COMPANY NUMBER 03508592

TIZIANA LIFE SCIENCES PLC
(FORMERLY ALEXANDER DAVID INVESTMENTS PLC)
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2014

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STATUTORY AND OTHER INFORMATION

Directors:	Mr G. M. A. Cerrone Dr R. Dalla-Favera Prof C. McGuigan Dr K. Shailubhai
Secretary:	Mr P. Cooper FCA
Registered Office:	18 South Street, Mayfair, London, W1K 1DG
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:	Mishcon de Reya, Summit House, 12 Red Lion Square, London, WC1R 4QD
Registrars:	Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

EXECUTIVE CHAIRMAN'S STATEMENT

I am pleased to report on the Company's results for the year ended 31st December 2014.

Background

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

On 24th April 2014 Tiziana Life Sciences plc (the Company; Tiziana) began trading on AIM under the ticker symbol "TILS" following the completion of the reverse acquisition of Alexander David Investments plc and concurrent name change to Tiziana Life Sciences plc. The Company issued 16,666,667 ordinary shares at a price of 12p through a placing to new investors raising £2m and a convertible loan note raising £0.73m to complete the reverse acquisition. On the first day of trading the Company's shares closed at 27.50 pence.

Licensing Agreements

In addition to the license with the University of Cardiff for Bcl-3, at the end of June 2014, TTFactor S.r.l. (TTFactor) granted Tiziana an exclusive licensing agreement covering the use of 20 defined stem cell markers (the "TOP 20") for patient stratification in breast cancer. TTFactor is the technology transfer company of the European Institute of Oncology and the Italian Foundation for Cancer Research (FIRC), Institute of Molecular Oncology. The TOP 20 model is a gene expression signature capable of predicting disease aggressiveness and prognosis in breast cancer patients.

During the second half of the financial year the Company entered into negotiations with two organisations, Novimmune SA and Nerviano Medical Sciences Group, to acquire two different assets that already had some clinical validation and therefore would add to the Company's value proposition. The license agreement with Novimmune S.A., a company focused on the discovery and development of antibody-based drugs to benefit patients with inflammatory, auto-immune disorders, and cancer, was concluded on 20 December 2014. The agreement provides the Company with an exclusive license for the clinical development and commercialisation of foralumab, a fully human antihuman CD3 receptor monoclonal antibody (CD3 mAb) and broadens the Company's interests beyond oncology to include inflammatory diseases.

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

Most recently, 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 therefore 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 Company's growth.

Financial summary

Group Income Statement

The Group has made a loss for the year of £3,570,000 (2013: nil). The loss is detailed in the consolidated statement of comprehensive income on page 12.

Balance Sheet

At the end of the year the Group cash balance amounted to £2,266,000 (2013: nil) and the total assets of the Group amounted to £2,400,000 (2013: nil).

The lack of comparable income statement and balance sheet data in 2013 is due to the accounting treatment of the reverse acquisition and is explained in the accounting policies note on page 20.

Post year end fund raising

On 31st March 2015, Tiziana Life Sciences plc 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, Tiziana Life Sciences plc 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. Further details of the post year end fund raising can be found at Note 24 Post Balance Sheet Events. .

Appointments

Board of Directors

On 24th April 2014 the Company appointed Gabriele Cerrone and Dr Riccardo Dalla-Favera to the Board.

Mr Cerrone has a successful track record and extensive experience in the financing and restructuring of micro-cap biotechnology companies. He has founded nine biotechnology companies in oncology, infectious diseases and molecular diagnostics, and has taken six of these companies to the Nasdaq Market and one to the AIM Market in London. Mr Cerrone co-founded Trovagene, Inc. (NASDAQ: TROV), a molecular diagnostic company and served as its Co-Chairman; he was a co-founder and served as Chairman of both Synergy Pharmaceuticals, Inc. (NASDAQ: SGYP) and Callisto Pharmaceuticals, Inc. (OTCMKTS: CLSP), and was a Director of and led the restructuring of Siga Technologies, Inc. (NASDAQ: SIGA). Mr Cerrone also co-founded FermaVir Pharmaceuticals, Inc. and served as Chairman of the Board until its merger in September 2007 with Inhibitex, Inc. Mr Cerrone served as a director of Inhibitex, Inc. until its US$2.5bn sale to Bristol Myers Squibb Co in 2012. Mr Cerrone is the Executive Chairman and Co-Founder of Gensignia Life Sciences, Inc., a molecular diagnostics company focused on oncology using microRNA technology; Chairman and Co-Founder of Rasna Therapeutics Limited, a company focused on the development of therapeutics for leukaemias; Co-Founder of ContraVir Pharmaceuticals, Inc. (Nasdaq: CTRV); and founder of BioVitas Capital Ltd.

Dr Riccardo Dalla-Favera obtained his MD from the University of Milan, Italy in 1976. Following his residency in Haematology, Dr Dalla-Favera joined the National Cancer Institute of USA as a visiting fellow. He joined the New York University of Medicine as an assistant Professor in 1983 and then moved to Columbia University College of Physicians and Surgeons in 1991. Here he helped to found the Institute for Cancer Genetics and has been its' Director since 1999. Dr Dalla-Favera was a Director of the Herbert Irving Comprehensive Cancer Centre (HICCC) from 2005 to 2011 and the Percy and Joanne Uris Professor of Pathology and Genetics & Development. He served as the Chair of the Scientific Advisory Board of the Yale Cancer Centre. He served as the Co-Chair of the National Centre Institute Program Review Group for Leukaemia, Lymphoma and Myeloma, as a member of the Board of Scientific Counsellors of the National Institute of Environmental Health and of the National Cancer Institute. He has been a Member of Scientific Advisory Board at TrovaGene, Inc., since April 2010. He serves as a Member of Scientific Advisory Board at Xigen SA. He serves as a Member of Scientific Advisory Board at Cancer Genetics, Inc. and served as its Director till 2011. Dr Dalla-Favera served as a Director of Callisto Pharmaceuticals Inc. from June 30, 2005 to April 15, 2011. He served as a Director at Synergy Pharmaceuticals, Inc. until April 2011.

Dr Dalla-Favera 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. His has been awarded numerous prizes for his research including the 2007 William Dameshek Prize from the American Society of Hematology, The 2009 San Salvatore Foundation Prize for

Outstanding Achievements in Lymphoma Research, and the 2014 Oncomed Giants of Cancer Care Award. He is an elected member of Institute of Medicine of The National Academy of Sciences, USA.

On 23rd January 2015 the Company appointed Professor Chris McGuigan to the Board. Professor McGuigan is Chairman of Life Sciences Hub Wales Limited, Professor of Medicinal Chemistry, School of Pharmacy and Pharmaceutical Sciences, Cardiff University and Director of the National Research Network in Health and Life Sciences of the Welsh Government. He is also on the boards of Synergy Pharmaceuticals and ContraVir Pharmaceuticals, both New York biotechnology companies listed on NASDAQ and on the scientific advisory board of Nucana Biomed, an Edinburgh based company with assets in clinical trials. To date Professor McGuigan has invented three new agents that have reached clinical trials, with peak value of US$3bn. He has over 220 peer reviewed scientific publications with over 100 patents filed.

Also on 23rd January 2015 the Company appointed Dr Kunwar Shailubhai to the Board. 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.

Scientific Advisory Board

Professor Pier Paolo Di Fiore was appointed as a member of the Scientific Advisory Board and consultant to the Company on 1st February 2014. Prof Di Fiore, a recognised specialist in molecular oncology and cell biology, is the inventor of the TOP 20 model. He is a Full Professor at the University of Milan in Italy and a Director of Molecular Medicine at the European Institute of Oncology in Cardiff. Prof Di Fiore is also the Senior Editor of The Journal of Cell Biology, and Associate Editor of Cell.

Dr Napoleone Ferrara was appointed as Chairman of the Scientific Advisory Board and consultant to the Company on 19th May 2014. Dr Ferrara's research into the process of angiogenesis led to the development and subsequent commercialisation of the anti-VEGF (vascular endothelial growth factor) Avastin®, a drug that is now used in a broad range of cancers in combination with chemotherapy. Additionally, his studies of the role of VEGF in intraocular neovascularisation led to the development and commercialisation of Lucentis®, a treatment for age-related macular degeneration, a leading cause of blindness in the elderly

Professor Roberto Pellicciari was appointed as a member of the Scientific Advisory Board and consultant to the Company on 12th September 2014. Prof Pellicciari was the co-founder and is the current Head of Medicinal Chemistry at Intercept Pharmaceuticals, Inc. (NASDAQ: ICPT), a clinical stage biopharmaceutical company focused on the development and commercialisation of novel bile acid therapeutics to treat chronic liver and intestinal diseases. Professor Pellicciari is Professor of Medicinal Chemistry at the University of Perugia in Italy, he has held a number of prestigious scientific posts and has an international reputation in molecular design, synthesis, mechanism of reaction, and modelling, with over 300 publications in international journals and 40 patents granted.

Outlook

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

Gabriele Cerrone
Executive Chairman

STRATEGIC REPORT

Business review

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

Key performance indicators

The Board monitors the Key Performance Indicators (KPIs) that it considers appropriate for the industry and stage of development of the Company. The Company 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 Company and its investors can judge the chances of ultimate success and thereby the value of the Company. At this stage of company development significant sources of revenue generation are unlikely and the company 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 Company, and more particularly to the cash required for ongoing research, development and / or acquisition of the company's scientific assets. In the financial period of this report administrative expenses were used to effect the reverse acquisition that resulted in a listing of the Company on the AIM Market, legal expenses to protect and enhance the Company's intellectual property estate, and research and development costs to progress the Company's scientific programmes. During 2014 the Bcl-3i project licensed from Cardiff University was the main focus of direct funding, until the two clinical programmes were in-licensed from Novimmune and Nerviano in December 2014 and January 2015 respectively. Cash was consumed in the negotiation and preparation for these acquisitions.

The Company monitors current and projected cash consumption to ensure that there are sufficient funds available to develop the Company's scientific assets. The Company raised additional cash in March and April 2015 to fund research and development. The Company maintains a virtual operating model resulting in low cash consumption for general and administrative expenses during the period. The costs of the reverse acquisition and admission to AIM were as expected, and the costs associated with the licensing agreements, both in terms of the payments due and the costs of securing the licenses were as expected.

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 51.5p per share. As at 21st May 2015 the Company's share price was 147.5p 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 Company 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 Company'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 Company is developing its scientific assets within the European and US territories, but for potential global application. The environment for life science companies was positive in 2014 and the Board looks forward to a similarly positive environment in 2015. Public and private financings of life science companies have increased markedly since 2010-2012. The board believe the progress made by the business in the year is in line with their plans to develop a cross section of projects.

Principal risks and uncertainties

The Company 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 Company's progression. The Company also considers Company-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 Company, 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 Company's business, prospects, financial condition or results of operations may be materially adversely affected.

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

Technology and products
The Company is a drug discovery and development company. 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 Company will be operating in the life sciences and biopharmaceutical development sector and will look to exploit opportunities within that sector. The Company 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 Company may not be able to develop new products or to identify specific market needs that can be addressed by technology solutions developed by the Company. The ability of the Company to develop new technology relies, in part, on the recruitment of appropriately qualified staff as the Company grows, or to identify and collaborate with high quality scientific teams and investigators. The Company 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 Company may require further working capital. The Company will seek to minimise the risk of delays by careful management of projects.

Uncertainty related to regulatory approvals
The Company 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 Company's products can be used. In addition, the Company 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 Company 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 Company have substantially greater product development capabilities and financial, scientific, marketing and human resources than the Company. The future success of the Company 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 Company or in developing products that are more effective than those which may be produced by the Company. While the Company 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 Company's intellectual property obsolete or uncompetitive.

Patents
The field of pharmaceutical development is highly litigious. The Company's priorities are to protect its intellectual property and seek to avoid infringing other companies' intellectual property. The Company engages reputable legal advisers to mitigate the risk of patent infringement and to assist with the protection of the Company's intellectual property. However, there remains the risk that the Company may face opposition from other companies to patents that it seeks to have granted. The value of the Company'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 Company 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 Company's patents may subsequently be revoked and, if revoked after details of the Company'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 Company's intellectual property.

Future funding requirements
The Company will need to raise additional funding in the future to undertake work beyond that being funded by the Company'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 Company'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 Company.

Currency risk
The Company holds its cash reserves in UK Sterling. As is the nature of international life science companies, the Company 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 Company 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 Company 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 Company seek to take on interest bearing debt the interest rate risk may increase.

By order of the Board
Mr G. M. A. Cerrone
3rd June 2015

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 2014.

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 (2013: 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, Appointed 24th April 2014
Dr Riccardo Dalla-Favera	Non-Executive Director, Appointed 24th April 2014
Prof Christopher McGuigan	Non-Executive Director, Appointed 22nd January 2015
Dr Kunwar Shailubhai	Non-Executive Director, Appointed 22nd January 2015
Dr Philip Boyd	Director, Appointed 24th April 2014, resigned 7th May 2015
Mr Andrew Gutmann	Non-Executive Director, Resigned 22nd January 2015
Mr P W C Lomax	Non-Executive Director, Resigned 24th April 2014
Mr C W Rourke	Non-Executive Chairman, Resigned 24th April 2014
Mr D A H Scott	Non-Executive Director, Resigned 24th April 2014

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 29th May 2015:

	Ordinary shares	
	Number	Percentage
Planwise Group Limited*	55,822,565	60.46%
Nerviano Medical Sciences Srl	4,233,616	4.58%
Chris McGuigan**	3,114,618	3.37%

*Mr Gabriele Cerrone, a director, is the ultimate beneficial owner of the entire issued share capital of Planwise Group Limited.
** Prof Chris McGuigan is a non-executive director of Tiziana Life Sciences PLC

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 is responsible for;

i. Monitoring the quality of internal controls and ensuring the financial performance of the Company 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 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.

AIM Compliance Committee

The AIM Compliance Committee is responsible for ensuring that;

i. The directors remain at all times fully cognisant of their obligations under the AIM Rules for Companies; and
ii. Regular contact is maintained with the Company's nominated adviser so that it is kept up to date with all relevant developments at the Company.

The Company operates a share dealing code governing the share dealings of the Directors and applicable employees with a view to ensuring compliance with the AIM Rules.

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 appointed new directors, entered into licensing agreements and 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 4 and at Note 25 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 5 to 7, and at note 21 to the financial statements.

By order of the Board
Mr Gabriele Cerrone
3rd June 2015

18 South Street, Mayfair, London, W1K 1DG

Grant Thornton

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 2014 which comprise the group and parent company statements of financial position, the group statement of comprehensive income, the group and parent company statements of cash flow, the group and parent 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 pages 9 to 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 2014 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.

Grant Thornton UK LLP

Marc Summers
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date:
03 June 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
Research and development		(794)	-
Operating expenses		(1,786)	-
Cost of listing		(755)	-
Operating loss	4	(3,336)	-
Finance costs	9	(234)	-
Loss before taxation		(3,570)	-
Taxation	10	60	-
Loss for the year attributable to equity owners		(3,510)	-
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to equity owners		(3,510)	-
Earnings per share			
Basic and diluted (loss) per share on continuing operations	11	(15.6p)	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 £'000	31 December 2013 £'000
ASSETS			
Current assets			
Trade and other receivables	13	194	-
Cash and cash equivalents		2,266	-
Total current assets		2,460	-
TOTAL ASSETS		2,460	-
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to equity holders of the company			
Called up share capital	15	9,144	6,663
Share premium	19	16,294	14,489
Share based payment reserve	20	146	-
Shares to be issued reserve (warrants)	16, 20	182	-
Shares to be issued reserve	18	2,259	-
Merger relief reserve	20	5,625	-
Other reserve	20	(28,286)	(21,152)
Retained earnings	20	(3,587)	-
Total equity		1,777	-
Liabilities			
Current liabilities			
Trade and other payables	23	683	-
		683	-
TOTAL EQUITY AND LIABILITIES		2,460	-

The financial statements were approved by the board of directors and authorised for issue on 3rd June 2015

Mr Gabriele Cerrone Director

Company Number: 03508592 (England and Wales)

COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 £'000	31 December 2013 £'000
ASSETS			
Current assets			
Trade and other receivables	13	923	50
Cash and cash equivalents		2,241	61
Total current assets		3,164	111
Non-current assets			
Investment in subsidiaries	14	7,500	-
Investments	14	-	15
TOTAL ASSETS		10,664	126
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to equity holders of the company			
Called up share capital	15	9,144	6,663
Share premium	19	16,294	14,489
Merger relief reserve	20	5,625	-
Share based payment reserve	16, 20	211	65
Shares to be issued reserve (warrants)	18	245	63
Shares to be issued reserve	18	2,259	-
Retained earnings	20	(23,731)	(21,426)
Total equity		10,047	(146)
Liabilities			
Current liabilities			
Trade and other payables	23	617	272
		617	272
TOTAL EQUITY AND LIABILITIES		10,664	126

The financial statements were approved by the board of directors and authorised for issue on 3rd June 2015

Mr Gabriele Cerrone Director

Company Number: 03508592 (England and Wales)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
Cash flows from operating activities		
Total comprehensive loss for the period before taxation	(3,570)	-
Convertible loan interest accrued	84	-
Convertible loan interest paid as equity	7	-
Share based payment - options	146	-
Share based payment - warrants	182	-
Net (increase) / decrease in operating assets -Trade / other receivables	(91)	-
Net increase / (decrease) in operating liabilities -Trade / other liabilities	291	-
Cost of listing	755	
Loss on foreign exchange	2	-
Write off of investments	15	-
NET CASH USED IN OPERATING ACTIVITIES	(2,179)	-
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	2,004	-
Proceeds from issuance of convertible loan notes	2,454	-
Interest on convertible instruments	(77)	-
NET CASH GENERATED FROM FINANCING ACTIVITIES	4,381	-
Cash flows from investing activities		
Cash acquired at acquisition	64	-
		-
		-
NET CASH GENERATED FROM INVESTING ACTIVITIES	64	-
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	2,266	-
Cash and cash equivalents at beginning of year	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,266	-

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
Cash flows from operating activities		
Total comprehensive loss for the period before taxation	(2,228)	(283)
Convertible loan interest accrued	84	-
Convertible loan interest paid as equity	7	-
Share based payment - options	146	21
Share based payment - warrants	182	-
Net (increase) / decrease in operating assets -Trade / other receivables	(754)	(43)
Net increase / (decrease) in operating liabilities -Trade / other liabilities	345	136
Loss on foreign exchange	2	-
Write off of investments	15	-
Fair value adjustment	-	(1)
Interest receivable	-	93
NET CASH USED IN OPERATING ACTIVITIES	(2,201)	(77)
Cash flows from financing activities		
Interest received	-	(24)
Proceeds from issuance of ordinary shares	2,004	156
Proceeds from issuance of convertible loan notes	2,454	-
Interest on convertible instruments	(77)	-
NET CASH GENERATED FROM FINANCING ACTIVITIES	4,381	132
Cash flows from investing activities		
Net purchase of investment	-	(155)
Sale of investments	-	157
NET CASH GENERATED FROM INVESTMENT ACTIVITIES	-	2
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	2,180	57
Cash and cash equivalents at beginning of year	61	4
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,241	61

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	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	Other Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2013	-	-	-	-	-	-	-	-	-
<u>Transactions with owners</u>									
Issue of shares	6,663	14,489	-	-	-	-	(21,152)	-	-
Total transactions with owners	6,663	14,489	-	-	-	-	(21,152)	-	-
<u>Comprehensive income</u>									
Loss for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2013	6,663	14,489	-	-	-	-	(21,152)	-	-
Balance at 1 January 2014	6,663	14,489	-	-	-	-	(21,152)	-	-
<u>Transactions with owners</u>									
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	9,144	16,294	146	182	2,259	5,625	(28,266)	(77)	5,287
<u>Comprehensive income</u>									
Comprehensive loss for the year	-	-	-	-	-	-	-	(3,510)	(3,510)
Total comprehensive income	-	-	-	-	-	-	-	(3,510)	(3,510)
Balance as at 31 December 2014	9,144	16,294	146	182	2,259	5,625	(28,286)	(3,587)	1,777

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital	Share Premium	Share Based Payment Reserve	Shares To Be Issued Reserve	Convertible Loan Note Reserve	Merger Relief Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2013	6,647	14,349	65	42	-	-	(21,143)	(40)
<u>Transactions with owners</u>								
Issue of share capital	16	140	-	-	-	-	-	156
Share based payment (options)	-	-	-	21	-	-	-	21
Total transactions with owners	6,663	14,489	65	63	-	-	(21,143)	137
<u>Comprehensive income</u>								
Loss for the year	-	-	-	-	-	-	(283)	(283)
Total comprehensive income	-	-	-	-	-	-	(21,426)	(146)
Balance as at 31 December 2013	6,663	14,489	65	63	-	-	(21,426)	(146)
Balance at 1 January 2014	6,663	14,489	65	63	-	-	(21,426)	(146)
<u>Transactions with owners</u>								
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
<u>Comprehensive income</u>								
Loss for the year	-	-	-	-	-	-	(2,228)	(2,228)
Total comprehensive income	-	-	-	-	-	-	(2,228)	(2,228)
Balance as at 31 December 2014	9,144	16,294	211	245	2,259	5,625	(23,731)	(10,047)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2014

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 group operates.

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

2. ACCOUNTING POLICIES

The 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 £2.228m for the year ended 31 December 2014 (2013: £283,000).

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;

- Placing of Ordinary Shares on 31st March 2015 raising £2.55m before expenses; and
- Issue of Convertible Loan Notes on 21st April 2015 raising £6.14m 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 2014

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

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

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

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. Nonmarket vesting conditions are included in assumptions about the number of options / warrants that are expected to become exercisable.

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

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

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

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

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.

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.

During the year under review the company acquired a subsidiary in a transaction defined as a reverse acquisition based on the fact that the acquired entity's shareholders became majority shareholders. The directors believe this transaction falls outside the scope of IFRS 3 Business Combinations as at the point of the transaction they do not believe those activities which define a business were in existence. This lack of inputs, processes and outputs meaning no business was acquired results in a lack of goodwill being recognised at the point of the transaction.

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

The only other critical accounting estimates and judgements in the preparation of the financial statements were fair value estimates used in the calculation of share based payments which has been detailed above in note 2, accounting policies, and note 16, share based payments, to the accounts.

4. OPERATING LOSS

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

	2014 £'000
Foreign exchange losses	2
	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

Group operating loss for the year is stated after charging the following:

	2014 £'000
Remuneration receivable by the Company's auditor for the audit of the consolidated and Company financial statements	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
• Reporting accountant services	74
• Taxation compliance services	6
• Other taxation advisory services	33
	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	2014 £'000
Staff costs comprised:	
Directors' salaries	157
Wages and salaries	12
Social security costs	25
Share based payment charge	328
	522

The average monthly number of employees, including directors, employed by the group during the year was:	
Corporate and administration	3
	3

A charge for share based payments totalling £328,210 (2013: £nil) was made in the year.

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

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Director	Directors' fee	Salary
P. Boyd	-	51,250
A Gutmann	9,000	-
G. Cerrone	-	93,103
R. Dalla Favera	15,000	-
	24,000	144,353

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

Director	2014 Number of options	2013 Number of options
R. Dalla Favera	370,000	-
P. Boyd	937,500	-
A Gutmann	80,000	-
G. Cerrone	1,200,000	-
	2,587,500	-

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

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

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

9. FINANCE COSTS

Group and Company	2014 £'000
Loan interest paid on convertible loan notes	7
Finance charge accrued on convertible loan notes	7
Stamp duty paid on the reverse acquisition	38
Share based payment charge for the issue of warrants	182
	234

10. TAXATION

	2014 £'000
Group	
Current tax (credit)	(60)
Deferred tax	
Origination and reversal of timing differences	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:

Profit before taxation	(3,570)
Loss charged at standard rate of corporation tax 21.49%	(767)
Tax calculated at the applicable rate based on profit for the year	449
Income not subject to taxation	261
Additional deduction for R&D expenditure	(118)
Expenses not deductible for taxation	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. EARNINGS PER SHARE

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

	2014
(Loss) attributable to equity holders of the company (£)	(3,569,519)
Weighted average number of ordinary shares in issue	22,866,387
Basic earnings per share (pence per share)	(15.6)

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

12. ACQUISITION OF SUBSIDIARIES

On 24th April 2014, the controlling interest in the parent Company was exchanged for the entire share capital of Tiziana Pharma Limited, a company registered in England and Wales, under the reverse acquisition approach, the accounting of which is detailed in note 2. Under this approach the subsidiary Tiziana Pharma Limited has been deemed to have acquired the parent. The net assets of the parent (Tiziana Life Sciences plc) have been recognised at their acquisition date fair value (which was equivalent to their book value).

The net assets acquired are as follows:

	£000
Fixed asset investments	15
Cash	64
Creditors	(523)
Net liabilities	(444)

The group legal parent has generated nil revenue since the acquisition.

The excess of the deemed acquisition cost over the fair value of the net liabilities acquired has been treated as a cost of listing and recognised as an IFRS 2 charge as follows:

	£000
Consideration transferred	311
Net liabilities of acquired entity	444
Cost of listing	755

The consideration transferred has been based on the legal parent's share price immediately preceding the transaction. There were no other acquisitions during the year ended 31 December 2014.

13. TRADE AND OTHER RECEIVABLES

	2014 £000
Group	
Trade receivables	-
Other receivables	103
Prepayments and accrued income	91
	194

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

Company	2014 £000	2013 £000
Trade receivables	-	-
Other receivables	905	-
Prepayments and accrued income	18	50
	923	50

14. INVESTMENTS

Company	Shares in group undertakings £'000	Other investments £'000	Total £'000
Cost			
At 1 January 2014	-	15	15
Additions	7,500	-	7,500
Disposals	-	-	-
At 31 December 2014	7,500	15	7,515
Provisions			
At 1 January 2014	-	-	-
Charge in year	-	15	15
At 31 December 2014	-	15	15
Net book value as at 31 December 2014	7,500	-	7,500
Net book value as at 31 December 2013	-	15	15
Net book value as at 1 January 2013	-	16	16

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

15. SHARE CAPITAL

Group	Number of shares
In issue 1 January 2013	-
Ordinary shares issued	-
In issue 31 December 2013	-
Ordinary shares issued	84,672,312
Deferred A shares at 4.9 pence	108,121,391
Deferred B shares at 9.99 pence	13,068,521
In issue 31 December 2014	205,862,224

Company	Number of shares
In issue 1 January 2013:	
Ordinary shares at 0.01 pence	408,121,847
Deferred A shares at 4.9 pence	108,121,391
Deferred B shares at 9.99 pence	13,068,521
Transactions in the year:	
Ordinary shares issued at 0.01 pence	190,162,342
In issue 31 December 2013	719,474,101
In issue 1 January 2014:	
Deferred A shares at 4.9 pence	108,121,391
Deferred B shares at 9.99 pence	13,068,521
Ordinary shares issued at 0.01 pence	598,284,189
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

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

On 24 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 18 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 29 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.

16. 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.

	2014		2013	
	Average exercise price (pence)	Options ('000)	Average exercise price (pence)	Options ('000)
At 1 January	-	-	-	-
Granted	16	5,222	-	-
At 31 December	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. No options were exercisable during the year to 31 December 2014.

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

Date of issue	Number at 31 December 2014	Exercise price	Date from which exercisable	Expiry Date
24 April 2014	1,196,875	0.15	24 April 2015	24 April 2025
24 April 2014	1,196,875	0.15	24 April 2016	24 April 2026
24 April 2014	1,196,875	0.15	24 April 2017	24 April 2027
24 April 2014	1,196,875	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

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

	24 April 2014	25 June 2014	7 July 2014
Grant date share price	£0.12	£0.39	£0.44
Exercise share price	£0.15	£0.28 to £0.33	£0.35
Vesting periods	25% each Yr 1, Yr 2, Yr 3, Yr 4	25% each Yr 1, Yr 2, Yr 3, Yr 4	25% each Yr 1, Yr 2, Yr 3, Yr 4
Risk free rate	0.55% to 1.54%	0.55% to 1.54%	0.55% to 1.54%
Expected volatility	99% to 197%	99% to 197%	99% to 197%
Option life	10 years	10 years	10 years

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

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

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

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 £182,227 (year to December 2013: nil) has been expensed in the statement of comprehensive income.

17. CONVERTIBLE LOAN NOTES

Group and Company

Planwise Convertible Loan Notes 2014

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

Planwise Convertible Loan Notes 2016

From the date of the reverse acquisition a convertible loan note of £200,000 was in existence as detailed in the Admission Document dated 31 March 2014. Proceeds of the subscriptions for the notes are to be used exclusively to finance the Company's 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 31December 2014 is;

	Planwise Convertible Loan Note 2016 £000
Convertible loan notes issued	200
Accrued interest	7
	207

18. 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. The fair value of these warrants is included in the share based payment calculations for the period.

Investor Convertible Loan Notes: Tranche B

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

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

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

	Tranche A	Tranche B	Total
Convertible equity instruments issued	730	1,451	2,181
Addition to equity	30	47	77
	760	1,499	2,259

19. SHARE PREMIUM

Group	2014 £000	2013 £000
Balance at 1 January	-	-
Premium on issue of shares	16,294	14,489
Balance at 31 December	16,294	14,489

Company	2014 £000	2013 £000
Balance at 1 January	14,489	14,349
Premium on issue of shares	1,805	140
Balance at 31 December	16,294	14,489

20. RESERVES

	2014		2013	
	Group £	Company £	Group £	Company £
Convertible loan note reserve				
Balance at 1 January	-	-	-	-
Shares to be issued	2,259	2,259	-	-
Balance at 31 December	2,259	2,259	-	-
Shares to be issued reserve				
Balance at 1 January	-	63	-	42
Share based payment (warrants)	182	182	-	21
Balance at 31 December	182	245	-	63
Share based payment reserve				
Balance at 1 January	-	65	-	65
Share option expense	146	146	-	-
Balance at 31 December	146	211	-	65
Merger relief reserve				
Balance at 1 January	-	-	-	-
Merger relief on reverse acquisition	5,625	5,625	-	-
Balance at 31 December	5,625	5,625	-	-

Other reserve					
Balance at 1 January	-21,152		-	-	-
Other reserve arising on reverse acquisition	7,134		-	-	-
Balance at 31 December	28,286		-	-	-
Retained earnings					
Balance at 1 January	-	-	21,426	-	21,143
Net profit/(loss) for the year	3,510	-	2,228	-	283
Interest on convertible equity instruments	77	-	77	-	-
Balance at 31 December	3,587	-	23,731	-	21,426

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.

21. 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.

22. 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.

23. TRADE AND OTHER PAYABLES

Group	2014 £000	2013 £000
Trade payables	41	-
Accruals	436	-
Convertible loan note liability	206	-
	683	-

Company	2014 £000	2013 £000
Trade payables	29	25
Accruals	382	17
Convertible loan note liability	206	100
Loan	-	130
	617	272

24. RELATED PARTY TRANSACTIONS

Tiziana Pharma Limited is a wholly owned subsidiary of Tiziana Life Sciences plc. During the period, the company loaned £860,025 and recharged costs of £77,443 to Tiziana Pharma Limited. Included within other debtors of Tiziana Life Sciences plc's company financial statements at the balance sheet date is £889,480 owed by Tiziana Pharma Limited.

The ultimate parent entity is Planwise Group Limited, incorporated in the British Virgin Islands. During the year, convertible loan notes were issued to the Group by Planwise Group Limited as per note 17.

25. POST BALANCE SHEET EVENTS

On 20th January 2015, Tiziana Life Sciences plc entered into an agreement to exclusively license milciclib from Nerviano Medical Sciences Group ("Nerviano"), an Italian company dedicated to the discovery and development of breakthrough treatments for cancer.

Under the terms of the licensing agreement with Nerviano, Tiziana will make an upfront cash payment of US$3.5 million for the license to Nerviano. Tiziana will also pay to Nerviano specified milestone payments of up to US$35 million and a royalty on net sales of any products containing milciclib.

In addition, Tiziana will pay £2.14 million to be satisfied by the issue of 4,233,616 new ordinary shares (the "Shares") in the Company to Nerviano (at a price of 50.5p per share which is the closing price of the Company's ordinary shares on 16 January 2015, the last business day prior to execution of the licensing agreement). The Shares are subject to restrictions dependent on the success of the clinical development programmes. In the event that there is an unsuccessful phase II trial in liver cancer or breast cancer, or a phase II trial has not been completed by 19 January 2020, the Company has the right to buy back the Shares for a consideration of £1. Nerviano has agreed that the Shares will be subject to a lock-in arrangement until successful completion of a phase II trial and for a period of 12 months thereafter. Nerviano will be able to exercise voting rights relating to the Shares whilst they are locked in.

On 31st March 2015, Tiziana Life Sciences plc raised £2.55m through the issue of 3.4m shares at a price of £0.75 per share.

On 21st April 2015, Tiziana Life Sciences plc entered into an agreement to issue £6.14m of Investor Convertible Loan Notes: Tranche C. 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 convertible loan notes are that the notes, plus accrued interest at a rate of 4 per cent per annum, 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. By way of an arrangement fee for the noteholders agreeing to subscribe for the loan notes, the Company has granted to the noteholders warrants to subscribe for up to 1,756,185 new ordinary shares in the Company at an exercise price of £1.05 per share. The warrants will be exercisable during the period from and including 26 June 2016 to 31 December 2017.

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). 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.

26. FINANCIAL COMMITMENTS

The Company's and Group's main financial commitments relate to the contractual payments in the 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 £192,474 during 2015 for a research assistant and a technician, and £18,583 in 2015 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 anniversary 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 the continued development of milciclib. The second instalment of the upfront payment amounting to $2,000,000 payable prior to 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.