Finance costs	9	(18)	(52)
Loss before taxation		(8,632)	(3,387)
Taxation	10	-	60
Loss for the year attributable to equity owners		(8,632)	(3,327)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to equity owners		(8,632)	(3,327)
Loss per share			
Basic and diluted (loss) per share on continuing operations	11	(9.5p)	(14.6p)

restated - note 2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014# £'000
ASSETS			
Current assets			
Other receivables	12	347	194
Cash and cash equivalents		8,903	2,266
Total current assets		9,250	2,460
TOTAL ASSETS		9,250	2,460
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to equity holders of the company			
Called up share capital	14	9,375	9,144
Share premium	18	20,632	16,294
Share based payment reserve	15, 19	1,008	146
Shares to be issued reserve (warrants)	15, 19	102	-
Shares to be issued reserve	17	12,287	2,259
Merger relief reserve	19	5,625	5,625
Other reserve	19	(28,286)	(28,286)
Retained earnings	19	(12,239)	(3,405)
Total equity		8,504	1,777
Liabilities			
Current liabilities			
Trade and other payables	22	746	683
		746	683
TOTAL EQUITY AND LIABILITIES		9,250	2,460

restated - note 2

The financial statements were approved by the board of directors and authorised for issue on 6th June 2016

Mr Gabriele Cerrone Director

Company Number: 03508592 (England and Wales)

COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	31 December 2015 £'000	31 December 2014# £'000
ASSETS			
Non-current assets			
Investment in subsidiaries	13	7,500	7,500
Current assets			
Other receivables	12	2,645	923
Cash and cash equivalents		8,871	2,241
		19,016	10,664
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Equity Capital and reserves attributable to equity holders of the company			
Called up share capital	14	9,375	9,144
Share premium	18	20,632	16,294
Shares to be issued reserve	17	12,287	2,259
Merger relief reserve	19	5,625	5,625
Share based payment reserve	15, 19	1,073	211
Shares to be issued reserve (warrants)	15, 19	165	63
Retained earnings	19	(30,641)	(23,549)
		18,516	10,047
Total equity			
Liabilities			
Current liabilities		500	617
Trade and other payables	22		
		500	617
TOTAL EQUITY AND LIABILITIES		19,016	10,664

restated - note 2

The financial statements were approved by the board of directors and authorised for issue 6th June 2016.

Mr Gabriele Cerrone Director

Company Number: 03508592 (England and Wales)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £'000	2014# £'000
Cash flows from operating activities		
Total comprehensive loss for the period before taxation	(8,632)	(3,570)
Convertible loan interest accrued	-	84
Convertible loan interest paid as equity	-	7
Share based payment - options	972	146
Share based payment - warrants	102	182
Net (increase)/decrease in operating assets/other receivables	(153)	(91)
Net increase/(decrease) in operating liabilities /other liabilities	63	291
Cost of listing	-	755
Other share based payments	2,138	-
Loss on foreign exchange	-	2
Write off of investments	-	15
NET CASH USED IN OPERATING ACTIVITIES	(5,510)	(2,179)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	2,638	2,004
Proceeds from issuance of convertible loan notes	10,235	2,454
Interest on convertible instruments	-	(77)
Fundraising costs	(726)	
NET CASH GENERATED FROM FINANCING ACTIVITIES	12,147	4,381
Cash flows from investing activities		
Cash acquired at acquisition	-	64
NET CASH GENERATED FROM INVESTING ACTIVITIES	-	64
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,637	2,266
Cash and cash equivalents at beginning of year	2,266	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	8,903	2,266

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Total comprehensive loss for the period before taxation	(6,890)	(2,228)
Convertible loan interest accrued	-	84
Convertible loan interest paid as equity	-	7
Share based payment - options	972	146
Share based payment - warrants	102	182
Net(increase)/decrease in operating assets/other receivables	(1,722)	(754)
Net increase/(decrease) in operating liabilities/other liabilities	(117)	345
Loss on foreign exchange	-	2
Write off of investments	-	15
Other share based payments	2,138	-
Interest receivable	-	-
NET CASH USED IN OPERATING ACTIVITIES	(5,517)	(2,201)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	2,638	2,004
Proceeds from issuance of convertible loan notes	10,235	2,454
Interest on convertible instruments	-	(77)
	(726)	-
NET CASH GENERATED FROM FINANCING ACTIVITIES	12,147	4,381
Cash flows from investing activities		
NET CASH GENERATED FROM INVESTMENT ACTIVITIES	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,630	2,180
Cash and cash equivalents at beginning of year	2,241	61
CASH AND CASH EQUIVALENTS AT END OF YEAR	8,871	2,241

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital	Share Premium	Merger Relief 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
Balance at 1 January 2014	6,663	14,489	-	-	-	-	(21,152)	-	-
Transactions with owners									
Acquisition of Tiziana Pharma Ltd									-
Issue of shares	1,875	-	5,625	-	-	-	-	-	7,500
Reverse acquisition adjustment	-	-	-	-	-	-	(7,134)	-	(7,134)
Share placing	500	1,500	-	-	-	-	-	-	2,000
Redemption of convertible loan note	102	305	-	-	-	-	-	-	407
Issue of share capital under share-based payment scheme	4	-	-	-	-	-	-	-	4
Share based payment (options)	-	-	-	146	-	-	-	-	146
Share based payment (warrants)	-	-	-	-	182	-	-	-	182
Convertible loan note – equity component	-	-	-	-	-	2,259	-	(77)	2,182
Total transactions with owners	2,481	1,805	5,625	146	182	2,259	(7,134)	(77)	5,287
Comprehensive income									
Loss for the year	-	-	-	-	-	-	-	(3,510)	(3,510)
Total comprehensive income	-	-	-	-	-	-	-	(3,510)	(3,510)
Balance as at 31 December 2014 as previously stated	9,144	16,294	5,625	146	182	2,259	(28,286)	(3,587)	1,777
Income restatement – note 2					(182)			182	(182)
Balance as at 31 December 2014 restated	9,144	16,294	5,625	146	-	2,259	(28,286)	(3,405)	1,777
Transactions with owners									
Issue of share capita (net of issuance costs)	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	231	4,338	-	862	102	10,028	-	(202)	15,359

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Shares To Be Issued Reserve £'000	Convertible Loan Note Reserve £'000	Merger Relief Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2014	6,663	14,489	65	63	-	-	(21,426)	(146)
Transactions with owners								
Issue of share capital	606	1,805	-	-	-	-	-	2,411
Acquisition of Tiziana Pharma Ltd					-			
Issue of shares	1,875	-	-	-	-	5,625	-	7,500
Share based payment (options)	-	-	146	-	-	-	-	146
Share based payment (warrants)	-	-	-	182	-	-	-	182
Convertible loan note – equity component	-	-	-	-	2,259	-	(77)	2,182
Total transactions with owners	2,481	1,805	146	182	2,259	5,625	(77)	12,275
Comprehensive income								
Loss for the year	-	-	-	-	-	-	(2,228)	(2,228)
Total comprehensive income	-	-	-	-	-	-	(2,228)	(2,228)
Balance as at 31 December 2014 as previously stated	9,144	16,294	211	245	2,259	5,625	(23,731)	10,047
Income restatement – note 2				(182)			182	-
Balance as at 31 December 2014 restated	9,144	16,294	211	63	2,259	5,625	(23,549)	10,047
Transactions with owners								
Issue of share capital (net of issuance costs)	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	231	4,338	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	1,073	165	12,287	5,625	(30,641)	18,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

1. GENERAL INFORMATION

Tiziana Life Sciences PLC is a public limited company incorporated in the United Kingdom under the Companies Act and quoted on the AIM market of the London Stock Exchange (AIM: TILS). The address of its registered office is 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 pounds sterling because that 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 company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. These accounts have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and certain financial instruments.

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. The parent company had a loss of £6.890m for the year ended 31 December 2015 (2014: £2.228m).

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 £8.9m at 31 December2015
- Issue of Convertible Loan Notes on 13th January 2016 raising £709,000 before expenses

Accordingly, the directors believe that the company and consolidated entity 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 report. The financial report 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 entity do not continue as going concerns.

New and Revised Standards

Standards in effect in 2015

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 following IFRS and IFRIC Interpretations have been issued but have not been applied by the Group in preparing these financial statements as they are not as yet effective. The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- IFRS 9, 'Financial instruments', effective date 1 January 2018

The directors do not anticipate that adoption of any of the above standards will have a material impact on the financial statements in the future.

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 the relevant level of control and are de-consolidated from the date at which control ceases.

Business combination

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

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

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

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

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.

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 submitted for 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.

Other receivables

Other receivables are stated at their original invoiced value, less any appropriate allowance for estimated irrecoverable amounts.

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.

Investments

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

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.

Share capital

Ordinary shares of the company are classified as equity. Mandatorily redeemable preference shares and other classes of share where an obligation exists to transfer economic benefits are classified as liabilities.

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

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

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

Restatement of comparatives

During 2015 it was identified that warrants in issue should have be treated purely as equity and that there should be no finance charge to the Profit and Loss Account. The effect of this is that the charge of £182,000 made in the 2014 Financial Statements has been adjusted and the consolidated retained loss for 2014 has reduced to £3,328,000. Accordingly the comparatives for 2014 have been restated to reflect this.

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.

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 which has been detailed above in note 2, accounting policies, and note 15, share based payments, to the accounts.
- Where warrants are issued to investors these amounts are treated as equity. Where warrants are issued in lieu of services rendered to the group then these are accounted for as share based payments.
- The cost of those instruments considered to represent share based payments under IFRS 2 is estimated by means of Black Scholes models. These fair value calculations include several inputs that are subject to management's judgement. These include the use of peer group enterprises historic market value of shares to estimate the volatility of future share price movements. These inputs are reviewed on a regular basis to determine that the values used in the calculation are consistent with current economic and historical events.
- Where loan notes are issued with terms such that the company considers that it has the discretion to settle either by way of cash or equity with a fixed number of equity shares then the company is of the opinion that the loan notes should be classified as equity instruments due to their passing the 'fixed' test under IAS 32.

4. OPERATING LOSS

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

	2015 £'000	2014 £'000
Foreign exchange (Gain)/losses	(21)	2
	(21)	2

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

	2015 £'000	2014 £'000
Remuneration receivable by the Company's auditor for the audit of the consolidated and Company financial statements	41	18
Remuneration receivable by the Company's auditor and its associates for the supply of other services to the Company and its associates, including remuneration for the audit of the financial statements of the Company's subsidiaries:		
• The audit of the Company's subsidiaries	6	6
• Reporting accountant services	-	126
• Taxation compliance services	8	5
• Other taxation advisory services	13	-
	27	137

Fees payable to Grant Thornton UK LLP for non-audit services to the Company are not disclosed above because such fees are required to be disclosed only on a consolidated basis.

7. EMPLOYEES

Group	2015	2014
Staff costs comprised:	£'000	£'000
Directors' salaries	199	157
Wages and salaries	19	12
Social security costs	20	25
Share based payment charge	301	328
	539	522
The average monthly number of employees, including directors, employed by the group during the year was:		
Corporate and administration	5	3
	5	3

A charge for share based payments and warrants charge totalling £1,074,876 (2014: £145,983) was made in the year.

Company Staff costs comprised:	2015 £'000	2014 £'000
Directors' salaries	94	24
Share based payment charge	301	328
	395	352

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2015		2014	
Director	Directors' fee	Salary	Directors' fee	Salary
P. Boyd	-	56,913	-	51,250
A. Guttmann	-	-	9,000	-
G. Cerrone	-	80,000	-	93,103
R. Dalla-Favera	-	35,000	15,000	-
K. Shailubhai	-	13,678	-	-
C. McGuigan	-	13,678	-	-
	-	199,269	24,000	144,353

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

Director	2015 Number of options	2014 Number of options
R. Dalla Favera	100,000	370,000
P. Boyd	300,000	937,500
A Gutmann	-	80,000
G. Cerrone	2,000,000	1,200,000
K. Shailubhai	300,000	-
	2,700,000	2,587,500

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

The options granted to P Boyd were cancelled upon his resignation and subsequently a further 150,000 options were granted to him. A termination payment of £12,564 gross was paid to P Boyd during the year.

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 and Company	2015 £'000	2014# £'000
Loan interest paid on convertible loan notes	9	7
Finance charge accrued on convertible loan notes	9	7
Stamp duty paid on the reverse acquisition	-	38
	18	52

restated - note 2

10. TAXATION

	2015 £'000	2014# £'000
Group		
Current tax (credit)	-	(60)
Deferred tax		
Origination and reversal of timing differences	Nil	Nil
Total tax (credit) for period	-	(60)

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:

	2015	2014#
Loss before taxation	(8,632)	(3,327)
Loss charged at standard rate of corporation tax 21.49%	(1,748)	(767)
Tax calculated at the applicable rate based on loss for the year	1,529	449
Income not subject to taxation	-	261
Additional deduction for R&D expenditure	-	(118)
Expenses not deductible for taxation	219	33
Utilisation of tax losses	-	82
	-	(60)

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.

	2015	2014#
(Loss) attributable to equity holders of the company (£)	(8,632,226)	(3,327,292)
Weighted average number of ordinary shares in issue	91,242,884	22,866,387
Basic loss per share (pence per share)	(9.5)	(14.6)

As the Group is reporting a loss from continuing operations, 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.

restated - note 2

12. OTHER RECEIVABLES

	2015	2014
	£'000	£000
Group		
Other receivables	273	103
Prepayments and accrued income	74	91
	347	194

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

	2015	2014
Company	£000	£000
Intercompany receivables	2,612	905
Taxation receivable	15	-
Prepayments and accrued income	18	18
	2,645	923

13. INVESTMENTS

Company	Shares in group undertakings £'000	Other investments £'000	Total £'000
Cost			
At 1 January 2015	7,500	15	7,515
Additions	-	-	-
Disposals	-	-	-
At 31 December 2015	7,500	15	7,515
Provisions			
At 1 January 2015	-	-	-
Charge in year	-	15	15
At 31 December 2015	-	15	15
Net book value as at 31 December 2015	7,500	-	7,500
Net book value as at 31 December 2014	7,500	15	7,515
Net book value as at 1 January 2014	7,500	15	7,515

Other investments consist of listed equity instruments in other companies over which the company does not exercise significant influence or control.

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

Name	Principal activity	Percentage shareholding	Country of incorporation
Tiziana Pharma Limited	Clinical stage biotechnology company	100%	England & Wales

14. SHARE CAPITAL

Company and Group	Number of shares	£000
In issue 1 January 2014:		
Ordinary shares at 0.01 pence	598,284,189	
Deferred A shares at 4.9 pence	108,121,391	
Deferred B shares at 9.99 pence	13,068,521	
Transactions in the year:		
Consolidation of 0.01 pence shares to 3 pence shares	(596,289,908)	
Ordinary shares issued at 12 pence	82,562,032	
Ordinary shares issued at 3 pence	84,666	
Ordinary shares issued at 3 pence	31,333	
In issue 31 December 2014	205,862,224	9,144

In issue 1 January 2015:

Ordinary shares issued at 0.03 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
		9,144
Transactions in the year:		
Ordinary shares issued at 50.5 pence	4,233,616	127
Ordinary shares issued at 3 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	231

On 23rd April 2014 the company consolidated 598,284,189 shares of 0.01 pence to 1,994,281 shares of 3 pence.

On 24th April 2014 the company issued 82,562,032 ordinary shares at 12 pence each in order to finance the reverse acquisition of Tiziana Pharma Limited.

On 18th June 2014 the company issued a further 84,666 ordinary shares at 3 pence each in order to satisfy the exercise of options held by former directors of ADI.

On 29th July 2014 the company issued a further 31,333 ordinary shares at 3 pence each in order to satisfy the exercise of options held by former directors of ADI.

On 22nd January 2015 the company issued a further 4,233,616 ordinary shares at 3 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 3 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 3 pence each in order to satisfy the exercise of warrants.

15. SHARE BASED PAYMENTS

Group and Company

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

	2015		2014	
	Average exercise price (pence)	**Options (‘000)**	**Average exercise price (pence)**	**Options (‘000)**
At 1 January	16	5,222	-	-
Granted	41	4,000	16	5,222
Cancelled	(15)	(1,237)	-	-
At 31 December	28	7,985	16	5,222

On 24 April 2014, 4,787,500 share options were granted at an exercise price of £0.15 per share and are exercisable for a period of 10 years from the date of vesting. On 25 June 2014, a total of 385,000 share options

were granted at range of exercise prices from £0.28 to £0.33 per share and are exercisable for a period of 10 years from the date of vesting. On 7 July 2014 50,000 share options were granted at an exercise price of £0.35 per share and are exercisable for a period of 10 years from the date of vesting. On 23rd January 2015 2,350,000 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 23rd 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 23rd 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 2nd 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 7th 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 7th May 2015 150,000 options were granted at an exercise price of £0.15 per share and are exercisable before 31st January 2018. No options were exercisable during the year to 31 December 2014. 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 2015	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	0.50	1 October 2015	1 October 2025
23 January 2015	150,000	0.50	1 October 2016	1 October 2026
23 January 2015	150,000	0.50	1 October 2017	1 October 2027
23 January 2015	150,000	0.50	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
2 March 2015	150,000	0.55	2 March 2015	2 March 2025
2 March 2015	150,000	0.55	2 March 2016	2 March 2026
2 March 2015	150,000	0.55	2 March 2017	2 March 2027
2 March 2015	150,000	0.55	2 March 2018	2 March 2028
7 May 2015	150,000	0.15	24 April 2015	31 January 2018

The Directors have used the Black-Scholes option pricing model to estimate the fair value of the options applying the assumptions below. The total fair value of the share option instruments is deemed to be approximately £972,000 (2014 £510,000).

	24 April 2014	25 June 2014	7 July 2014

Grant date share price	£0.12	£0.39	£0.44
Exercise share price	£0.15	£0.28 to £0.33	£0.35
Vesting periods	25% each Yr 1, Yr 2, Yr 3, Yr 4	25% each Yr 1, Yr 2, Yr 3, Yr 4	25% each Yr 1, Yr 2, Yr 3, Yr 4
Risk free rate	0.55% to 1.54%	0.55% to 1.54%	0.55% to 1.54%
Expected volatility	99% to 197%	99% to 197%	99% to 197%
Option life	10 years	10 years	10 years

	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

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

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

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

On 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 71,430 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.

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 £336,000. For each set of warrants, the charge has been expensed over the vesting period. A share based payment charge for the year of £102,345 (year to December 2014: nil, as restated) has been expensed in the statement of comprehensive income.

16. 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 2015 is;

	Planwise Convertible Loan Note 2016 £000
Convertible loan notes issued	200
Accrued interest - 2014	7
Accrued interest - 2015	9
	216

17. 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.

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.

In respect of Tranche A and B the notes are therefore redeemable for a fixed number of shares and as such the Directors of the Group consider these instruments to meet the criteria of the ‘fixed-for-fixed’ test under IAS 32. As a result of this the Directors have concluded that these instruments are equity in nature and have accounted for them as such.

Investor Convertible Loan Notes: Tranche C

On 20 April 2015 the Company entered into an agreement to issue £6,146,634 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.

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.

In respect of Tranche C and D the notes are redeemable in either cash or shares in the company. The redemption option is at the discretion of the company. As the manner of the redemption is at the discretion of the company the Directors consider these instruments to meet the ‘fixed-for-fixed’ test under IAS 32. As a result of this the Directors have concluded that these instruments are equity in nature and have accounted for them as such.

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.

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.

In respect of Tranche E, if the note was to be redeemed prior to June 2017 then an anti-dilutive clause would be triggered which means the loan notes fail the ‘fixed-for-fixed’ test under IAS 32. The Directors however consider that the triggering of this anti-dilutive clause is at the discretion of the company and as such the company continues to have the discretion to settle for a fixed number of shares. This means that the instrument passes the ‘fixed’ test under IAS 32 and as this is the case the Directors consider that this instrument should be classified as equity.

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

	A	B	C	D	E	**Total**
Convertible equity instruments issued	730	1,452	6,147	250	3,832	12,411
Addition to equity	129	79	166	6	9	389
Fundraising costs	-	-	(513)	-	-	(513)
	859	1,531	5,800	256	3,841	12,287

18. SHARE PREMIUM

Group and Company	2015	2014
	£000	£000
Balance at 1 January	16,294	-
Premium on issue of shares (net of issuance costs)	4,338	16,294
Balance at 31 December	20,632	16,294

19. RESERVES

	2015		2014#	
	Group	Company	Group	Company
	£	£	£	£
Merger relief reserve				
Balance at 1 January	5,625	5,625	-	-
Merger relief on reverse acquisition	-	-	5,625	5,625
Balance at 31 December	5,625	5,625	5,625	5,625
Share based payment reserve				
Balance at 1 January	146	211	-	65
Share option expense	972	972	146	146
Options cancelled in the year	(110)	(110)	-	-
Balance at 31 December	1,008	1,073	146	211
Shares to be issued reserve				
Balance at 1 January	-	63	-	63
Share based payment (warrants)	102	102	-	
Balance at 31 December	102	165	-	63
Convertible loan note reserve				
Balance at 1 January	2,259	2,259	-	-
Shares to be issued	10,028	10,028	2,259	2,259
Balance at 31 December	12,287	12,287	2,259	2,259
Other reserve				
Balance at 1 January	28,286	-	21,152	-
Other reserve arising on reverse acquisition	-	-	7,134	-
Balance at 31 December	28,286	-	28,286	-
Retained earnings				
Balance at 1 January	(3,405)	(23,549)	-	(21,426)
Net loss for the year	(8,632)	(6,890)	(3,328)	(2,046)
Interest on convertible equity instruments	(312)	(312)	(77)	(77)
Options cancelled in the year	110	110	-	-
Balance at 31 December	(12,239)	(30,641)	(3,405)	(23,549)

restated - note 2

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 and / or the loan notes 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 in the year. The reserve represents the difference between the fair value of the consideration transferred and the nominal value of the shares.

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.

20. 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.

Given the limited exposure to the risk, 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 2014 or 31 December 2015.

21. 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.

22. TRADE AND OTHER PAYABLES

Group	**2015**	**2014**
	£000	£000
Trade payables	314	41
Accruals	216	436
Convertible loan note liability	216	206
	746	683

Company	**2015**	**2014**
	£000	£000
Trade payables	191	29
Accruals	93	382
Convertible loan note liability	216	206
	500	617

23. RELATED PARTY TRANSACTIONS

Tiziana Pharma Limited is a wholly owned subsidiary of Tiziana Life Sciences plc. At year end, Tiziana Life Sciences plc had loaned £1,970,841 in total and had recharged costs of £473,074 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 £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 loaned £167,918 to Tiziana Therapeutics Inc.

The ultimate parent entity is Planwise Group Limited, incorporated in the British Virgin Islands.

24. POST BALANCE SHEET EVENTS

On 8th January 2016, the Company announced that within 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, with relevant anti-metastatic activity, and a significant *in vivo* efficacy and safety profile. The Company intends to file an Investigational New Drug (IND) application on CB1 in 2016, and expects to move this drug candidate into clinical trials before the end of the year.

The original research agreement between the Company and Cardiff University, focused on pioneering the development of Bcl-3 inhibitors as potential drugs to treat cancer, has been expanded to include an additional research program focused on eradication of breast cancer stem cells through inhibition of a protein known as c-FLIP, which is also being supported by the Company.

On 11th January 2016, the Company announced its plan for further development of foralumab, the company's fully human anti-CD3 antibody, along with the addition of two key members: Professors Kevan Herold, MD and Howard Weiner, MD who joined the Scientific Advisory Board and focusing on pioneering a unique clinical development plan for foralumab. The Company is proposing to develop and evaluate foralumab in two clinical indications: both graft vs host disease, and ulcerative colitis, an inflammatory bowel disease.

On 13th January 2016 the Company raised £709,406 through the issue of 472,938 unsecured convertible loan notes, redeemable by the holders at any time after 31 December 2016 and which may be redeemed, at the election of the Company, in cash or by conversion into new ordinary shares in the Company at a conversion price of £1.50 per share. Interest accrues quarterly on the notes at a rate of six per cent per annum. The convertible loan notes contain anti-dilution provisions which adjust the conversion price that the notes convert into ordinary shares in the event of a fund raising by the Company at a price below £1.50 within 18 months of the date of the issue. By way of an arrangement fee for the noteholders agreeing to subscribe for the loan notes, the Company granted to the noteholders warrants to subscribe for up to 189,176 new ordinary shares in the Company at an exercise price of £2.50 per share. The warrants will be exercisable during the period from and including 31 December 2016 to 31 December 2020. Funds raised will be used to fund the development of the Company's clinical stage assets milciclib and foralumab, to meet the Company's ongoing liabilities in respect of licence agreements, and for general working capital purposes.

On 28th April 2016 The Company received a notification from warrant holders to exercise warrants over 1,095,000 ordinary shares in the Company at an exercise price of 20p per share, providing the Company with gross proceeds of £219,000. Following the issue of shares the enlarged issued share capital of the Company comprises 93,487,150 ordinary shares of 3p each.

25. 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.

- Bcl-3 project – funding for Cardiff University of £239,640 during 2015 for a research associate and a technician, and £18,583 in 2016 to fund a PhD student.

- Top 20 project – sponsored research funding of €150,000 per year in 2015, 2016, 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 each of 2016, 2017 and 2018 for a total annual 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.

- Milciclib project – license fee payable for a total of $3,500,000 for the continued development of milciclib. The second instalment of the upfront payment amounting to $2,000,000 was paid on 22nd June 2015. Other payments relate to the achievement of clinical milestones or the payment of royalties.

- c-FLIP project – funding for Cardiff University of £50,000 for 2015 and 2016. Other payments relate to the achievement of pre-clinical and clinical milestones or the payment of royalties.