

**Group Strategic Report, Report of Directors and
Consolidated Financial Statements as at
31 December 2022
for
VIDAC PHARMA HOLDING PLC**

VIDAC PHARMA HOLDING PLC

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VIDAC PHARMA HOLDING PLC

Company Information for the Year Ended the 31 December 2022

DIRECTORS:

Max Herzberg
Yochai Richter
Joseph Tenne
Christian Policard

SECRETARY:

Nataliia Kronik
Audit Firm Ltd

REGISTERED OFFICE:

20-22, Wenlock Road
London
England N1 7GU

REGISTERED NUMBER:

13479728 (England and Wales)

AUDITORS:

Zenith Audit Ltd
Statutory auditors
First Floor,
18 Devonshire Row
London, EC2M 4RH

VIDAC PHARMA HOLDING PLC

Group Strategic Report for the year ended the 31 December 2022

The parent company was incorporated under Articles of Association dated the 24 June 2021 under the name of VIDAC PHARMA HOLDING LIMITED and was entered on the register of Companies House of the United Kingdom on the 28 June 2021 and then it was re-registered as VIDAC PHARMA HOLDING PLC on the 26 May 2022.

The company is an investment holding company ('parent company'), the principal activity of its subsidiary undertaking is discovering and developing first-in-class medicines. The subsidiary is registered in Israel.

Review of business

The Directors are satisfied with the results for the company for the reporting year.

As anticipated, the parent company and its subsidiary ('group') incurred losses for the year ended the 31 December 2022. The focus of the group is on discovering and developing first-in-class medicines, which is expected to generate revenue and profits in the near future. The research and development costs incurred for the year ended the 31 December 2022 were GBP'000 188. Overall, group losses after-tax were GBP'000 643. The group's net assets were negative GBP'000 748.

Principal risks and uncertainties

The group is exposed to risks associated with business operations, market conditions and finances:

1. Clinical drug development is expensive and involves uncertain outcomes, and results of earlier studies and trials may not be predictive of future trial results. If one or more future clinical trials for product development were unsuccessful, or significantly delayed, the company could be required to abandon development, and the business will be materially harmed.
2. The subsidiary is highly dependent on patent protection which depends on compliance with various procedures, document submission requests, fee payments and other requirements imposed by governmental patent agencies, and the patent protection could be reduced or eliminated for noncompliance with these requirements.
3. In case of successful clinical trial completion, subsidiary will be subject to ongoing regulatory requirements in every market engaged in business and subsidiary may face future development, manufacturing and regulatory difficulties.
4. The subsidiary has a history of operating losses and anticipates that it will continue to incur operating losses in the future and it may never sustain profitability.
5. The subsidiary could fail to obtain necessary financing and thus be prevented from delivering the long-term business development plan, which will slow down the subsidiary's growth.

Financial key performance indicators

The following are the key performance indicators used by the company:

- Research and development costs
- Operating cash flow
- Current ratio

The company regularly monitors its performance by producing quarterly management accounts.

Future developments

The group is actively reviewing its activities with looking for opportunities to enhance its business by successfully finishing clinical research studies and launching the products on the markets. The Directors are confident that the group will be profitable once the products clinical study researches are successfully completed and revenue targets will be achieved. The company is planning to embark on a journey towards an Initial Public Offering (IPO) on the Frankfurt Stock Exchange. The decision to pursue an IPO reflects the company's strategic vision of expanding its reach and unlocking new opportunities for growth and investment. By going public, the company aims to raise substantial capital that will further fuel its research and development initiatives and support the commercialisation and distribution of its groundbreaking products.

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Implications on the business arising from the disruption caused by the spread of Coronavirus and war in Ukraine ('COVID-19')


In 2022, the spread of COVID-19 significantly decreased, and businesses and borders were reopened, positively influencing our company's operations. While the precise long-term effects of COVID-19 on human and economic health remain difficult to predict, the company considers the risk of negative impact to be minimal.

Throughout 2022, the conflict in Ukraine caused disruptions to the global supply chain and economy, but VIDAC PHARMA HOLDING PLC operations experienced no substantial impacts. Nevertheless, raising external financing has become more challenging due to the global economic downturn.

As of the publication of these financial statements, the Directors do not anticipate any significant or direct effects on the company from these circumstances.

As projected by the Directors, the group possesses sufficient financial resources to meet its liabilities and continue its anticipated capital expenditures for the forthcoming 12 months from the date these accounts are signed. The planned financing sources include shareholders' contributions and capital markets financing from public placement.

On behalf of the Board:


.....
Max Herzberg- Director

Date:



VIDAC PHARMA HOLDING PLC

Report of the Directors for the year ended the 31 December 2022

The Directors present their report with the consolidated financial statements of the group for the year ended 31 December 2022. The consolidated financial statements comprise the financial statements of Vidac Pharma Holding Plc ('the parent company') and its subsidiary undertaking Vidac Pharma Ltd (together - 'the group').

Dividends

No dividends will be distributed for the year ended 31 December 2022.

Director

Max Herzberg held office from 28 June 2021 until the date of issue of this report. Yochai Richter held office from 20 May 2022 until date of issue of this report.

Directors' responsibility statement

The Directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable UK Company law. 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 parent company and the group and of the profit or loss of the group for the 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 applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements 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 and Company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable him 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.

Statement as to disclosure of information to auditors

So far as the Directors are aware there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and they have taken all the steps that they ought to have taken as a Directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Auditors

The current auditors are Zenith Audit Ltd. They will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the Board:

.....
Max Herzberg - Director

Date:

29/06/2023

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Report of the Independent Auditors

Opinion

We have audited the financial statements of Vidac Pharma Holding Plc (the 'parent company') and its subsidiary (the 'group') for the year ended 31 December 2022, which comprise the group statement of comprehensive income, the parent company statement of comprehensive income, the group statement of financial position, the group statement of changes in equity, the parent company statement of financial position, the parent company statement of changes in equity, the group statement of cashflows, the parent company statement of cashflows and Notes to the group and parent company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

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 2022 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with UK-adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act. 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 12 in the financial statements, which discloses that the group accumulated losses amount to GBP'000 24 297 as at 31 December 2022. These circumstances indicate that a material uncertainty exists that may cast significant doubt on the company's and group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included enquiries with management, review of financial performance after the reporting period date, confirmation of long-term inter-company borrowings and reviewing evidence for continuous financial support from the ultimate beneficiary owner.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information, and except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the parent company's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We performed risk assessment procedures and obtained an understanding of the group, parent company and its environment, the applicable financial reporting framework, the applicable laws and regulations, the group and parent company system of internal control and the fraud risk factors relevant to the group and the parent company that affect the susceptibility of assertions to material misstatement due to fraud. We made enquiries with management regarding actual or suspected fraud, non-compliance with laws and regulations, potential litigation and claims. The engagement partner led a discussion among the audit team with particular emphasis on how and where the group and parent company financial statements may be susceptible to material misstatement due to fraud, including how fraud might occur. The engagement partner assessed that the engagement team collectively had the appropriate competence and capability to identify or recognise non-compliance with laws and regulations.

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We considered compliance with UK Companies Act 2006 and the applicable tax legislation as the key laws and regulations in which non-compliance could directly lead to material misstatement due to fraud at the financial statement level.

We evaluated whether the selection and application of accounting policies by the group and parent company may be indicative of fraudulent financial reporting. Our audit procedures responsive to assessed risks of material misstatement due to fraud at the assertion level included but were not limited to:

- Testing the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Making inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.
- Selecting and testing journal entries and other adjustments made at the end of the reporting period and throughout the period.
- Reviewing accounting estimates for biases that could represent a risk of material misstatement due to fraud.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements due to irregularities, including fraud, may not be detected, even though we have properly planned and performed our audit in accordance with the auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as they may involve collusion, forgery, intentional omissions or override of internal controls.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Filip Lyapov (Senior Statutory Auditor)
For and on behalf of Zenith Audit Ltd
Statutory Auditors
First Floor
18 Devonshire Row
London, EC2M 4RH

Date: 29 June 2023

VIDAC PHARMA HOLDING PLC

Vidac Pharma Holding Plc (Registered number: 13479728 England and Wales)

Consolidated Statement of Comprehensive Income for the Year Ended the 31 December 2022 and five months ended the 31 December 2021

	Note	2022 GBP'000	From 1 August 2021 to 31 December 2021 GBP'000
Revenue			-
Research and development expenses	5	(188)	(228)
General and administrative expenses	6	(421)	(179)
Operating loss		(609)	(407)
Net finance (cost)/income		(34)	1
Loss before tax		(643)	(406)
Tax		-	-
Loss for the year		(643)	(406)
Other comprehensive income		(189)	20
Total comprehensive income		(832)	(386)

The notes on pages 18 to 32 are an integral part of these financial statements.

VIDAC PHARMA HOLDING PLC

Vidac Pharma Holding Plc (Registered number: 13479728 England and Wales)

Company Statement of Comprehensive Income
for the year ended 31 December 2022 and from 28 June 2021 to 31 December 2021

	Note	2022 GBP'000	From 28 June 2021 to 31 December 2021 GBP'000
Revenue		-	-
Research and development expenses		-	-
General and administrative expenses		(172)	(2)
Operating (loss)/profit		(172)	(2)
Net finance loss		(32)	-
Loss before tax		(204)	(2)
Tax		-	-
Profit/(Loss) for the year		(204)	(2)
Changes in the fair value of investment in subsidiary at fair value through other comprehensive income	10	7 662	4 443
Income tax relating to these items	10	(1 456)	(844)
Other comprehensive income		6 206	3 599
Total comprehensive income		6 002	3 597

The notes on pages 18 to 32 are an integral part of these financial statements.

VIDAC PHARMA HOLDING PLC

Vidac Pharma Holding Plc (Registered number: 13479728 England and Wales)

Consolidated Balance Sheet 31 December 2022

	Note	2022 GBP'000	2021 GBP'000
ASSETS			
Non-current assets			
Equipment		5	5
Restricted deposit		-	7
		5	12
Current assets			
Receivables		8	37
Cash at bank and in hand	7	34	123
		42	160
Total assets		47	172
EQUITY AND LIABILITIES			
Equity			
Share capital	9	51 625	50
Share premium	9	-	48 024
Additional paid-in capital	9	239	196
Other reserves		(28 538)	(25 139)
Accumulated losses	12	(24 297)	(23 654)
Translation reserve		223	412
Total equity		(748)	(111)
LIABILITIES			
Current liabilities			
Employee and payroll payables		5	21
Other payables		5	50
Related party liabilities	14	350	178
Accrued expenses		20	34
Loan payables		415	-
		795	283
Total equity and liabilities		47	172

The financial statements were approved by the Director and authorised for issue and were signed by

.....
Max Herzberg / Director

Date: 29/06/2023

The notes on pages 18 to 32 are an integral part of these financial statements.

VIDAC PHARMA HOLDING PLC

Vidac Holding Holding PLC (Registered number: 13479728 England and Wales)

Company Balance Sheet 31 December 2022

	Note	2022 GBP'000	2021 GBP'000
ASSETS			
Non-current assets			
Investments in subsidiaries	8	60 387	52 682
		60 387	52 682
Current assets			
Receivables		-	28
Cash at bank and in hand		-	-
		-	28
Total assets		60 387	52 710
EQUITY AND LIABILITIES			
Equity			
Share capital	9	51 625	50
Share premium	9	-	48 024
Additional paid-in capital	9	239	196
Retained earnings / (accumulated losses)		(206)	(2)
Fair value reserve through OCI, net of tax		6 734	3 598
Total equity		58 392	51 866
Deferred tax liability	11	1 580	844
Loan payables	14	415	-
Total equity and liabilities		60 387	52 710

The financial statements were approved by the Director and authorised for issue and were signed by

.....
Max Herzberg – Director

Date: 29/06/2023

The notes on pages 18 to 32 are an integral part of these financial statements.

VIDAC PHARMA HOLDING PLC

Vidac Pharma Holding Plc (Registered number: 13479728 England and Wales)

Consolidated Statement of Changes in Equity The 31 December 2022 and for the five months ended the 31 December 2021

	Share capital	Share premium	Additional paid-in capital	Revaluation reserve	Retained earnings	Translati on reserve	Total equity
	GPB'000	GPB'000	GPB'000	GPB'000	GPB'000	GPB'000	GPB'000
At acquisition Date according to predecessor values method	20	48 024	-	(25 130)	(23 248)	392	58
Profit/(loss) for the year	-	-	-	-	(406)	-	(406)
Issue of capital	30	-	196	-	-	-	226
Other reserve change	-	-	-	(9)	-	-	(9)
Other comprehensive income	-	-	-	-	-	20	20
Balance at the 31 December 2021	50	48 024	196	(25 139)	(23 654)	412	(111)
Profit/(loss) for the year	-	-	-	-	(643)	-	(643)
Issue of capital	-	-	43	-	-	-	43
Transfer to share capital	51 575	(48 024)	-	(3 551)	-	-	-
Other reserve change	-	-	-	152	-	-	152
Other comprehensive income	-	-	-	-	-	(189)	(189)
Balance at the 31 December 2022	51 625	-	239	(28 538)	(24 297)	223	(748)

The notes on pages 18 to 32 are an integral part of these financial statements.

VIDAC PHARMA HOLDING PLC

Vidac Holding Limited

Company Statement of Changes in Equity

The 31 December 2022 and for the five months ended the 31 December 2021

Note	Share capital GPB'000	Share premium GPB'000	Additional paid-in capital GPB'000	Revaluation reserve GPB'000	Retained earnings GPB'000	Total equity GPB'000
Balance at 28 June 2021	-	-	-	-	-	-
Profit/(loss) for the year	-	-	-	-	(2)	(2)
Issue of capital	50	48 024	196	-	-	48 270
Other comprehensive income	-	-	-	3 598	-	3 598
Balance at the 31 December 2021	50	48 024	196	3 598	(2)	51 866
Profit/(loss) for the year	-	-	-	-	(204)	(204)
Issue of capital	-	-	43	-	-	43
Transfer to share capital	51 575	(48 024)	-	(3 551)	-	-
Deferred tax liability reversal of revaluation reserve transfer	-	-	-	685	-	685
Other comprehensive income	-	-	-	6 002	-	6 002
Balance at the 31 December 2022	51 625	-	239	6 734	(206)	58 392

The notes on pages 18 to 32 are an integral part of these financial statements.

VIDAC PHARMA HOLDING PLC

Vidac Pharma Holding Plc (Registered number: 13479728 England and Wales)

Consolidated Cash Flow Statement

for 12 months ended the 31 December 2022 and the five months ended the 31 December 2021

	Note	2022 GBP'000	For five months ended 31 December 2021 GBP'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss for the year		(643)	(407)
Adjustments to reconcile net loss to net cash used in operating activities:			
Financing income		4	-
Share based compensation expenses		-	-
Foreign exchange		19	-
Financial expense		12	-
Changes in operating assets and liabilities items:			
Increase (decrease) in trade payables		(45)	34
Increase in receivables	9	1	(4)
Increase (decrease) in accrued expenses		(14)	(20)
Increase (decrease) in employees and payroll accruals		(17)	6
Increase (decrease) in investment in subsidiary		172	-
Net cash used in operating activities		(511)	(391)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in restricted bank deposits		-	-
Purchase of property and equipment		-	-
Maturity of restricted deposit		8	-
Net cash provided by investing activities		8	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of shares in consideration of warrants' exercise		-	-
Issuance of shares in consideration of options' exercise		-	-
Issuance a share in consideration of investment of Parent company		272	196
Issuance of shares in consideration to investment		-	-
Proceeds from issuance of convertible loan		-	2
Credit from related party		172	56
Net cash provided by financing activities		444	282
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(30)	14
NET DECREASE IN CASH AND CASH EQUIVALENTS		(59)	(123)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		123	245
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		34	123

The notes on pages 18 to 32 are an integral part of these financial statements.

VIDAC PHARMA HOLDING PLC

Vidac Pharma Holding Plc (Registered number: 13479728 England and Wales)

Company Cash Flow Statement for the 12 months ended the 31 December 2022 and and the five months ended the 31 December 2021

	Note	2022 GBP'000	For five months ended 31 December 2021 GBP'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss for the year		(204)	(2)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share based compensation expenses		-	-
Foreign exchange		20	
Financial expenses		12	
Changes in operating assets and liabilities items:			
Increase (decrease) in trade payables		-	-
Increase (decrease) in receivable	9	-	-
Increase (decrease) in investment in subsidiary		172	
Net cash used in operating activities		-	(2)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in restricted bank deposits		-	-
Purchase of property and equipment		-	-
Proceeds from sale of property and equipment		-	-
Net cash provided by investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of shares in consideration to investment		-	-
Proceeds from issuance shares		-	2
Net cash provided by financing activities		-	2
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		-	-
CHANGE IN CASH AND CASH EQUIVALENTS		-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		-	-

The notes on pages 18 to 32 are an integral part of these financial statements.

VIDAC PHARMA HOLDING PLC

Vidac Pharma Holding Plc (Registered number: 13479728 England and Wales)

Notes to the Consolidated Financial Statements As at 31 December 2022

1. CORPORATE INFORMATION

The Company VIDAC PHARMA HOLDING PLC was incorporated in England on 28 June 2021 as a private limited liability company and then re-registered as public limited company on 26 May 2022. Its registered office is at 20-22, Wenlock Road, London, England N1 7GU.

These financial statements present the financial information of VIDAC PHARMA HOLDING PLC ('parent company') for 2022 and as of 31 December 2022. The consolidated financial statements include the VIDAC PHARMA HOLDING PLC and its subsidiary (the 'group').

The registered office of Vidac Pharma Ltd ('subsidiary') is Weizmann Science Park, 7 Oppenheimer, Rehovot, Israel.

Principal activities

The principal activities of the group are biotechnology activities, including research and development.

Group structure

The group consists of the company and its directly owned subsidiary. Information on the Group structure is provided in Note 4.

Adoption of new or revised standards and interpretations

During the current year the group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2022. This adoption did not have a material effect on the accounting policies of the group.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis for preparation

The consolidated financial statements are prepared in accordance with UK-adopted international accounting standards, with requirements of the Companies Act 2006 (the Act). The consolidated financial statements comply with International Financial Reporting Standards as adopted by European Union (EU).

The principal accounting policies adopted by the group in the preparation of the financial statements are set below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in Britain Pounds (GBP) rounded to the nearest thousand.

Going concern

The group is engaged in research and development with no revenue from operations. The group incurred a pre-tax loss of GBP'000 643 for the year. The accumulated losses were GBP'000 24 297 as at 31 December 2022. Management expects operating losses and negative operating cash flows to continue for the foreseeable future because of additional costs and expenses related to product development activities. The group's continued operation depends on the future infusion of funds as the group meets their day-to-day working capital requirements with the support of investors.

Considering the above, the group has assessed the going concern assumption based on which the financial statements have been prepared.

In order to analyse the impact of the risk of losing financing and the group's ability to continue as a going concern, management has prepared the revised financial forecast. Further, the group secured additional funds from investment in 2023 which is estimated to be sufficient for maintaining operations for the upcoming 12 months. These provide evidence that the group is able to operate as a going concern.

VIDAC PHARMA HOLDING PLC

Based on these steps undertaken by the group, management concluded that it is appropriate to prepare the financial statements on a going concern basis. However, due to the uncertain impact of future developments, management concludes that a material uncertainty exists, which may cast significant doubt about the group's ability to continue as a going concern and, therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Business of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to noncontrolling interests are also recorded in equity.

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or retained earnings, as appropriate.

Business combinations under common control

IFRS provides no guidance on the accounting for common control transactions, but requires that entities develop an accounting policy for them [IAS 8.10]. The two methods most commonly chosen for accounting for business combinations between entities under common control are (1) the acquisition method and (2) the predecessor values method. Once a method has been adopted it should be applied consistently as a matter of accounting policy. Neither IFRS 3 nor any other IFRS require or prohibit the application of either method to business combinations involving entities under common control.

The group elected to apply the predecessor values method for transactions under common control. The principles of predecessor accounting are:

- No assets or liabilities are restated to their fair values. Instead, the acquirer incorporates predecessor-carrying values. These are the carrying values that are related to the acquired entity. They are generally the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity. This is because the transaction is under the control of that entity, and it is a portion of the controlling entity that is being moved around in the transaction. In some cases, the controlling party, that is, the party that controls both combining businesses, may not prepare consolidated financial statements. This can occur, for example, because it is not a parent company. In such situations, the book values used are those from the highest set of consolidated financial statements available. If no consolidated financial statements are produced, the values used are those from the financial statements of the acquired entity.
- No new goodwill arises in predecessor accounting. The combining entities are looked at from the perspective of a transfer made by the controlling party. The transaction is not seen as an equal exchange of values and a change of control from the date of the business combination. No goodwill beyond that recorded by the controlling party in relation to the acquiree can therefore arise. Predecessor accounting may lead to differences on consolidation. For example, there may be a difference between the consideration given and the aggregate

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book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. The differences are included in equity in retained earnings or in a separate reserve.

The group incorporated the acquired entities results and balance sheets prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entities for the period before the transaction occurred. The corresponding amounts for the previous year are also not restated.

Foreign currencies

The group's consolidated financial statements are presented in British Pound (GBP), which is considered to be the group's functional currency. For each entity the group determines the functional currency and items included in the functional statements of each entity are measured using that functional currency which is the currency of the primary economic environment in which the entity operates.

Transactions and balances

Transactions in foreign currencies are initially recorded by the group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit and loss.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the items.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into British Pound (GBP) at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates prevailing during the year. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

Investments into subsidiaries (relates to parent company)

Investments in subsidiaries in the company's stand-alone financial statements are measured at fair value through profit or loss in accordance with IFRS 9. Gains or losses arising from changes in the fair value of subsidiaries are recognised in profit and loss within "Net changes in fair value of subsidiaries at fair value through profit or loss".

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at the bank. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows, and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Property, plant and equipment

Property, plant and equipment are measured at acquisition cost.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

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	%
Computers and peripheral equipment	33
Office equipment	7
Research and development equipment	10-15

Leasehold improvements are amortised utilising the straight-line method over the shorter of the expected lease term or the estimated useful life of the improvements.

The useful life and depreciation method of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Research and development expenses

Research and development (hereinafter – “R&D”) incurred in the development of the group’s technologies are charged to research and development expenses in the statement of profit and loss when incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the group can demonstrate all of the following:

- The technical feasibility of completing the development of the intangible asset so that it will be available for use or for sale;
- Its intention to complete the development of the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits, which includes the existence of a market for the output of the intangible asset or the intangible asset itself or, if the intangible asset is to be used internally, the usefulness of the intangible asset;
- The availability of adequate technical, financial and other resources to complete the development of, and to use or sell the intangible asset;
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

As of the 31 December 2022, the group has not yet capitalised any development costs.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Financial assets

Financial assets - Classification

The company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depend on: (i) the company’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, the classification will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL, except for trade and other receivables.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive

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income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price, which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets - impairment - credit loss allowance for expected credit losses (ECL)

The company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost and FVOCI and exposure arising from loan commitments and financial guarantee contracts. The company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments carried at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

The impairment methodology applied by the company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

For trade receivables and contract assets, including trade receivables and contract assets with a significant financing component, and lease receivables the company applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.

For all other financial instruments that are subject to impairment under IFRS 9, the company applies general approach - three stage model for impairment. The company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering

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expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the company determines when a SICR has occurred. If the company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The company's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Additionally, the company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 6, Credit risk section for a description of how the company determines low credit risk financial assets.

Financial assets - Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The company may write-off financial assets that are still subject to enforcement activity when the company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - modification

The company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities - modifications

An exchange between the company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid

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net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. (In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch-up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

Borrowing costs are interest and other costs that the company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the company and the costs can be measured reliably.

Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Share capital and share premium are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of tax effects.

Additional paid-in capital

Additional paid-in capital relates to an equity instrument which is any contract that provides an interest in the company's equity. Equity instruments issued by the company are recorded at the proceeds received, net of any direct issue costs.

Simple Agreement for Future Equity (SAFE) instruments are classified as a part of equity and recognised within Additional paid-in capital.

Convertible loans

Convertible loan agreements are financial instruments that consist of a debt component and an embedded derivative component. These agreements allow the holder of the loan to convert it into a specified number of shares of the company's equity at a predetermined conversion price, usually within a specified period.

Upon initial recognition, convertible loan agreements are classified as a financial liability and measured at fair value, considering any transaction costs directly attributable to the issuance. The fair value of the liability component is determined based on prevailing market interest rates for similar non-convertible debt instruments. The embedded derivative component, representing the conversion feature, is separated from the liability component and accounted for as a derivative financial instrument. It is initially recognised at fair value and subsequently measured at fair value through profit or loss, with changes in fair value recognised in the income statement.

The financial liability component of the convertible loan agreements is subsequently measured at amortised cost using the effective interest method. Any difference between the carrying amount and the repayment amount is recognised in the income statement over the loan's term. Upon conversion of the loan, the financial liability component is

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derecognised, and the equity component related to the conversion feature is recognised. The equity component is measured at the initial fair value less any directly attributable transaction costs.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Foreign currency

Foreign currency transactions are translated at the rates of exchange applicable at the dates of the transactions. Foreign currency balances outstanding at the balance sheet date are translated at the rates of exchange ruling on that date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Critical accounting estimates, judgments and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below, see Note 8.

3. SEGMENT INFORMATION

It is the opinion of the directors that the operations of the group represent one segment, as they are treated as such when evaluating performance.

4. GROUP INFORMATION

The consolidated financial statements of the group include

Name	Principal activities	Country of incorporation	% Equity interest
Vidac Pharma LTD	Biotechnology	Israel	100

On 6 July 2021, VIDAC PHARMA HOLDING PLC acquired 100% of the share capital Vidac Pharma LTD ("Vidac Pharma"). The acquisition represented group restructuring of the existing business since Vidac Pharma LTD and VIDAC PHARMA HOLDING PLC were under common control. There were no material transactions between 6 July 2021 and 1 August 2021, therefore, 1 August 2021 was chosen as a starting date for the reporting period of the group.

Business combination under common control

The Group

The group elected to apply the predecessor values method for transactions under common control. No assets or liabilities were restated to their fair values. Instead, the group incorporated predecessor-carrying values. Transferred net assets to the group as of 1 August 2021 were as follows:

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	GBP'000
Cash and cash equivalents	255
Notes receivables	6
Restricted deposit	7
Property, plant and equipment, net	4
Total assets	272
Share capital	20
Share premium	48 024
Other reserve	(25 130)
Retained deficit	(23 248)
Translation reserve	392
Total equity (net assets)	58
Trade payables	16
Accrued expenses	54
Employees and payroll accruals	15
Related party	119
Total liabilities	204
Total equity and liabilities	272

5. RESEARCH AND DEVELOPMENT EXPENSES

	2022 GBP'000	2021 GBP'000
Materials, subcontractors and consultants	64	104
Salaries and related expenses	56	78
Patents	56	42
Rent, maintenance and office expenses	12	4
Total expenses	188	228

6. GENERAL AND ADMINISTRATIVE EXPENSES

GROUP	2022 GBP'000	2021 GBP'000
Professional fees	380	150
Salaries and related expenses	23	5
Maintenance, office and sundries	8	3
Depreciation	1	1
Others	9	20
Total expenses	421	179

The group incurred statutory audit fees of GBP'000 42 in 2022 and GBP'000 30 in 2021.

COMPANY	2022 GBP'000	2021 GBP'000
Professional fees	172	-
Total expenses	172	-

The company incurred expenses in the amount of GBP'00 172 in 2022 related to the IPO process.

The company incurred statutory audit fees of GBP'000 22.5 in 2022 and GBP'000 18 in 2021.

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7. CASH AT BANK AND IN HAND

Cash balances are analysed as follows:

	2022 GBP'000	2021 GBP'000
Cash at bank and in hand	34	123
	34	123

8. INVESTMENT IN SUBSIDIARY

	GBP'000
Balance at 28 June 2021	-
Addition – initial contribution of share capital	48 044
Addition paid-in capital – new subscribed capital	196
Change in fair value recognised in OCI	4 442
Balance at 31 December 2021	52 682
Addition paid-in capital – new subscribed capital	43
Change in fair value recognised in OCI	7 662
Balance at 31 December 2022	60 387

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Holding %	2022 GBP'000
Vidac Pharma Ltd	Israel	Biotechnology	100	60 387

On 6 July 2021, 100% of shares of Vidac Pharma Ltd were contributed to the share capital of the company at a fair value GBP'000 48 044.

In December 2021 the company subscribed for additional share in Vidac Pharma Ltd equity and paid GBP'000 196 as per SAFE agreements.

In January 2022 the company subscribed for additional share in Vidac Pharma Ltd equity and paid GBP'000 26 as per SAFE agreement.

On March 2022, the company signed the Convertible Loan agreement for the total amount of USD'000 300, part of which was received in March (USD 210'000 or GBP 161 000) and part in June 2022 (USD'000 90 or GBP'000 69). On 27 December 2022 the Company signed Convertible loan agreement for the total amount of USD'000 207 or GBP'000 172. The equity component of Convertible Loan agreement is GBP'000 17.

Based on the valuation performed as of the year ended 31 December 2022, the subsidiary's overall value is GBP'000 60 387.

The company has elected to measure the investment in the subsidiary at fair value through other comprehensive income (FVOCI).

The fair value was based on an independent valuation report as at 31 December 2022. The fair value of the subsidiary has been estimated by applying a discounted earnings technique. The fair value measurements are based on significant inputs that are not observable in the market.

The fair value estimate is based on key assumptions:

- An assumed discount rate of 13.0% is calculated based on the capital assets pricing model.
- Peak market share rate for US and EU markets is expected on the level of approximately 18%.
- COGS margin is expected to be at the rate of 30% from net sales based on the company's business plan.

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2022 shown below:

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Sensitivity analysis and impact on Profit or loss and equity

Significant unobservable inputs		Profit or loss		Other comprehensive income (net of tax)	
		Increase GBP'000	Decrease GBP'000	Increase GBP'000	Decrease GBP'000
Discount rate*	14.5%	-	-	-	(4 339)
	11.5%	-	-	4 734	-
Peak market share rate*	20.5%	-	-	6 592	-
	17.5%	-	-	-	(2 412)
COGS margin rate*	35%	-	-	-	(6 746)
	25%	-	-	6 783	-

* Holding all other variables constant

In relation to the fair valuation of the investment in the subsidiary, the Parent is exposed to market risk. The market is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and liquidity risk.

Interest risk

The Parent is exposed to the risk of changes in market interest rates relates primarily to impact on the estimate of the discount rate used for valuation of the investment in the subsidiary.

The Parent estimates that in current market conditions, there will be no significant fluctuation in the interest rates in Israel, a country of subsidiary's operations. The Israel government is expected to maintain the base rates unchanged for the foreseeable future. If there is a base rate change due to higher level of inflation, such changes are expected to be insignificant. This is in line with the expectations of global capital markets.

Foreign currency risk

Foreign currency risk is the risk that the fair value of the investment in the subsidiary will fluctuate because of changes in foreign exchange rates. The Parent's exposure to the risk of changes in foreign exchange rates relates primarily to the subsidiary's operating activities when revenue or expense is denominated in U.S. dollars and Israel shekels. Since U.S. dollar is one of the world's reserve currencies the risk is deemed to be low.

Liquidity risk

Since the subsidiary's inception, it has not generated any product revenue and has incurred operating losses and negative cash flows from the operations. It expects to incur significant expenses and operating losses for the foreseeable future as the company advance the product candidates through clinical development. The company funded its operations to date primarily with proceeds from sales of preferred and ordinary shares.

9. SHARE CAPITAL

	2022 Number of shares	2022 GBP'000	2021 Number of shares	2021 GBP'000
Authorised				
Ordinary shares of £1 each	51 625 062	51 625	100 000	50
Issued				
Issue of shares	51 625 062	51 625	100 000	50
Balance at the 31 December	51 625 062	51 625	100 000	50

On 21 August 2021, the share capital of the company was increased from 20 000 GBP divided into 40 000 ordinary shares with a nominal value 0,5 GBP each to 22 222 GBP divided into 44 444 ordinary shares with a nominal value 0,5 GBP each.

On the 31 December 2021, the share capital of the company was increased from 22 222 GBP divided into 44 444 ordinary shares with a nominal value 0,5 GBP each to 50 000 GBP divided into 100 000 ordinary shares with a nominal

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value 0,5 GBP each. As of the 31 December 2021, the GBP 27 778 was of share capital was unpaid and presented as a receivable.

On the 19 May 2022, the company was re-registered as a public limited company. The company's s share capital comprised 50 000 GBP divided into 50 000 ordinary shares with the nominal value of 1 GBP each. Moreover, on the 19 May, 2022, the company executed a resolution agreement which stipulated the capitalisation and subsequent distribution of GBP'000 51 575 among the owners of ordinary shares. This amount was previously included within the share premium (GBP'000 48 024) and revaluation reserve (GBP'000 3 511).

	2022 GBP'000	2021 GBP'000
Additional paid-in capital	239	196

The company signed with multiple investors Simple Agreement for Future Equity (SAFE) Notes, issuing to investor the right to certain shares of the Company's Share Capital at a discount rate. These are presented as part of equity within the Additional paid-in capital. Another element of Additional paid-in capital is a portion of Convertible loan agreements as described above.

The difference between the acquirer's cost of investment and the acquiree's equity presented as a separate reserve - Other reserve - within equity on consolidation.

	2022 GBP'000	2021 GBP'000
Other reserves	(28 538)	(25 139)

10. FAIR VALUE RESERVE THROUGH OCI FOR YEAR, NET OF TAX

	2022 GBP'000	2021 GBP'000
Items that will not be classified to profit or loss:		
<i>Fair value through other comprehensive income:</i>		
Valuation gains on fair value through other comprehensive income investment in subsidiary	7 662	4 442
Tax relating items that will not be reclassified	(1 456)	(844)
	6 206	3 598

11. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19%.

	GBP'000
Deferred tax liabilities	
At the 1 January 2022	(844)
Reversal due to reclassification from revaluation reserves to share capital	685
Additional tax on revaluation increase	(1 456)
Other movement	35
At the 31 December 2022	(1 580)

Deferred tax liability has been recognised in respect of temporary differences due to fair value revaluation of investment in subsidiary recognised through other comprehensive income.

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12. RETAINED EARNING'S AND RESERVES

GROUP	Retained earnings GBP'000	Translation reserves GBP'000	Total GBP'000
At the 1 August 2021	(23 248)	392	(22 856)
Loss for the year	(406)	-	(406)
Foreign exchange gain on consolidation	-	20	20
At the 31 December 2021	(23 654)	412	(23 242)
Loss for the year	(643)	-	(643)
Foreign exchange gain on consolidation	-	(189)	(189)
At the 31 December 2022	(24 297)	223	(24 074)

Company	Retained earnings GBP'000	Other reserves GBP'000	Total GBP'000
At the 28 July 2021	-	-	-
Loss for the year	(2)	-	(2)
At the 31 December 2021	(2)	-	(2)
Loss for the year	(204)	-	(204)
At the 31 December 2022	(206)	-	(206)

13. EMPLOYEES AND DIRECTORS

	2022 GBP'000	2021 GBP'000
Salaries	61	68
Social security costs	17	15
	78	83

The group's average number of employees during the year was as follows:

	2022 GBP'000	2021 GBP'000
Directors	2	2
Administrative and managing personnel	-	1
Research and development staff	-	1
	2	4

All staff cost is incurred by the group component. Holding company has no employees, except two Directors.

	2022 GBP'000	2021 GBP'000
Director's remuneration (parent company)	-	-
	-	-

The parent company did not pay or accrue Directors emoluments in 2021 and 2022.

14. RELATED PARTIES

The subsidiary signed an agreement with the related party to obtain an investment in a way of waiving the right to receive a compensation for the services provided. The outstanding amount of the accrued expenses related to this agreement is GBP'000 178 as of the 31 December 2021. As of the 31 December 2022, the overall balance for the related parties' transactions comprise GBP'000 350.

As of 31 December 2022 loan payables relate to Convertible loan agreements which were signed between the company and its investors. The company signed the convertible loan agreements with Yochai Richter for the total amount of GBP'000 190; BDCP Ltd. GBP'000 104; Max Herzberg GBP'000 78 with other investors GBP'000 43.

Related party transactions were on arm's length basis and were in the ordinary course of the business.

15. OPERATING ENVIRONMENT OF THE GROUP

In 2020, the World Health Organisation declared the Coronavirus COVID- 19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments took stringent steps to contain and delay the spread of the virus, including requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. Even though these measures were cancelled in 2022, there was some slowdown in the economies in the UK, Israel and globally with wider impacts, including inflation or stagflation.

The long-term effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from the actual results.

Although the war in Ukraine has disrupted the global supply chain and economy, management does not expect any material impact on the group's business in the near future. While the Israel economy is so far resilient against recently elevated global slowdown risks and adverse economic impacts of Russia's invasion of Ukraine, there is a probability of more severe spill-over effects, as well as COVID resurgence risks. The materialisation of these risks could severely restrict economic activity in Israel, and negatively impact the business environment and clients of the group.

The group's management has assessed the ability of the group to continue as a going concern.

Based on the evaluation performed, the group's management has concluded that no provisions or impairment charges are necessary. The group's management believes that it is taking all the necessary measures to maintain the viability of the group and the smooth conduct of its operations in the current business and economic environment.

16. CONTINGENT LIABILITIES

The company had no contingent liabilities as at the 31 December 2022 and the 31 December 2021.

17. COMMITMENTS

The company had no capital or other commitments as at the 31 December 2022 and the 31 December 2021.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital risk management

The group's objectives when managing capital are:

- to safeguard the group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support group's growth; and
- to provide capital for the purpose of strengthening the group's risk management capability.

The group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure, taking into consideration the future capital requirements of the group and capital efficiency, prevailing and projected operating cash flows, projected capital expenditures and projected strategic investments opportunities. Management regards total equity as capital and reserves for capital management purposes.

Financial Risk Factors

The group is exposed to market risk, foreign currency risk, credit risk and liquidity risk. When each of the operating subsidiaries, the entities senior management oversees the management of these risks for their operations and periodically identify measure and manage these risks. These risks are summarised below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices.

Given that the group is not yet selling any final products this risk is not a risk that affects the group in the current year, however, when the group does begin to sell products, it is a risk that will have to be considered.

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Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group's exposure to the risk of changes in foreign exchange rates relates primarily to the group's subsidiary company operating in Israeli shekel while group's presentation currency is that of British Pound.

Credit risk

Credit risk that a counterparty will not meet its obligations under a customer contract leading to financial loss. The group is exposed to credit risk from its operating activities (trade receivables) and from its financial activities, including taxes receivables, foreign exchange transactions and other financial instruments.

The group does not have trade receivables since it is in research and development stage. Other receivables are not considered substantial.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

As of 31 December 2022, the group is not subjected to imminent liquidity risks, given the sufficient cash reserves it holds. The group sustains its liquidity through the attracting of additional investments, as necessitated by the group's operational needs, from both existing and prospective investors. Although, there is a degree of inherent uncertainty due to the group's reliance on external financing instead of operational income. Despite this, the management is confident of their ability to attract the requisite level of financing to support the continuation of the group's business activities over the next 12 months.

19. AUDITOR LIABILITY LIMITATION AGREEMENT

An auditors' limitation of liability agreement has been approved by the members for the financial year ended 31 December 2022.

The principal terms and conditions are as below:

- The agreement limits the amount of any liability owed to the company by the auditors in respect of any negligence default, breach of duty or breach of trust occurring in the course of the audit of the company's accounts and pursuant to this agreement, the auditor may be guilty in relation to the company.
- The agreement also stipulates the maximum aggregated amount payable in the event of any of the circumstances stated above.

20. SUBSEQUENT EVENTS

On the 15 March, 2023, VIDAC PHARMA HOLDING PLC formalised Convertible Loan and Warrant Agreements with three investors, securing a cumulative amount of USD'000 255. Following this, the company made its debut on the Hamburg Stock Exchange on the 27 March 2023. By the 14 May, the business had elected to convert the SAFE and Convertible Loan Agreements into equity, issuing new 1 795 886 shares with with a nominal value 1 GBP.

21. ULTIMATE CONTROL PARTY

The ultimate controlling parties of VIDAC PHARMA HOLDING PLC are Max Herzberg and Yochai Richter.