
Kanabo Group Plc

Annual Report

For the year ended 31 December 2023

Company Registration No. 10485105 (England and Wales)

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Directors and Professional Advisers

Directors

Ian Mattioli
David Tsur
Avihu Tamir
Sharon Malka

Company Secretary

Assaf Vardimon

Registered Number

10485105

Registered Address

Churchill House
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NW4 4DJ

Financial Adviser and Broker

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EC2V 6EE

Auditor

MHA
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London
EC2Y 5AU

Solicitors

Asserson
Churchill House
137-139 Brent Street
London
NW4 4DJ

Principal Bankers

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London
E14 5HP

Registrar

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Neville House
Steelpark Road
Halesowen
B62 8HD

Website

www.kanabogroup.com

Board of Directors

The Board members on 30 April 2024 are as follows:

Mr. Ian Mattioli

Chair, Non-Executive Director (DOB: 14 November 1962)

Mr. Mattioli brings considerable financial services, wealth management, property, and capital markets experience to the Group. Mr. Mattioli co-founded the wealth management group, Mattioli Woods PLC (“Mattioli Woods”), in 1991 and has held the role of CEO since Mattioli Woods was admitted to AIM in 2005. He is responsible for the vision and operational management of the Group. Mattioli Woods is one of the UK’s leading consultancies in the provision of pensions and wealth management services for controlling directors, professional persons, owner-managed businesses, and small-to-medium-sized PLCs. Mr. Mattioli has received many accolades for his business acumen, including being awarded the London Stock Exchange AIM Entrepreneur of the Year award and CEO of the Year in the 2018 City of London Wealth Management Awards. Ian Mattioli was awarded an MBE for services to business and the community in Leicestershire in the Queen’s 2017 Honours List. In 2022, the University of Leicester awarded Mr. Mattioli an honorary degree (Doctor of Laws).

Mr. Mattioli is currently Chief Executive Officer of Mattioli Woods Plc and Non-Executive Director of Custodian Property Income REIT Plc.

Mr. David Tsur

Deputy Chair, Non-Executive Director (DOB: 27 March 1950)

Mr. Tsur is the co-founder of Kamada Ltd, a public company listed on both NASDAQ and the Tel-Aviv Stock Exchange. He served as its Chief Executive Officer and on its board of directors from the company’s inception in 1990 until July 2015. Mr. Tsur has also served as a Board member and Chair of Collplant, which is listed on the NASDAQ.

Prior to co-founding Kamada, Mr. Tsur was the Chief Executive Officer of Arad Systems and RAD Chemicals Inc. He has also held various positions in the Israeli Economic Ministry (formerly named the Ministry of Industry and Trade), including Chief Economist and Commercial Attaché in Argentina and Iran.

Mr. Tsur holds a BA degree in Economics and International Relations and an MBA in Business Management from the Hebrew University of Jerusalem.

Board of Directors (*cont.*)

Mr. Avihu Tamir

Chief Executive Officer, Executive Director (DOB: 7 February 1981)

Mr. Tamir is a cannabis entrepreneur with over five years of hands-on experience in multiple cannabis ventures and vast experience in consulting for international cannabis projects. Mr. Tamir began his career and built his reputation as a senior strategy consultant at Accenture. He is also the founder of Teva Nature, the leading vaporiser company in Israel.

Mr. Tamir founded Kanabo Research in 2017 and since then has served as CEO of the company. His expertise includes delivery methods, new agriculture and agro-tech, and other breakthrough technologies in the dynamic field of medicinal cannabis.

Mr. Tamir holds a B.A. in Finance and Risk Management (Magna Cum Laude), and a M.A. in Political Science (Magna Cum Laude) from the IDC Herzliya.

Mr. Sharon Malka

Non-Executive Director (DOB: 6 May 1972)

Mr. Malka has rich managerial and financial experience of over 25 years in global public and private companies in the fields of life sciences and technology.

Mr. Malka is currently the Chief Executive Officer of Dotz Nano Ltd. ("Dotz"), an Australian-based listed nanotechnology company, developing innovative climate and industrial nanotechnologies. In addition, he also serves as a director and strategic advisor to the Board in several public life sciences companies.

Mr. Malka has rich experience in the biotech industry, having served in a variety of senior management positions in Mediwind Ltd., a biotech company listed on NASDAQ. In his last position he served as the company's CEO and then as an active board member. Previously, Sharon held the role of Partner at Variance Economic Consulting Ltd., a financial services consulting boutique focused on international technology companies, and served as a Senior Manager position for PwC Corporate Finance.

Mr. Malka is a certified CPA and holds a B.Sc. in Business Administration and an M.B.A.

Directors' Report

The Directors present their report with the audited financial statements of the Group for the year ended 31 December 2023. A commentary on the business for the year is included in the Chair's Statement and the Directors' report

Principal activity

Kanabo Group Plc (LSE: KNB) is a digital health company committed to transforming patient care through its innovative technology platform and specialised treatment offerings. Since its inception in 2017, Kanabo has been focused on researching, developing, and commercialising regulated medicinal cannabis-derived formulations and therapeutic inhalation devices.

Kanabo's NHS-approved online telehealth platform, The GP Service, provides patients with video consultations, online prescriptions, and primary care services. Leveraging its telehealth capabilities, in March 2023, Kanabo launched Treat-It - an online clinic focused on chronic pain management providing patients with secondary care.

With its two complementary business divisions, Kanabo has established itself as an end-to-end digital health provider, offering telehealth consultations, and prescriptions, alongside the delivery of tailored treatments.

The Company's partially owned subsidiary, Kanabo Agritec Ltd, is a cultivation consultancy supporting cannabis businesses in developing new farms through infrastructural, research, and product guidance. These farms will be delivered in high-quality raw materials for Kanabo's formulas and product line.

The Company's Ordinary Shares were admitted to listing on the London Stock Exchange, on the Official List under Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings.

Directors' shareholdings and interests

The Directors of the Company during the year and their beneficial interest in the Ordinary shares of the Company at 31 December 2023 were as follows:

Director	Position	Appointed	Resigned	Ordinary shares (a)	Warrants	Options
Ian Mattioli	Non-Executive Director, Chair	09/05/2023	-	17,861,111	8,680,555	3,000,000
David Tsur	Non-Executive Director, Deputy Chair	16/02/2021	-	10,750,105	86,806	4,700,000
Avihu Tamir	Executive Director, CEO	16/02/2021	-	114,051,255	260,416	-
Sharon Malka	Non-Executive Director	04/05/2023	-	-	-	2,025,000
Gil Efron	Non-Executive Director	21/03/2022	04/05/2023	-	-	-
Daniel Poulter	Non-Executive Director	19/07/2021	31/03/2023	55,000	-	-

(a) There is no requirement for Directors or Non-Executive Directors to hold shares in the Company.

Directors' Report (cont.)

Substantial shareholdings

As at 31 December 2023, the total number of issued Ordinary Shares with voting rights in the Company was 632,427,870 (2022: 422,916,056). Details of the Company's capital structure and voting rights are set out in note 27 of the financial statements.

As at 31 December 2023, the Company has been notified of, or is aware of, the shareholders holding 3% or more of the issued share capital of the Company, as detailed below:

Name of shareholder	Number of ordinary shares	% of share capital
Avihu Tamir	114,051,255	18.03%
Seamróg Em Multi-Strat Sub-Fund	69,444,444	10.98%
Maven Income & Growth VCT 4	23,603,592	3.73%

As of the signature date, the Company was not notified of any change in the holding of the substantial shareholdings.

Financial risk management

Details of the use of the Group's financial risk management objectives and policies as well as exposure to financial risk are contained in the accounting policies and note 32 of the financial statements.

Insurance

The Company purchases directors' and officers' liability insurance to cover the directors and has in place a directors' and officers' indemnity. The insurance operates to protect the directors in circumstances where, by law, the Company cannot provide the indemnity.

Dividends

The Directors do not propose a dividend in respect of the year ended 31 December 2023 (2022: £nil).

Future developments and subsequent events

Further details of the Company's future developments and subsequent events to the year-end are set out in the Strategic Report within this Annual Report and within the financial statements.

Corporate Governance

The Governance report forms part of the Director's Report and is disclosed in this Annual Report.

Directors' Report (*cont.*)

Going concern

As at 31 December 2023, the Group's cash position was £3,210 thousand and it was in a strong net current asset position. Based on the above and the Group's current cash reserves and detailed cash forecasts produced, the Directors are confident that the Group will be able to meet its obligations as they fall due over the course of the next 12 months. The Group is planning to run new income streams and / or raise further funds in the next 12 months. The Directors are confident that the Group would be able to meet its obligations as they fall due, due to the low level of committed expenditure relative to the forecasted discretionary expenditure, which could be reduced or deferred. Although, the Board acknowledges that there is a material uncertainty related to the timing of the new income streams and further fund raise, which could give rise to significant doubt over the Group's ability to continue as a going concern, the Board is satisfied the Group will have sufficient funds either from forecasted operations or through additional fundraising to meet its own working capital requirements up to, and beyond, twelve months from the approval of these accounts.

Directors' responsibilities

The Directors are responsible for preparing the annual report alongside the financial statements by applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have prepared the financial statements with International Accounting Standards as adopted in the United Kingdom (UK adopted IFRS) and conformity with the requirements of the Companies Act 2006.

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 situation of the Group and the Company and of the profit or loss of the Group and Company for that year. The Directors are also required to prepare financial statements by the rules of the London Stock Exchange for companies with a standard listing.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether they comply with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and 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 and the Remuneration Committee Report 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 financial statements may differ from legislation in other jurisdictions.

Directors' Report (*cont.*)

Responsibility statement

Each of the Directors, whose names and functions are listed on this Annual Report confirm that, to the best of their knowledge and belief:

- The financial statements were prepared by UK adopted IFRS and give a true and fair view of the assets, liabilities, financial position, and loss of the Group; and
- The annual Report and financial statements include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face.

The Directors acknowledges that they are responsible for all information drawn up and made public in this report and accounts for the period ending 31 December 2023.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website by legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' and officers' insurance

The Group maintains insurance cover for all Directors and officers of Group companies against liabilities that may be incurred by them while acting as Directors and officers.

Share capital

The company's capital consists of 632,427,870 ordinary shares of £0.025 each with voting rights. There are no restrictions on voting rights. There are no restrictions on the transfer of shares in the Company and there are no limitations on the holding of shares and no requirements to obtain the approval of the Company, or other shareholders, for a transfer of shares.

Significant agreements

There are no agreements between the Company and its Directors or employees providing compensation for loss of office or employment that occurs because of a takeover bid.

There are no significant agreements to which the Company is party that take effect, alter, or terminate upon a change of control of the Company following a takeover bid.

Directors' Report (*cont.*)

Auditors

MHA had been appointed as auditor for the company for a period of less than three consecutive financial years since the 31 December 2022 audit. As set out in paragraph 4.15 of the Financial Reporting Council's 2019 Revised Ethical Standard ("RES"), a cap on the level of fees from permitted non-audit services is established in the fourth financial period of the audit engagement. This cap came into effect for the financial year commencing 1 January 2023 and is applied to all permitted non-audit services that are not required by law or regulation.

During the financial year commencing 1 January 2023, MHA provided non-audit services to the Group.

The Board appointed the office of MHA as the statutory auditors of the Group on 8 February 2023.

Disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the Board,

Ian Mattioli

Chair

30 April 2024

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Strategic Report

Chair's Statement

I am delighted to report on Kanabo's progress in 2023. I joined the Group in the first half of what has been a pivotal year for the Company as it strengthened its operating footprint in digital health services and am pleased to have been part of this progress. I believe there is a real opportunity to develop a leading provider of digital health services to support patients who are currently struggling to access medicinal professionals and novel treatments due to the significant and growing pressure on existing health services that operate through traditional channels. Kanabo is uniquely positioned to become a go-to provider of both primary and secondary healthcare provisions and alternative medications, affording patients more autonomy over their specialized healthcare plan.

We made progress in the provision of primary care, secondary care, and the development and distribution of specialized medications in 2023, with the launch of new products and services, and through developing external partnerships to support the Company's growth, thereby establishing a more robust end-to-end digital healthcare service provider.

These operational achievements were underpinned by significant strategic progress across the Group's primary and secondary healthcare divisions.

In March 2023, the Group launched the Treat-It platform, an online consultation platform that provides patients suffering from chronic pain conditions access to healthcare professionals who can prescribe alternative medications, including medicinal cannabis, to help these individuals better manage their conditions. There are approximately 8 million chronic pain sufferers in the UK who often face significant difficulties in gaining access to medication. Kanabo's unique approach to healthcare, offered through the Treat-It platform, provides these individuals with the tools they need to better manage their conditions. The Group has continued to develop Treat-It throughout the Period, and in November, announced a partnership with BRITISH CANNABIS to supply the CBD by BRITISH CANNABIS range of pharmacy-grade CBD health supplements to patients via a prescription service offered through the Treat-It platform. This partnership allows Kanabo to continue to increase the accessibility and affordability of high-quality, alternative pain management solutions for patients.

The development of Kanabo's healthcare consultation platforms was further supported by a contract extension with a leading retailer to provide video consultation and prescription services to patients via Kanabo's integrated online telehealth platform, The GP Service. This widens Kanabo's unique offering to a growing number of patients, providing them with digital healthcare solutions that meet their unique needs.

Kanabo's digital healthcare provision is supported by its unique medicinal cannabis offering, and the Company has made further progress in developing the quality of these unique products in 2023. I am pleased to report that Kanabo has launched two new extracts for pain management and continues to progress on the CE Mark certification. Furthermore, in January 2024, Kanabo announced the launch of a partnership with City Dock Pharmacy in London, establishing the UK's first walk-in clinic for pain management, delivering specialized medicines including medicinal cannabis.

Strategic Report (*cont.*)

Chair's Statement (*cont.*)

The healthcare sector is under significant pressure in the UK and there is growing demand for alternative approaches to both primary and secondary care provision. Kanabo's position at the leading-edge of technology positions the Group to continue to offer patients access to healthcare services.

The Group saw several changes to the Board in 2023. Dan Poulter and Gil Efron both stepped down and we would like to wish them the best with their future endeavours. I would also like to thank David Tsur for his service as Chair before my arrival and am grateful for his continued expertise and support in the Deputy Chair role. Finally, I would like to welcome Sharon Malka to the Board; we are benefitting from his experience in both the healthcare and technology sectors.

Overall, the Group has made solid progress throughout the Period. I am pleased to be a part of Kanabo's growing offering to provide individuals with better access to healthcare services that meet their unique needs. I look forward to updating shareholders on our progress as we continue to leverage our position as a go-to provider of alternative healthcare solutions.

Ian Mattioli

Chair

30 April 2024

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Strategic Report (*cont.*)

Chief Executive Officer's Review

Operational Review

We are pleased to report on our continued progress throughout 2023 as we establish ourselves as an end-to-end leading provider of digital health services and specialised medicines. As a Group, we are executing against our strategic plan, leveraging our pharmacy network to expand the reach of our digital health services, and expanding our medicinal cannabis product portfolio. This is delivering steady financial progress, with revenues up 48% to £0.89m (FY22: £0.60m), and operating losses increasing to £7.9m (FY22: £6.8m), as a result of impairment of intangible assets and goodwill in the amount of £4.4m (FY22: nil).

The Group's operations are now focused on two core divisions: digital health services and specialized medicines, including medicinal cannabis. Within our digital health services, individuals can access medicinal professionals through either video consultations or an online consultation platform designed to provide for the diagnosis of and treatment pathways for common conditions. Following these consultations, patients can conveniently collect their chosen treatment – which includes specialized medicines and, dependent on the condition, medicinal cannabis – from any pharmacy affiliated with our service. In terms of specialized medication, the Group has launched two new medicinal cannabis oil formulations in the period.

In 2023, we also announced the launch of Treat-It, a pioneering online pain clinic. The clinic provides individuals seeking relief from chronic pain conditions with direct access to healthcare professionals and specialized medicines, including medicinal cannabis products, through our seamless online consultation service. These professionals are equipped to prescribe specialized medicines, including medicinal cannabis products, as part of a specialized care plan. Through our specialized medicines division, we provide patients with access to innovative treatment pathways outside of those available through traditional healthcare providers.

In response to escalating pressures on healthcare services, a growing number of individuals are turning to private GP services. We believe a significant opportunity exists to harness our position as an end-to-end digital health services provider. Through strategic collaborations with our extensive pharmacy network, we are well-placed to deliver online consultancy services to a wider audience, affording individuals access to specialized consultations and care pathways without traditional waiting times.

Strategic Report (*cont.*)

Chief Executive Officer's Review (*cont.*)

Digital Health Services

In 2023, our primary focus within the digital health services division has been to fully leverage our existing GP Service network - both in terms of pharmacies and potential end-users. We also sought to expand the appeal of the service offering by introducing new products and services.

Our core service remains the provision of online video consultations with medicinal professionals. We have seen a continued increase in demand for our services, with the platform now delivering over 1,000 consultations per month.

The number of active pharmacies within our network now stands at 6,040 pharmacies. This extensive network ensures the convenient collection of prescriptions and medications for our patients. In H1 2023, we signed an agreement with the largest wholesaler of medications to UK pharmacies. This strategic move strengthens our distribution capabilities nationwide and ensures we are positioned to deliver a seamless, end-to-end service to our patients throughout the UK.

Alongside driving organic growth and demand for our services, we are also seeking to strengthen our B2B relationships. In November 2023, we announced a 12-month extension of a contract with a major UK retailer to provide video consultation and prescription services, and we continue to service several UK corporations that provide rapid access to medicinal professionals for their employees as part of a broader benefits package.

In March 2023, we were delighted to extend our online consultation service with the launch of our Treat-It platform, a dedicated online pain clinic, offering access to specialised medicines including medicinal cannabis. There are an estimated 8 million patients suffering from chronic pain in the UK. The Treat-It clinic – which is regulated by the Care and Quality Commission (“CQC”) – aims to offer these individuals alternative treatment pathways and expedited access to medicinal professionals. As awareness of the availability of our platform grows, we are seeing increased traffic to our site, which is then converting to consultations.

Over the course of H2 2023, we successfully expanded the scope of our primary care offering. Patients now have the convenience of accessing specific treatments without needing a consultation with a doctor. Currently, this service is limited to a select number of treatments, including erectile dysfunction, cystitis, the morning-after pill, and travelers' diarrhea. Patients undergo an online assessment, which is then reviewed by a doctor. A prescription is promptly signed and dispatched within 48 hours if the patient meets the eligibility criteria. We continue to assess further indications that are suitable for these consultations and will launch these as and when appropriate.

Strategic Report (*cont.*)

Chief Executive Officer's Review (*cont.*)

On 28 March 2024, we announced the extension of our specialised Treat-It clinic, with the launch of our dedicated mental health clinic. The NHS has seen increasing demand for mental health treatment, which is currently outpacing its current resources, resulting in long waiting lists for patients and prolonged periods ahead of accessing treatment. This new clinic will function similarly to the existing Treat-It clinic for chronic pain management, providing accessible online solutions for specific conditions. Having made significant investments in IT infrastructure and personnel to facilitate this launch, our new clinic empowers patients to engage in online consultations with doctors. This process allows for a thorough assessment to determine the most effective course of treatment and medications.

Given the continued pressure on the UK's National Health Service, we anticipate a sustained demand for our independent services.

Specialised Medications

The Group's research and development ("R&D") team is actively expanding the portfolio with new products. In January 2023, we announced the launch of two new medicinal cannabis extract formulations for pain management, one for night use and the other for daytime, specifically designed for inhalation. These cater to patients with chronic, severe pain and have been developed for delivery via exact dosing using the Group's VapePod MD delivery device. The VapePod is Kanabo's medical-grade vaporiser and ensures patients can rely on the secure, consistent, and measured dosing of medicinal cannabis extracts.

In 2020, the Group initiated the CE Mark certification process for its VapePod device. In the second half of 2023, the device made further progress towards achieving the CE Mark. Following the update in the September 2023 Half Year Results, we believe the process remains on track, and we will promptly update shareholders on any further developments. Upon obtaining CE Mark accreditation, we will explore opportunities to partner with a distributor to expand into select European markets. We believe that with approval, the VapePod will have a strong market advantage due to its design.

In November 2023, we announced a strategic partnership with BRITISH CANNABIS, allowing Kanabo to offer pharmacy-grade CBD health supplements from the CBD by BRITISH CANNABIS range. This collaboration extends the availability of these supplements through prescriptions provided by our Treat-It online pain clinic. Additionally, Treat-It will be included as part of BRITISH CANNABIS CannDr app, an online platform which allows patients to choose and evaluate high-quality cannabis medicines available on the market.

Kanabo Agritec ("Agritec")

In July 2023, Agritec – a consultancy focused on designing, building, operating, and managing medicinal cannabis facilities – announced its first contract win. Under the agreement, Agritec will be working with its Spanish partner, Taima Growth S.L ("Taima"), to establish a cannabis cultivation centre. Payment will be received upon the successful achievement of specific milestones in the project. Kanabo holds a 40% stake in Agritec.

Strategic Report (*cont.*)

Chief Executive Officer's Review (*cont.*)

The contract with Taima is for the development of an indoor medicinal cannabis cultivation and processing facility in Madrid, Spain. The contract – split over two phases – will see the facility granted a licence for the production and manufacturing of cannabis. Upon completion, the facility is anticipated to have the capacity to yield up to 3,000kg of cannabis flowers annually.

Through our involvement with Agritec, Kanabo is not only able to leverage its extensive knowledge and experience in establishing and optimising medicinal cannabis facilities, but it also ensures that the Group has a diversified supply chain through key offtake agreements.

Subsequent to the reporting period, we are pleased to announce the receipt of the first milestone payment of approximately €266,000, representing 50% of the payments of Phase 1. We continue to work with Taima to complete Phase 1 of the project, at which point, the Spanish Agency of Medicines and Medical (“AEMPS”) devices will inspect the facility. Subject to successfully passing the inspection, AEMPS will grant a licence for the production and manufacturing of cannabis and its products. With our support, Taima will then move on to the delivery of Phase 2, which – once concluded – will result in the facility being fully operational.

Directorate & Personnel Changes

In the first half of the year, we saw a number of changes to the Board, most notably the appointment of Ian Mattioli as Chair. Mr Mattioli brings significant experience to the role, having co-founded a leading UK pensions and wealth management consultancy, where he currently serves as CEO. The continued guidance of Mr David Tsur's experience, who assumed the role of Deputy Chair upon Mr Mattioli's appointment, further strengthens our leadership team. Additionally, we welcomed Mr Sharon Malka to the Board in May 2023. With a professional background rooted in healthcare and technology companies, Mr Malka's expertise promises to be instrumental as Kanabo advances into its next phase of growth.

Over the course of 2023, Dan Poulter and Gil Efron both stepped down from the Board. We continue to send our best wishes to Gil on his recovery and wish Dan all the best with his existing work commitments. We sincerely thank them for their valuable contributions during their tenure with Kanabo and wish them continued success in their future endeavors.

In the second half of the year, we successfully negotiated an agreement with the lessors of our Company offices in Israel to conclude the lease term early. Consequently, we closed the Israeli office on 31 December 2023. This strategic move, along with the previously communicated transition of a number of key roles from Israel to the UK, is anticipated to yield annualised savings of £250k. Along with reducing the cost base, the closure of the office in Israel significantly streamlines the operating structure of the business and drives increased efficiencies.

Corporate activity

In the first half of the year, we successfully closed a £2.74 million fundraising, which both new and existing investors strongly supported. Our senior team also participated in the fundraising, with Avi Hu Tamir (CEO), Ian Mattioli (Chair), David Tsur (Deputy Chair), and Suleman Sacranie (CTO and Founder of The GP Service) also participating.

Strategic Report (*cont.*)

Chief Executive Officer's Review (*cont.*)

The fundraising proceeds are being used to support the business and seize opportunities in the digital health sector. We have invested significantly in the IT infrastructure, supporting The GP Service platform, and allowing expansion into areas like mental health. Additionally, internal resources have been enhanced to ensure the necessary expertise for regulatory and care aspects in delivering these services.

In March 2023, the Company received notice that 11157353 Canada Corp., which trades under the name Materia ("Materia"), had been put into receivership. Kanabo had entered a strategic partnership with Materia in respect of their Maltese EU GMP certified facility, German medicinal cannabis wholesalers and a UK CMD eCommerce platform. Following the liquidation of Materia, Kanabo initiated legal action to recoup outstanding payments, and was awarded £82k.

R&D/Investment

Investment in our R&D continued during 2023, ensuring we retained our reputation as a pioneer in the development of medicinal cannabis medications. We also strengthened our IT infrastructure to ensure it has sufficient bandwidth to support the Group as it continues to attract increased numbers of consultations and to expand into additional medicinal verticals.

We recognise that maintaining our technology and products is essential to delivering our broader plan of becoming a leading digital health services provider with access to specialised medicines. As a result, we remain committed to providing ongoing support and investment in our R&D teams to support this objective.

Post period end

Post period end, we announced a partnership with City Dock Pharmacy in Wapping, London, to launch a walk-in pain clinic. The clinic offers both appointment-based and walk-in services. Patients can use the Treat-It platform to access medicinal consultations and pharmacists are on hand to assist patients in navigating the treatment options. The partnership will support the delivery of personalised treatment plans to patients suffering from chronic pain, who often face difficulty accessing medicinal treatments.

Since launch, I am pleased to report that the clinic has performed ahead of our internal expectations. We are currently in discussions with several other pharmacies to replicate this model across other sites in the UK.

We have also launched medicinal cannabis cards for eligible patients at our Treat-It clinic, providing them with easy access to their prescriptions via QR code. We believe that in the context of complex legislation regarding medicinal cannabis, this will reduce stress and inconvenience for patients by affirming their legal right to their prescribed medication and may help de-stigmatise medicinal cannabis use.

Strategic Report (cont.)

Chief Executive Officer's Review (cont.)

Summary and Outlook

We have spent 2023 ensuring our business has the foundations upon which to build a leading digital health services company. The formulation and launch of medicinal cannabis products also remain the bedrock of the Group, enabling us to deliver unique formulations to both the medicinal and wellness markets.

Reflecting on our objectives set six months ago (*half-year reports in September 2023*), we can showcase concrete achievements on three of our main objectives:

1. **Partnerships with High Street Pharmacies:** Our pilot program with City Pharmacy in Wapping has shown promising results, affirming our strategy to integrate in-pharmacy consultations and broaden our reach now, allowing prescriptions for certain indications without needing a video consultation through our platform.
2. **Secondary Care Platform Development:** We have expanded our services to the mental health sector, addressing the high demand for such care in the UK. Building upon our existing platform, Treat-It, we have successfully launched a mental health service that accommodates patients suffering from conditions like anxiety, post-traumatic stress disorder ("PTSD"), insomnia, and more. This initiative broadens our clinic's target market, allowing us to extend our specialised care to a wider audience needing our support.
3. **EU Product Expansion:** As we await CE mark approval for our VapePod MD medicinal inhaler device, we have already taken key steps towards extending our distribution network beyond the UK, targeting broader European expansion. We have signed a Memorandum of Understanding with a pharmaceutical wholesale distributor to distribute the Kanabo medicinal device in Germany. Additionally, we are in the process of finalising definitive distribution agreements.

Future milestones for 2024:

Looking forward, we continue to progress towards the fourth objective laid out in the Half-Year Report in 2023:

1. **Primary Care Platform expansion:** Over the past six months, we have been developing a 'smart' IT solution to create a streamlined triage process for medicinal consultations on our platform. We aim to pilot this innovative approach by the end of Q2 2024, with the goal to transition 70% of existing online GP consultations to this more efficient method, laying the groundwork for scaling our consultation services.

We also plan to build on these achievements with the following future milestones, which will shape our efforts in the next half-year of 2024:

2. **In-Pharmacy Clinic Franchise Expansion:** Following our successful in-pharmacy pilot, we are set to enhance our in-pharmacy clinic franchise, aiming to extend our network to over 10 pharmacies by year-end. This expansion aims to leverage existing pharmacy networks to increase Kanabo's market reach and accessibility significantly.

Strategic Report (cont.)

Chief Executive Officer's Review (cont.)

3. **German Market Distribution Launch:** As we anticipate imminent receipt of the CE Mark approval, we are gearing up to launch and expand our distribution across Germany. Our objective is to onboard several key distributors, positioning Kanabo as the leading medicinal cannabis vape brand in Germany.
4. **Treat-It Platform expansion:** Capitalising on our NHS-approved online consultation platform, we are launching a software as a service ("SaaS") Solution that enables other providers to utilise the Treat-It platform. This strategic move leverages our proven technology to expand service capabilities beyond our direct offerings.

We anticipate the pressure on the UK's National Health Service will continue unabated, resulting in sustained demand for independent services providing access to medicinal professionals. We also believe as awareness of the benefits of specialised medicines, including medicinal cannabis, grows, particularly for chronic conditions such as pain management, we will see increased demand across our online clinics.

The Kanabo Board is confident in our ability to build a scalable business that meets our sector's demand and to seize growth opportunities. We appreciate the ongoing support from shareholders and look forward to keeping them updated on our progress.

Avihu Tamir
Chief Executive Officer

30 April 2024

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Strategic Report (*cont.*)

Chief Financial Officer's Review

Financial Review

Financial results for 2023 reflect steady performance across both our primary and secondary care operating divisions. The launch of Treat-It, Kanabo's new online pain management clinic marks an important step forward in the Group's strategy as an end-to-end provider of digital healthcare services and alternative medications.

During the reporting period, the Company completed a £2.74m fundraise with participation from both new and existing investors. This fundraising strengthened Kanabo's balance sheet and provided underlying funds for our activities during the year.

Kanabo revenues in 2023 totaled £895k (FY 2022: £603k), an increase of 48% compared to the previous year due to strong performance across both primary and secondary care operating divisions and bolstered by the launch of the Company's bespoke online pain management clinic, Treat-It.

Operating loss for 2023 was £7.8k (FY 2022: operating loss of £6.8m), representing a 15% increase, due to onetime impairment of intangible assets and goodwill in the amount of £4.8m.

During the period, the Company invested £312k (FY 2022: £597k) in Research and Development, both to launch new formulations and to build out and strengthen our IT infrastructure to support the ongoing expansion of the business and launch of our digital health platform into additional medicinal verticals. £307k of expense cost was directly related to staff compensation, including salaries and share-based payments.

Sales and Marketing expenses were £598k (FY 2022: £1.2m) for the period, a decrease of £592k, largely due to decrease of £389k in share-based payments to employees.

General and administration expenses for 2023 were £3.0m (FY 2022: £3.8m). General and administration expenses decrease due to decrease of professional services of £477k. Out of the General and administration expenses, a total amount of £1.5m (2022: £1.6m) was for non-cash expenses (i.e., amortisation, depreciation, and other share-based payments expenses).

Net financing expenses for 2023 were £202k (FY 2022: £89k), generated mainly from net foreign exchange losses of £148k.

At 31 December 2023, the Group had £3.2m in cash (31 December 2022: £3.2m). The main movements in cash balances can be primarily attributed to the proceeds generated from the fundraising less the Group's net loss for the year.

Throughout the period, the Group saw strong investor support from both new and existing investors. On 9 May 2023, Kanabo completed a fundraising to raise approximately £2.74m via the issue of 95,138,889 new Ordinary Shares for 2.88p per share. The fundraising was supposed by officers and directors of the Company, including Ian Mattioli (Chair), David Tsur (Deputy Chair), Avihu Tamir (CEO), and Suleman Sacranie (CTO and Founder of The GP Service).

Strategic Report (*cont.*)

Chief Financial Officer's Review (*cont.*)

I am pleased to report that the Group reported steady financial performance throughout the period. Strategic development of both our primary and secondary healthcare divisions underpinned this performance.

The financial statements for the year ended 31 December 2023 will be approved at the next Annual General Meeting and a separate RNS will be issued in relation to this in due course.

The Chief Financial Officer's review is an integral part of the Group's Strategic Report.

Assaf Vardimon
Chief Financial Officer

30 April 2024

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Strategic Report (*cont.*)

Section 172(1) Statement

The Directors are required to include a separate statement in the Annual Report that explains how they have had regard to wider stakeholder needs when performing their duty under Section 172(1) of the Companies Act 2006. This duty requires that a Director of a Company must act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- Consider the likely consequences of any decision in the long term;
- Act fairly between the members of the Group;
- Maintain a reputation for high standards of business conduct;
- Consider the interests of the Group's employees;
- Foster the Group's relationships with suppliers, customers and others; and
- Consider the impact of the Group's operations on the community and the environment.

The Board recognises that its primary role is the representation and promotion of shareholders' interests. The Board makes every effort to understand the interests and expectations of the Group's shareholders and other stakeholders, and to reflect these in the choices it makes in its effort to create long-term sustainable value. Governed by the Companies Act 2006, the Company has adopted the Corporate Governance Code, published by the Financial Reporting Council, as amended from time to time ('UK Corporate Governance Code'). The Board recognises the importance of maintaining a good level of corporate governance, which, together with the requirements of a main market listing, ensures that the interests of the Company's stakeholders are safeguarded.

As a Company, the Board seriously considers its ethical responsibilities to the communities and environment.

The application of the section 172(1) requirements can be demonstrated in relation to some of the key decisions made during the year:

- The acquisition of 100% of the voting rights of The GP Service (UK) Limited ("GPS") a non-listed company based in the UK and specialising in care telemedicine providers in exchange for a net consideration of £13,999 thousand.
The acquisition of GPS is part of the Company's strategy to establish a new and fully compliant channel to market the Company's products to medicinal patients. Through improved access to these patients, the Company hopes to make a substantial contribution to improving outcomes for thousands of patients in the UK and Europe.
- The Board recognised that the key to its long-term success is investment in research activities within the subsidiary. The Group is engaged in the research and development of Unlicensed Medical Cannabis Oils and VapePod Medical (together, the "Medical Cannabis Products") so that they are capable of being sold in the Primary Markets.

The Board believes that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members in decisions taken during the year ended 31 December 2023.

Strategic Report (cont.)

Highlights

Operational review

The Group's principal activity is set out in the Directors' Report on this Annual Report.

On 29 January 2021, the Company published the prospectus in relation to the acquisition of Kanabo and called for a General Meeting of shareholders on 15 February 2021. The completion of the Kanabo transaction took place on 15 February 2021 with re-admission to trading on the London Stock Exchange the following day.

Following the RTO, the following actions were taken to help enhance the Group's product offering, production processes, and supply chain:

- Production developments:
 - a. Signed a production and supply agreement with PharmaCann Polska in March 2021 for the supply of cartridges containing the Company's proprietary medicinal cannabis formulations for use with the VapePod inhalation device;
 - b. Secured a further manufacturing agreement on 20 May 2021 with Pure Origin Limited to supply Kanabo's CBD wellness product line from its facility in Wales;
 - c. Completed a certified EU-GMP production line in June 2021 in partnership with Pure Origin Group.
- Product Developments:
 - a. Made Kanabo's medicinal cannabis cartridges available to UK patients;
- Supply Chain and Distribution Developments:
 - a. Launched the first medicinal cannabis product in the UK in July 2021, demonstrating the Company's fully operational supply, production, and distribution chain;
 - b. Delivered the first shipment of the Company's medicinal cannabis cartridges for distribution through LYPHE Group clinics and dispensaries;
 - c. Launched the Group's eCommerce platform, Kanabo.store in March 2022. Initially focused on the UK market, the site enables UK customers to directly purchase Kanabo's three proprietary CBD formula pods, that work with the Group's unique VapePod, the first-of-its-kind medicinal grade vaporiser that provides easy-to-use metered dosing.
 - d. Launched a new online medicinal cannabis clinic for pain management (Treat-It) in March 2023.

Strategic Report (*cont.*)

Highlight (*cont.*)

Business strategy

During the reporting period, the Group completed the integration of The GP Service (UK) Limited ("GPS") following the strategic acquisition which took place in 2022. Following an initial investment made by the Company, GPS successfully expanded its primary care telehealth business and is on track to be a leading provider in an emerging telehealth market, with access to alternative therapies, including medicinal cannabis. The telehealth market segment is expected to grow significantly during 2024 as legislation evolves, and as medicinal cannabis continues to gain acceptance as a treatment for more indications and becomes more mainstream.

On 9 May 2023 and 10 May 2023, the Company raised £2,740 thousand (before costs) by the issue of 95,138,889 ordinary shares of £0.025 each for £0.0288 per share.

On 21 February 2022, the Company raised £2,250 thousand (before costs) by the issue of 28,125,000 ordinary shares of £0.025 each in the Company for £0.08 per share.

The Company is committed to the development and acquisition of cannabis-related businesses and production assets in the UK and abroad (subject to compliance with applicable law), intellectual properties, technologies, or other assets that are synergistic with the Company's UK and international strategies.

Subsequent events

No subsequent events have occurred between the year-end and the signature of the financial statements.

Strategic Report (cont.)

Highlight (cont.)

Environmental, Social and Governance Considerations

The Group is committed to creating long-term value and sharing the benefits of its operations with all its stakeholders, including employees, and shareholders. The Group's operations have the potential to provide a significant positive impact on the socio-economic development of its local communities while minimising their impact on the environment. Environment, social and governance ("ESG") policies, systems, and practices are embedded throughout the business.

Environmental

As the ESG strategy for the Group evolves, the Group is proactively taking positive steps such as revising the travel policy with a greater emphasis on prioritising the use of public transport over private cars and minimising all travel (particularly overseas) wherever possible by using alternative technologies instead. The Group is aware that it needs to measure its operational carbon footprint to limit and control its environmental impact. However, due to the limited activities in the year under review, the Group did not consume more than 40,000kWh of energy, and its emissions are therefore not disclosed.

In the future, the Group will only measure the impact of its direct activities, as the full impact of the entire supply chain of its suppliers cannot be measured practically.

The Board contains personnel with a good history of running businesses that have been compliant with all relevant laws and regulations and there have been no instances of non-compliance in respect of environmental matters.

Social

The Board recognised the benefits that creating an inclusive and diverse workforce brings. Having a diverse range of experiences and identities within the Group's team helps the Group to better understand and cater to the needs of a wider stakeholder base. Having staff and directors with roots in other countries or cultures helps the Group build better cross-cultural relations with a diverse range of partners, shareholders, and other stakeholders. Furthermore, the Board appreciates that encouraging equality and diversity in the workplace will help to attract, motivate and retain team members.

At present, there are no female Directors in the Company. For the period under review, the Company had one Executive Director and three Non-Executive Directors. The Group is committed to gender equality and, if future roles are identified, a wide-ranging search would be completed with the most appropriate individual being appointed irrespective of gender.

In regard to the requirements of listing rule 14.3.33 regarding board diversity the Company has currently set no targets or target dates for meeting requirements. This will be constantly reevaluated as the Company grows.

Anti-corruption and anti-bribery policy

The government of the United Kingdom has issued guidelines setting out appropriate procedures for companies to follow to ensure that they are compliant with the UK Bribery Act 2010. The Company has conducted a review of its operational procedures to consider the impact of the Bribery Act 2010 and the Board has adopted an anti-corruption and anti-bribery policy.

Strategic Report (*cont.*)

Highlight (*cont.*)

Composition of the board

A full analysis of the Board, its function, composition, and policies, is included in the Governance Report.

Governance

The Board is committed to high ethical standards and compliance with all applicable laws, regulations and the Group's own internal policies.

The Group ensures that employment practices consider the necessary diversity requirements and compliance with all employment laws. The Board has experience in dealing with such issues and the Directors have sufficient training and qualifications to ensure they meet all requirements.

Capital structure

The Company's capital consists of ordinary shares which rank pari-passu in all respects and which are traded on the Standard segment of the Main Market of the London Stock Exchange. There are no restrictions on the transfer of securities in the Company or restrictions on voting rights and none of the Company's shares are owned or controlled by employee share schemes.

There are no arrangements in place between shareholders that are known to the Company that may restrict voting rights, restrict the transfer of securities, result in the appointment or replacement of Directors, amend the Company's Articles of Association or restrict the powers of the Company's Directors, including in relation to the issuing or buying back by the Company of its shares or any significant agreements to which the Company is a party that take effect after or terminate upon, a change of control of the Company following a takeover bid or arrangements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that may occur because of a takeover bid.

Employees

During the year ended 31 December 2023, the Company employed only two employees other than the Directors.

The following table sets out a breakdown by the employee's gender at 31 December 2023:

	Male	Female	Non-binary
Non-Executive directors	3	-	-
Executive director	1	-	-
Senior management	2	-	-
Other employees	4	7	-
Total	13	7	-

As of the reporting period, the Groups achieved full gender balance in the Group.

Strategic Report (cont.)

Highlight (cont.)

Principal Risks and Uncertainties

The Group operates in an uncertain environment and its business is subject to several risk factors. The Directors consider the following risk factors are of relevance to the Group's activities although it should be noted that this list is not exhaustive and that other risk factors not presently known or currently deemed immaterial may apply.

Below are our principal risks and a summary of key mitigating factors:

Risk	Uncertainty	Mitigation
The Group may face significant competition in its chosen industry	There may be significant competition faced by the Group. The Group is currently focussed on the cannabis processing industry which has received considerable publicity in recent years. There is a risk that by the time the product is brought to market, there will be a large number of competitors. A number of these competitors may possess greater technical, financial and other resources than the Group.	The growth prospects in the cannabis industry are widely regarded as very strong, which may help to reduce the effect of competition. By consulting with knowledgeable experts in the industry, carrying out thorough due diligence on potential targets and extensive market research, the Group may reduce this risk.
The Group relies on the experience and talent of its management and advisers	The successful management and operations of the Group are reliant upon the contributions of Directors and advisers. In addition, the Group's future success depends in part on its ability to continue to recruit, motivate and retain highly experienced and qualified Directors and consultants.	- The Group offers incentives to Directors through participation in share offerings, which makes them linked to the long-term success of the business. - The notice period of the CEO has been set for 6 months.
The Group may be subject to changes in regulation affecting its target industry	The cannabis processing industry in which the Group is focussed is controversial and is highly regulated. Against a backdrop of overall liberalisation, the industry will likely continue to be the subject of regulatory oversight. Compliance with various laws and regulations may impose compliance costs and restrictions on the Group, with fines and/or sanctions for non-compliance.	The Group monitors legislative and regulatory changes and alters its business practices where appropriate. If the Group becomes subject to specific regulation regarding its activities the Group will put in place such procedures as are necessary to ensure it complies with such regulation.
The Group may not be able to raise future funds to support its activities before it becomes self-funding	There is no guarantee that the Group will obtain adequate finance in the market in the future. A failure to raise sufficient funds at a favourable time could lead to concerns for the ongoing viability of the Group.	- The Directors have a reasonable expectation that they will secure additional funding when required. - The Board continues to review the potential for business combinations with entities that will ultimately increase shareholder value. - Financial forecasting is closely monitored by the Board and strong financial controls operate over all areas of spend in efforts to extend existing resources.

Strategic Report (cont.)

Highlight (cont.)

Principal Risks and Uncertainties (cont.)

Risk	Uncertainty	Mitigation
The Group's supply chain lacks diversity at multiple levels	The Group's supply chain lacks diversity at multiple levels. The Directors note that the sales of medicinal cannabis products and Telehealth services in Europe are growing rapidly and, therefore, it is anticipated that they may become a commodity that is widely available, with multiple competing suppliers. GP Services is currently reliant upon suppliers which provide network infrastructure and access to NHS databases. In the event that these suppliers were unable to continue to provide services, GP Services would be unable to access patient records. This could have a negative effect on the competitiveness of GP Services. Should this take place, GP Services may be able to source network infrastructure and database access from alternative providers, but GP Services may not be able to do so quickly or with an identical service.	The Directors act to diversify the Group's supply chain.
The Group may face software malfunctions and data breaches	Any software malfunction disruption or data breaches of the Group's IT systems could adversely affect its business operations. This could be caused by a day-to-day IT issue or as a result of a cyber-attack on the business and its operations.	The Directors note that The GP Services (UK) Limited mitigates this risk through regular backups and emergency testing. However, should GP Services' software malfunction or be disrupted or should third-party service providers experience malfunctions or data breaches, this could mean restricting or prohibiting the GP Services' ability to provide services, which could have an effect on its revenue.

Strategic Report (cont.)

Highlight (cont.)

Task Force on Climate-related Financial Disclosures (TCFD)

The Group has adopted a streamlined, virtual-centric operational model, significantly reducing its direct environmental footprint due to the lack of physical facilities and engagement in activities with substantial environmental impact. Consequently, the management exposure to climate-related risks is minimal. Nevertheless, the management is deeply committed to understanding and mitigating our environmental footprint. We are dedicated to developing sustainability strategies tailored to our operational scale over the next five years, aiming to address the eleven recommendations provided by the Task Force on Climate-related Financial Disclosures (TCFD) across its four thematic areas.

Despite the limited environmental impact of our operations, the management approach to environmental stewardship is proactive. The Group's primary focus lies in research and Development and digital health services. To date, apart from efforts to reduce travel, we have not encountered significant climate risks.

In alignment with the TCFD's framework, we have outlined material climate-related financial disclosures in our Annual Report, adhering to the four core recommendations and eleven detailed disclosures suggested by the TCFD. The Group continuously strives to align our practices with the TCFD's updated guidance, released in October 2021, titled "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (2021 TCFD Annex)." There are areas within the recommendations where the Group seeks to provide a more comprehensive explanation of our approach and measures.

This commitment to transparency and continuous improvement in the Group's climate-related financial disclosures is a testament to the management's dedication to environmental responsibility and sustainability, ensuring the Group will remain at the forefront of addressing climate change challenges within the Group's industry.

Governance

Disclose the organisation's governance around climate-related risks and opportunities:

1. Describe the board's oversight of climate-related risks and opportunities.

The Board is acutely aware of the importance of climate-related risks and opportunities. Although the Company currently lacks a specialized committee to address climate risk, the Board acknowledges that as the business expands, it will become imperative to assess the most practical and effective methods for integrating the evaluation of climate-related risks and opportunities into the decision-making and reporting processes of the Board, its sub-committees, and management.

2. Describe management's role in assessing and managing climate-related risks and opportunities.

The Board acknowledges the pivotal role of the Group's management in the daily assessment and management of climate-related risks and opportunities. The Board is contemplating ways to integrate climate-related risks and opportunities into its frameworks for assessing and managing risk.

Strategic Report (cont.)

Highlight (cont.)

Task Force on Climate-related Financial Disclosures (TCFD) (cont.)

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

3. Describe the climate-related risks and opportunities the organisation has identified in the short, medium, and long term.

The Board has not identified any direct risks and opportunities related to climate. However, as the Group's operation expands, the Board is committed to proactively identifying strategies to reduce the Group's carbon footprint and amplify its contribution to environmental sustainability.

4. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

The Group's adoption of a remote-first strategy has effectively reduced its impact on transport-related emissions. At this stage the Group does not currently record or monitor its emissions. This strategy not only enhances our operational framework but also results in a clear dedication to environmental responsibility. Such a strategic direction may lead to financial benefits, including lower overhead costs and increased productivity, further underscoring the value of integrating sustainability into our business model.

5. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C-or-lower scenario.

the Board is considering its strategy in relation to climate risks. The Board remains dedicated to periodically revisiting and enhancing our strategy, responding proactively to new climate-related developments and insights when necessary.

Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks:

6. Describe the organisation's processes for identifying and assessing climate-related risks.

The Group's risk management processes do not currently consider climate risk and provide a clear timeline on when it will be forming part of that process.

The Board will perform these actions in the future and provide a timeline for implementation.

7. Describe the organisation's processes for managing climate-related risks.

The process will be carried out with a forward-looking approach, including a timeline for implementation, considering that currently, there are no such processes in place for managing climate risk.

The Board will perform these actions in the future and provide a timeline for implementation.

Strategic Report (cont.)

Highlight (cont.)

Task Force on Climate-related Financial Disclosures (TCFD) (cont.)

8. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

As part of approving the Annual Reports, the Board reviews key risks, adopting an all-encompassing strategy that tackles both conventional and climate-related issues.

Metrics & Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

9. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

The Group acknowledges the critical role of metrics in both comprehending and managing its carbon footprint. Due to our operational model, which lacks centralized office spaces or manufacturing facilities, our direct environmental impact is inherently minimized. Nonetheless, management diligently monitors our operations to diligently monitor adherence to the highest standards of sustainability and best practices, ensuring our activities remain aligned with our commitment to environmental stewardship.

10. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and related risks

The Group's Scope 1 and Scope 2 greenhouse gas (GHG) emissions are minimal, attributed to our remote operational framework. At this stage the Group does not currently record or monitor its GHG emissions.

Management is keenly aware of the potential for Scope 3 emissions and actively ensures that our broader supply chain aligns with our commitment to environmental sustainability. Although the Group is not presently mandated to report GHG emissions, management recognizes the future importance of evaluating our environmental impact as it becomes pertinent. The Board acknowledges the complexities involved in fully quantifying the carbon footprint of our supply chain, indicating a proactive stance towards understanding and mitigating our overall environmental impact.

11. Describe the targets used by the organisation to manage climate-related risks, opportunities, and performance against targets.

Management plans to establish specific targets for further reductions at an appropriate time, demonstrating a proactive and strategic approach to environmental stewardship and sustainable operations. This forward-looking perspective underscores our commitment to continuous improvement in our environmental impact.

Strategic Report (*cont.*)

Highlight (*cont.*)

Financial Review

Results for the year

The Group incurred a loss for the year to 31 December 2023 of £7,995 thousand (2022: loss of £6,870 thousand).

The Group recorded an operating loss of £7,793 thousand (2022: £6,781 thousand) which included research and development, sales and marketing, and general and administration costs of £312 thousand, £598 thousand, and £2,978 thousand respectively.

Cash flow

The net cash decrease for 2023 was £1,650 thousand (2022: decrease of £1,299 thousand), the main reason is deposit for short-term deposits in of £1,500 thousands.

Closing cash and short-term deposits

As at 31 December 2023, the Group held £3,210 thousand of cash and cash equivalents (31 December 2022: £3,228 thousand).

Position of Group's business

At the year's end, the Group's Statement of Financial Position shows net assets totaling £7,502 thousand (2022: £12,445 thousand).

Key performance indicators

During the reporting period, the Company adopted a KPI plan for its employees that is determined by company and personal performance.

The Company's KPI related to the performance of the Group is reviewed by considering factors such as the level of sales, completion of M&A deals, fundraising, clinical trials, and the receipt of the CE mark.

In addition to these key performance indicators analyses by the Board, wider financial information is reviewed to ensure the most important and relevant aspects of the Group's performance are measured and communicated, including research expenditure and costs that remain within the approved budget.

On behalf of the Board,

Ian Mattioli

Chair

30 April 2024

DocuSigned by:

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Corporate Governance Report

The Board recognises its responsibility for the proper management of the Company and is fully committed to maintaining a high standard of Corporate Governance.

The Company recognises the importance of and is committed to high standards of Corporate Governance. The Company is not formally required to comply with a Corporate Governance code; however, the Company has voluntarily applied the QCA Corporate Governance Code which was published in April 2018 (the QCA Code). As meeting the QCA code is not required, the Company did not fully comply with any Corporate Governance code during the year. However, post-yearend it has adopted the QCA code and will seek to meet its 10 principles.

Compliance with the QCA Code

The QCA Code, as published by the Quoted Companies Alliance is tailored for small and mid-size quoted companies in the UK. The QCA Code (through its 10 principles) is designed to be the means through which companies can earn and maintain the confidence of shareholders and other stakeholders as they develop and mature. We note the following important principles included in the QCA Code:

The 10 principles of the QCA Code:

	QCA Code Requirements	How the Group complies
1	Establish a strategy and business model which promotes long-term value for shareholders	As outlined in the CEO's review, the strategy to build a fully vertically integrated cannabis-derived product company for the global health and wellness markets continues to be executed at an increasing pace. Perhaps most importantly, the acquisition of GPS has been transformational for the Group and fully aligned with our long-term mission to enable greater patient access to medicinal cannabis products across the UK.
2	Seek to understand and meet shareholder needs and expectations	The CEO and other members of the Board have met with shareholders throughout the period to discuss the Group's performance in delivering its strategy. The feedback from those meetings was invaluable in helping to shape the future of the business. The Board has sought to strengthen this engagement during the period, as demonstrated by the recent Investor Meet Company Q&A webinar on our programmes update and resourcing plans which took place during the reporting period.
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Board recognises its primary responsibility under the UK corporate law is to promote the success of the Group for the benefit of its members. Engaging with our stakeholders improves our relationships and helps us to make more informed decisions to fulfil that responsibility.

Corporate Governance Report (cont.)

Compliance with the QCA Code (cont.)

The 10 principles of the QCA Code: (cont.)

	QCA Code Requirements	How the Group complies
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	Risk management is a core part of the business, with the activities of the Group subject to several risks (as set out in the CEO's Review). If any of these risks were to materialise there could be a materially adverse effect to the Group's business, financial condition and the results of future operations. The Board of Directors is responsible for, and regularly reviews, the main risks that the Group is currently exposed to and any potential future risks that need to be considered. The discharge of this responsibility is intended to occur through an ongoing systematic review of the risk management framework, including the operational effectiveness of internal controls and procedures, designed to identify, manage, and monitor all areas involving material risks to the Group.
5	Maintain the board as a well-functioning, balanced team led by the chair	The Board is responsible for the Group's objectives and business strategy and its overall supervision. To fulfil these responsibilities the Group has a team of highly skilled and experienced Board members.
6	Ensure that between them the Directors have the necessary up-to-date experience, skills, and capabilities	Both the Executive and Non-Executive Directors have and maintain the relevant skills for their roles.
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The ultimate measure of the effectiveness of the Board is the Group's progress against the long-term strategy and aims of the business. This progress is reviewed in Board meetings. The Chair's performance is reviewed once a year by the rest of the Board. The Board will either employ an external consultant, perform peer review or initiate Board questionnaires as is deemed necessary to ensure the Board's performance is adequately assessed.
8	Promote a corporate culture that is based on ethical values and behaviours	The Board set the tone for the Group's ethical values of respect, integrity, collaboration, fairness and excellence. The Group is aware of its responsibilities under the General Data Protection Regulation and has implemented appropriate policies, procedures and safeguards to ensure it is compliant.
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	The Board sets the Group's strategic aims and ensures that necessary resources are in place for the Group to meet its objectives. All members of the Board take collective responsibility for the performance of the Group and all decisions are taken in the interest of the Group.
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Board are actively engaged in ensuring that there is regular communication to the shareholders and wider stakeholders with material information about the Group's progress. Details of RNS announcements and copies of Annual Reports can be found on the Company's website. Social media is also used to provide regular updates to our stakeholders and several webinars have been held throughout the period to keep shareholders informed about the Group's progress.

Corporate Governance Report (cont.)

Board leadership and company purpose

The Group is headed by an effective board of Directors (the Board) which is collectively responsible for the long-term success of the Group.

The role of the Board - The Board sets the Group's strategy, ensuring that the necessary resources are in place to achieve the agreed strategic priorities, and reviews management and financial performance. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. To achieve this, the Board directs and monitors the Group's affairs within a framework of controls that enable risk to be assessed and managed effectively. The Board also has responsibility for setting the Group's core values and standards of business conduct and for ensuring that these, together with the Group's obligations to its stakeholders, are widely understood throughout the Group. The Board has a formal schedule of matters reserved which is provided later in this report.

Board Meetings - The core activities of the Board are carried out in scheduled meetings of the Board. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During the year, the Board met on 6 occasions. Outside the scheduled meetings of the Board, the Directors maintain frequent contact with each other to discuss any issues of concern they may have relating to the Company or their areas of responsibility, and to keep each other fully briefed on the Company's operations. Where Directors have concerns that cannot be resolved about the running of the Company, or a proposed action, they will ensure that their concerns are recorded in the Board minutes.

Matters reserved specifically for the Board - The Board has a formal schedule of matters reserved that can only be decided by the Board. The key matters reserved are the consideration and approval of:

- Strategy and management including potential investment opportunities.
- Financial reporting and controls (to include oversight of the appointment of and communications with the Auditors and the overall audit process).
- Board membership and other appointments.
- Internal financial and operating controls.
- Ensuring compliance with the Listing Rules.
- Communication.
- Remuneration policy.
- Delegation and overall supervision of all delegated authorities.
- Corporate Governance matters.
- Appointment of third-party advisers/service providers.

Certain other matters are delegated to the Board Committees, namely the Audit, Nomination and Remuneration Committees.

Corporate Governance Report (cont.)

Board leadership and company purpose (cont.)

Summary of the Board's work in the year – During the year, the Board considered all relevant matters within its remit, but focused on the establishment of the Company and the identification of suitable investment opportunities for the Company to pursue, the associated due diligence works as required and the decisions thereon.

Attendance at meetings:

Member	Position	Meetings attended
Ian Mattioli	Chair, Non-Executive Director	2 out of 2
David Tsur	Deputy Chair, Non-Executive Director	5 out of 6
Avihu Tamir	CEO, Executive Director	6 out of 6
Sharon Malka	Non-Executive Director	2 out of 2
Gil Efron	Non-Executive Director	1 out of 4
Daniel Poulter	Non-Executive Director	2 out of 3

The Board is pleased with the high level of attendance and participation of Directors at Board and Committee meetings. Attendance at Committee meetings is detailed in the respective Committee reports.

Directors appointed by the Board are subject to election by shareholders at the Annual General Meetings of the Company following their appointment and thereafter are subject to re-election in accordance with the Company's articles of association.

The terms and conditions of the appointment of Non-Executive Directors will be made available upon written request.

Remuneration

The Remuneration Committee is responsible for determining, approving, and reviewing the Group's remuneration procedures to ensure that they support the Group's strategy to ensure long-term sustainable success. More details can be found on the Remuneration Committee Report which is included in this Annual Report.

The Remuneration Committee routinely reviews the Directors' Remuneration Policy to ensure they continue to promote the delivery of the long-term strategy and support the Group's ability to recruit and retain executive talent to deliver against that strategy. No Director is involved in determining their remuneration arrangements or outcomes. The average industry salary and overall remuneration are considered by the Board as part of the annual budget process.

Formal terms of reference for the Remuneration Committee have been documented and made available for review at the AGM.

Corporate Governance Report (*cont.*)

Audit

The Audit Committee is responsible for reviewing the relationship and independence of the Company's external auditor, MHA. As part of the Scheme of Delegation, to ensure that the independence of the external auditor is not impaired, the Committee is responsible for the pre-approval of all audit and audit-related services undertaken by them. More details can be found in the Audit Committee Report which is included in this Annual Report.

The Board considers this Annual Report, taken as a whole, to be fair, balanced, and understandable, and are satisfied that it provides the information necessary for shareholders to assess the Group's strategy, business model and position and performance of the Company since listing on the London Stock Exchange. The Board and the Audit Committee review the Group's annual and interim financial results announcements to ensure that they present a fair, balanced, and understandable assessment of the Group's position and prospects to shareholders.

Nomination

The Nomination Committee meets as required to fulfil its duties of reviewing the Board structure and composition, and identifying and nominating candidates to fill Board vacancies as they arise. More details can be found on the Nomination Committee Report which is included in this Annual Report.

Terms of reference of the Nominations Committee will be made available upon written request.

The Company's secretary

The Company secretary is responsible to the Chair for ensuring that all Board and Committee meetings are properly conducted, the Board receives appropriate information before meetings to enable them to make an effective contribution and that governance requirements are considered and implemented. This area was considered in the period as part of the first internal review as referred to above and initial feedback was positive, noting an improvement during the period.

The Company Secretary is Assaf Vardimon who is responsible for the Board's compliance with the UK procedures.

Effectiveness

For the period under review the Board comprised a Chair, one Executive-Director and two Non-Executive Directors. Biographical details of the Board members are set out in this report.

The Directors are of the view that the Board and its committees consist of Directors with an appropriate balance of skills, experience, independence and diverse backgrounds to enable them to discharge their duties and responsibilities effectively.

Corporate Governance Report (cont.)

Effectiveness (cont.)

Independence - The non-executive Directors bring a broad range of business and commercial experience to the Company. The Board considers all the non-executive Directors to be independent in character and judgment. Despite the shares, options and warrants held by these Directors, they are not involved in the day-to-day operations of the Group and the executive directors deem them to be independent. All the Directors are aware that independent professional advice is available to each Director in order to properly discharge their duties as a Director. In addition, each Director and Board Committee Member has access to the advice of the Company secretary.

Commitments – All Directors have disclosed any significant other commitments to the Board and confirmed that they have sufficient time to discharge their duties.

Induction - All new Directors received an informal induction as soon as practical on joining the Board. No formal induction process exists for new Directors, given the size of the Company, but the Chair ensures that everyone is given a tailored introduction to the Company and fully understands the requirements of the role.

Conflict of interest - A Director must avoid a situation in which he or she has or can have a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company. The Board has satisfied itself that there is no compromise to the independence of those Directors who have appointments on the Boards of, or relationships with, companies outside the Company. The Board requires Directors to declare all appointments and other situations which could result in a possible conflict of interest.

Board performance and evaluation – The Chair will carry out periodic formal appraisals of the performance of the other Directors which considers the objectives set in the previous year and the individual's performance in the fulfilment of these objectives.

Although the Board consisted of four male Directors, the Board supports diversity in the Boardroom and the Financial Reporting Council aim to encourage such diversity. Aside from the Directors, there are only two employees in the Company.

The following table sets out a breakdown by Director's gender at 31 December 2023:

	Male	Female	Non-binary
Directors	4	-	-

The Board will pursue an equal opportunity policy and seek to employ those persons most suitable to delivering value for the Company.

Codes and terms of reference - The Company has adopted the following documents:

- Audit Committee Terms of Reference
- Remuneration Committee Terms of Reference;
- Nomination Committee Terms of Reference;
- Share Dealing Code; and
- Code of Ethics.

Corporate Governance Report (cont.)

Accountability

The Board is committed to providing shareholders with a clear assessment of the Group's position and prospects. This is achieved through this report and, as required, through other periodic financial and trading statements. The Board has made appropriate arrangements for the application of risk management and internal control principles. The Board has delegated to the Audit Committee oversight of the relationship with the Group's auditors, as outlined in the Audit Committee report.

Going concern

The preparation of the financial statements requires an assessment of the validity of the going concern assumption.

In making their assessment of going concern, the Directors have reviewed forecasts for the Group, at least 12 months from the date of approval of these financial statements. The Directors recognise the modest committed cost base of the group relative to its current working capital. As a result, the Directors consider that the Group has sufficient funds for the required timeframe and as such they consider it appropriate to adopt the going concern basis in the preparation of the financial statements.

Internal controls

The Board of Directors reviews the effectiveness of the Group's system of internal controls. The internal control system is designed to manage the risk of failure to achieve its business objectives. This covers internal financial and operational controls, compliance, and risk management. The Group had necessary procedures in place for the year under review and up to the date of approval of the Annual Report and financial statements. The Directors acknowledge their responsibility for the Group's system of internal controls and for reviewing its effectiveness. The Board confirms the need for an ongoing process for the identification, evaluation, and management of significant risks faced by the Group. The Directors carried out a risk assessment before signing up for any material commitments.

The Directors are responsible for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

At present, due to the size of the Group, there is no internal audit function. The requirement for internal audit will be considered as the Group grows.

Shareholder relations

Communication and dialogue – Open and transparent communication with shareholders is given high priority and there is regular dialogue with institutional investors, as well as general presentations made at the time of the release of the annual and interim results. All Directors are kept aware of changes in major shareholders in the Company and are available to meet with shareholders who have specific interests or concerns. The Company issues its results promptly to individual shareholders and publishes them on the Company's website. Regular updates to record news about the Company and the status of its exploration and development programs are included on the Company's website. Shareholders and other interested parties can subscribe to receive these news updates by email by registering online on the website free of charge.

The Directors are available to meet with institutional shareholders who wish to discuss any issues and gain an understanding of the Company's business, strategies and governance.

Corporate Governance Report (*cont.*)

Shareholder relations (*cont.*)

Annual General Meeting - At every AGM, individual shareholders are allowed to put questions to the Chair and to other members of the Board that may be present. Notice of the AGM is sent to shareholders at least 21 working days before the meeting. Details of proxy votes for and against each resolution, together with the votes withheld, are announced to the London Stock Exchange and are published on the Company's website as soon as practical after the meeting.

On behalf of the Board,

Ian Mattioli
Chair

30 April 2024

DocuSigned by:

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Directors' Remuneration Report

The Remuneration Committee reviews the remuneration policy and the performance of the Executive Directors, making recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives under any executive, non-executive or employee share option scheme or equity incentive plans in operation from time to time.

The Remuneration Committee is comprised of two independent Non-Executive Directors (Sharon Malka (Chair) and David Tsur). The Committee has access to professional advice from internal and external advisers where relevant. During the reporting period, no other third parties have provided advice that materially assisted the Remuneration Committee during the year.

The Remuneration Committee met 2 times in the period to discuss the Company's KPI schema, and the recommendation of annual bonus, and other items. There was full attendance at all meetings.

The items included in this report are unaudited unless otherwise stated.

The Remuneration Committee's main responsibilities

- The Remuneration Committee considers the remuneration policy, employment terms and remuneration of the Board and advisors;
- The Remuneration Committee's role is advisory in nature and it makes recommendations to the Board on the overall remuneration packages;
- The Remuneration Committee, when considering the remuneration packages of the Company's Board, will review the policies of comparable companies in the industry.

Report approval

A resolution to approve this report will be proposed at the AGM of the Company. The vote will have advisory status, will be in respect of the remuneration policy and overall remuneration packages and will not be specific to individual levels of remuneration.

At the AGM which took place on 30 June 2023, the resolution to approve the Directors' remuneration passed with the percentage of 99.9% votes for the approval of the directors' remuneration policy and directors' remuneration report.

Remuneration policy

The Company adopted a compensation policy as regards executive Directors which included variable and non-variable elements together with long-term incentives.

The fees for the Non-Executive Directors are determined by the Board. The Non-Executive Directors do not receive bonuses or pension contributions.

Directors' Remuneration Report (*cont.*)

Agreement with the Company's CEO

On 16 February 2021, Kanabo Research Ltd. entered a service contract with the Company's Chief Executive, Mr. Avihu Tamir on terms as set out in the prospectus published on 29 January 2021.

On 31 October 2022, the committee recommended the new employment terms for Mr. Tamir with the effective date of commencement. The main employment terms are as follows:

- Salary - The annual salary will be £110,000. In addition to the basic salary, each month the employee will be entitled to expenses return of £1,200.
- Bonus - Upon the approval of the board the employee will be entitled to a yearly bonus of a maximum of 6 times the monthly salary.
- Termination - the parties may terminate the engagement by giving each other not less than 6 months' written notice.
- Relocating - to fulfil the agreement, the employee was required to relocate to the UK. The Company approved an additional budget of up to £51,000. The budget includes, among other things, immigration support, shipment, destination services, etc.

Non-Executive Directors

The Company policy is that the Non-Executive Directors are expected to attend scheduled board meetings and attend committee meetings as required. The Company issued fresh letters of appointment to its Non-Executive Directors.

The fees for the Non-Executive Directors are determined by the Board. The Non-Executive Directors do not receive bonuses (besides the bonuses granted for completion of the RTO) or pension contributions.

Directors' Remuneration Report (cont.)

Terms of appointment

The services of the Directors during the year ended 31 December 2023 were provided by their appointment letters.

Directors shall be appointed for an initial term of three years, unless terminated earlier by either party giving to the other one month's prior written notice.

Directors were expected to devote such time as was necessary for the proper performance of their duties, but as a minimum they were expected to commit at least one day per month, which should include attendance at all meetings of the Board and any sub-committees of the Board.

Director	Year of appointment	Number of years completed
Ian Mattioli (a)	2023	1
David Tsur	2021	3
Avihu Tamir	2021	3
Sharon Malka (b)	2023	1
Daniel Poulter (c)	2021	2
Gil Efron (d)	2022	1

(a) Appointed on 9 May 2023.

(b) Appointed on 4 May 2023.

(c) Resigned from his position on 31 March 2023.

(d) Resigned from his position on 4 May 2023.

Key management personal compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, including the directors of the company listed on the Director's remuneration report and the financial management of the company.

	2023	2022
	£ 000	£ 000
Wages and salaries (a)	452	468
Share-based payment	242	239
Total	694	707

(a) The amounts exclude the Company's payment for national insurance and income tax.

Directors' Remuneration Report (cont.)

Directors' remuneration (audited)

Details of the remuneration of the Directors for the financial period are set out in the tables below. The salaries include the salary paid to them through the Group as Directors. The tables exclude share-based payments. No payments were made for loss of office during the period and no payments were made to past Directors during the period. The Directors' remuneration does not include any variable remuneration component.

Details of the Directors' remuneration during the year ended 31 December 2023 are as follows:

Name	Salary and fees	Taxable benefits (c)	Bonus	Pension	Other benefits (d)	Total (a)
	£	£	£	£	£	£
Ian Mattioli	29,192	-	-	-	-	29,192
David Tsur	35,528	-	-	-	-	35,528
Avihu Tamir (b)	110,000	20,308	11,627	-	17,209	159,144
Sharon Malka	19,677	-	-	-	-	19,677
Daniel Poulter	7,500	-	-	-	-	7,500
Gil Efron	7,500	-	-	-	-	7,500
Total	209,397	20,308	11,627	-	17,209	258,541

Details of the Directors' remuneration during the year ended 31 December 2022 are as follows:

Name	Salary and fees	Taxable benefits	Bonus	Pension	Other benefits (d)	Total (a)
	£	£	£	£	£	£
David Tsur	42,000	-	-	-	-	42,000
Avihu Tamir (b)	100,828	-	6,750	14,765	42,568	164,911
Daniel Poulter	27,000	-	-	-	-	27,000
Gil Efron	21,580	-	-	-	-	21,580
Andrew Morrison	27,000	-	-	-	-	27,000
Uziel Danino	5,290	-	-	-	-	5,290
Total	223,698	-	6,750	14,765	42,568	287,781

(a) The amounts exclude the Company's payment for national insurance and income tax.

(b) As of 31 December 2023, holds 18.03% of the Group's share capital (31 December 2022: 23%).

(c) Taxable benefits include payment in lieu of an untaken holiday.

(d) Other benefits include expenses the Company incurred regarding Avihu Tamir's relocation to the UK and general expenses return.

Directors' Remuneration Report (*cont.*)

Pension contributions

During 2023, the Company complied with the employer pension duties in accordance with Part 1 of the Pensions Act 2008 to each employee.

The Company contributed an amount equal to 6% of each employee's basic salary to a pension scheme to be agreed upon with its employees.

The Company did not sanction pension plans for its Non-Executive Directors, excluding pension contributions from their compensation.

UK Remuneration percentage changes

In 2022, the Board approved to increase in the basic Non-Executive Directors excluding the Chair's fees to £30,000 per annum. This is in recognition of inflation and higher-than-expected committee workloads.

In 2023, the board approved to increase the Chair's fees to £42,000 per annum. This is in recognition of inflation and higher-than-expected committee workloads.

In 2023, the board approved to increase the Chair's fees to £45,000 per annum. This adjustment is regard to the appointment of new Chair on May 2023.

UK 10-year performance graph

The Directors have considered the requirement for a UK 10-year performance graph comparing the Company's Total Shareholder Return with that of a comparable indicator. The Directors do not currently consider that including the graph will be meaningful because the Company has only been listed since 2017, is not paying dividends and is currently incurring losses as it gains scale. In addition, and as mentioned above, the remuneration of Directors was not linked to performance, and we therefore do not consider the inclusion of this graph to be useful to shareholders at the current time. The Directors will review the inclusion of this table for future reports.

UK 10-year CEO table and UK percentage change table

The Directors have considered the requirement for a UK 10-year CEO table. The Directors do not currently consider that including these tables would be meaningful given that the Directors were remunerated for their services however it is not material to be presented under the table. The Directors will review the inclusion of this table for future reports.

The relative importance of spending on pay

The Directors have considered the requirement to present information on the relative importance of spending on pay compared to shareholder dividends paid. Given that the Company does not currently pay dividends we have not considered it necessary to include such information.

Directors' Remuneration Report (cont.)

Recruitment

The Group's recruitment policy is based on several key principles:

1. The Group's aim is to provide a remuneration package that is sufficient to attract, retain and motivate key talent, while always ensuring that we pay no more than is necessary, with due regard to the best interests of the Company and our shareholders; and
2. The Committee will take several factors into account in determining the appropriate remuneration package. For example, these may typically include the candidate's experience and calibre, their circumstances, external market influences and arrangements for existing executive directors.

In addition, to facilitate recruitment, the Committee may make awards to buy out variable incentives which the individual would forfeit at their current employer. The Committee will consider any relevant factors, typically including the form of the award (e.g. cash or shares), the proportion of the performance/vesting period outstanding and the potential value of the forfeited remuneration, including performance conditions attached to the awards, the likelihood of those conditions being met, and the timing of any potential payments.

Where an executive director is appointed from within the organisation, the Company will honour legacy arrangements in line with the original terms and conditions.

In the event of the appointment of a new Non-Executive Director, remuneration arrangements will be in line with those for existing Non-Executive Directors.

UK Directors' shares (audited)

The interests of each person who has served as a Director of the Company during the period as at 31 December 2023 (together with interests held by his or her persons closely associated) have been set out in the Directors' Report in the Annual Report.

Non-Executive Directors are eligible to participate in the share option plan, which forms the long-term variable element of executive remuneration. Awards are discretionary and normally vest, subject to continued employment, in three equal tranches over three years. Status of options granted to Directors as of 31 December 2023:

Director	Total options	Vested	Not vested
Ian Mattioli	3,000,000	750,000	2,250,000
David Tsur	4,700,000	3,033,340	1,666,660
Avihu Tamir	-	-	-
Sharon Malka	2,025,000	506,250	1,518,750

Directors' Remuneration Report (*cont.*)

Directors' letters of appointment

Copies of Directors' letters of appointment are available on the Company's registered office Churchill House, 137-139 Brent Street, London, NW4 4DJ, United Kingdom.

On behalf of the Board,

Sharon Malka

Chair

30 April 2024

DocuSigned by:

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Audit Committee Report

The Audit Committee is responsible for monitoring and challenging the quality of internal controls and ensuring that the financial performance of the Group is properly managed, risk-assessed and reported on. It receives and reviews reports from the Group's management and external auditor relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group.

As of the signature date of the Annual report, the Audit Committee is comprised of two independent Non-Executive Directors (Sharon Malka (Chair) and David Tsur), with key attendees including the external auditor and other Executive Directors as and when required.

Main responsibilities

The Audit Committee acts as a preparatory body for discharging the Board's responsibilities in a wide range of financial matters by:

- Monitoring the integrity of the financial statements and formal announcements relating to the Company's financial performance;
- Reviewing significant financial reporting issues, accounting policies and disclosures in financial reports, which are considered to be in accordance with the key audit matters identified by the external auditors;
- Overseeing that effective system of internal control and risk management systems are maintained;
- Ensuring that effective whistleblowing, anti-fraud, and bribery procedures are in place;
- Overseeing the Board's relationship with the external auditor and, where appropriate, the selection of new external auditors;
- Monitoring the statutory audit of the annual financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority;
- Approving non-audit services provided by the external auditor, or any other accounting firm, ensuring the independence and objectivity of the external auditors is safeguarded when appointing them to conduct non-audit services; and
- Ensuring compliance with legal requirements, accounting standards, the Listing Rules and the Disclosure and Transparency Rules.

Meetings

During the period there were 5 meetings, with attendance of 100% at each one. Matters covered by the meetings during the period included:

- Interview of external auditors and recommendations to the Board;
- Review of audit planning and update on relevant accounting developments;
- Consideration and approval of the risk management framework, appropriateness of key performance indicators;
- Consideration and review of annual results;
- Review of internal controls;
- Review of the effectiveness of the Audit Committee; and
- Consideration of whether an internal audit function is required and confirmation that it is unnecessary given the present size of the Company.

The Code states that the Audit Committee should have primary responsibility for making a recommendation on the appointment, reappointment or removal of the external auditor.

Audit Committee Report (*cont.*)

Governance

The Code requires that at least one member of the Audit Committee has recent and relevant financial experience. The current members of the Audit Committee have vast experience working with a wide variety of companies. As a result, the Board is satisfied that the Audit Committee has recent and relevant financial experience.

Members of the Audit Committee are appointed by the Board and, whilst shareholders, the Company believes they are independent in both character and judgment.

External auditor

The Group's external auditor is MHA.

The external auditor has unrestricted access to the Audit Committee Chair. The Committee is satisfied that auditor objectivity and independence are maintained. The external auditors report to the Audit Committee annually on their independence from the Group.

On behalf of the Board,

Sharon Malka

Chair of the audit committee

30 April 2024

DocuSigned by:

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Nominations Committee Report

The Committee assists the Board in the process of selection and appointment of any new Director, as and when required, and recommends to the Board the appointment of any new Director. The Committee considers potential candidates for appointment to the Company's Board who maintain the highest standards of Corporate Governance and have sufficient time to commit to the role.

The Nominations Committee is comprised of two Directors (Ian Mattioli (Chair) and Avihu Tamir).

Nomination Committee evaluation

The Nomination Committee evaluates the composition, skills and diversity of the Board and its committees and identifies a requirement for a Board appointment.

Identify suitable candidates

The Nomination Committee undertakes a review of each candidate and their experience in accordance with the Company's 'Director's profile' and suitable candidates are identified.

For the appointment of a Chair, the Nomination Committee will prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises.

Nomination Committee recommendation

Following interviews with a candidate conducted by the Chair, and other members of the Board, the Nomination Committee makes a recommendation on a preferred candidate to the Board.

Due diligence

After a candidate has been recommended to the Board by the Nomination Committee, the Company Secretary undertakes appropriate background checks on a candidate. The Board of Directors meets any candidate recommended by the Nomination Committee and the candidate was permitted to deliver a presentation to the Board before a decision was made regarding their appointment.

Board appointment

The Board formally approves a candidate's appointment to the Board.

Approach to diversity

The Nomination Committee believes in the benefits of diversity, including the need for diversity to effectively represent shareholders' interests. This diversity is not restricted to gender but also includes geographic location, nationality, skills, age, educational and professional background. The Board's policy remains that selection should be based on the best person for the role.

Nominations Committee Report (*cont.*)

Changes in the Board of Directors during the reporting period

On 31 March 2023, Mr. Daniel Poulter resigned from his position as Non-Executive Director of the Company.

On 9 May 2023, the Company Mr. Ian Mattioli, co-founder and CEO of a leading UK pensions and wealth management consultancy joined the Company's Board of Directors and served as the Company's Chair.

Mr. Mattioli brings extensive experience in financial services, wealth management and capital markets to the Board. Mr. Mattioli is currently the Chief Executive Officer of Mattioli Woods Plc and Non-Executive Director of Custodian Property Income REIT Plc.

Mr. David Tsur, who has served as the Company's Non-Executive Chair since the Company's admission to the London Stock Exchange in February 2021, transited to serve as Deputy Chair following Ian Mattioli's appointment.

On 4 May 2023, Mr. Gil Efron stepped down from his position as a Non-Executive Director with immediate effect, to focus on his rehabilitation following a recent accident. The Board approved the appointment of Mr. Sharon Malka as Non-Executive Director.

Mr. Malka brings a wealth of experience to the Company, having held senior leadership positions with several international healthcare and technology companies. Mr. Malka is currently the Chief Executive Officer of Dotz Nano Ltd. ("Dotz"), an Australian-based technology company focused on developing, manufacturing, and commercialising advanced materials for diagnostics solutions.

On behalf of the Board,

Ian Mattioli

Chair of the Nomination Committee

30 April 2024

DocuSigned by:

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Independent Auditor's Report

Independent auditor's report to the members of Kanabo Group Plc

For the purpose of this report, the terms "we" and "our" denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Kanabo Group Plc. For the purposes of the table on pages 55 to 56 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The Group financial statements, as defined below, consolidate the accounts of Kanabo Group Plc and its subsidiaries (the "Group"). The "Parent Company" is defined as Kanabo Group Plc, as an individual entity. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of Kanabo Group Plc for the year ended 31 December 2023.

The financial statements that we have audited comprise:

- the Consolidated Statement of Profit or Loss
- the Consolidated Statement of Comprehensive Loss
- the Consolidated Statement of Financial Position
- the Company's Statement of Financial Position
- the Consolidated Statement of Changes in Equity
- the Company's Statement of Changes in Equity
- the Consolidated Statement of Cash Flows
- the Company's Statement of Cash Flows and
- Notes 1 to 37 to the company financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group and Parent Company's financial statements 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 2023 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted IFRS; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group 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 as applied to listed public interest entities, and we have fulfilled our ethical responsibilities in accordance with those 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 2.3 in the financial statements, which indicates that the Group, although it incurred a loss of £7,995k, is expecting cash inflows resulting from new income streams and additional fund raising. However, the events and timing of these cash receipts which are key to the business operation for the foregoing period are uncertain. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our evaluation of the Directors’ assessment of the Group’s and the Parent Company’s ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Group’s and the Parent Company’s operations, of which the main risks are the inability to raise required finance or the new revenue streams not having the predicted uptake.
- The evaluation of how those risks might impact on the available financial resources.
- Liquidity considerations including examination of cash flow projections at Group and Parent Company level.
- For income from new revenue streams, the reasonableness and practicality of the assumptions made by the Directors when predicting the income, expenses and growth of these revenue streams.
- The evaluation of the base case scenarios and stress scenarios, in respect of the Group and the Parent Company, and the respective sensitivities and rationale.
- Viability assessments at Group and Parent Company levels, including consideration of cash levels and business plans.

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.

In relation to the Group’s reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors’ statement in the Company’s financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview of our audit approach

Scope	Our audit was scoped by obtaining an understanding of the Group, including the Parent Company, and its environment, including the Group’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.		
	We, and our component auditors acting on specific group instructions, undertook full scope audits on the complete financial information of 3 components, being the Parent Company and the subsidiaries The GP Service (UK) Ltd and Kanabo Research Ltd.		

Materiality	2023	2022	
Group	£236k	£307k	2% (2022: 2%) of net assets
Parent Company	£234k	£304k	2% (2022: 2%) of net assets

Key audit matters

Recurring

- Carrying value of the investment in subsidiary and intragroup receivables (Group and Parent Company)
- Revenue Recognition (Group and Parent Company)

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of the investment in subsidiary and intragroup receivables

Key audit

matter description

Following the reverse takeover acquisition in February 2021 and the subsidiary acquisition in 2022, the Parent Company holds a significant investment in subsidiaries and has intragroup receivables due from these subsidiaries.

As the subsidiaries have been historically loss making, there is a risk that the investment and the intragroup receivable may not be fully recoverable and are therefore materially overstated.

The valuation and impairment of subsidiaries involves estimations and judgement, and therefore is an area that can be subject to management bias.

Note that at a Company level this relates to investment value and receivables, while at a Group level this includes goodwill value and intangible obtained on acquisition.

How the scope of our audit responded to the key audit matter

Our work included, but was not restricted to:

- Obtaining management's recoverable value assessment in respect of both the investment and the balances due, including the support workings;
- Reviewing the assessment, including ascertaining and challenging the method, data and key assumptions applied by management;
- Reviewing the post year-end performance, financial position, projected cashflows and other sources of data to assess whether there were any indicators that the recoverable values were less than their carrying value;
- Agreeing the intragroup balances due from the subsidiaries to the corresponding creditor balances in the subsidiaries' trial balances; and
- Confirming that the investments and receivables are measured and disclosed in accordance with IFRS 9 for the Parent Company investments and IAS 38 Intangible Assets for the Group level goodwill and intangibles.

We engaged the support of our valuation experts to assess the appropriateness of key judgements and assumptions used in the valuation of The GP Service (UK) Ltd.

Key observations communicated to the Group's Audit Committee

Based on the audit procedures above, nothing has come to our attention that causes us to believe that any material misstatement is present in respect of the carrying value of the investment or intergroup receivables in the Parent Company financial statements.

Revenue recognition

Key audit matter description	Under ISA (UK) 240 there is a rebuttable but presumed risk that revenue may be misstated due to improper recognition of revenue. As addressing this risk entailed a reasonable allocation of the audit resources, this was also considered to constitute a key audit matter. Incorrect recording of revenue could result in revenue being misstated or recorded in the incorrect accounting period.
How the scope of our audit responded to the key audit matter	Our work included, but was not restricted to: - Assessing the design and implementation of key controls over the Group's processes related to revenue, including documenting and performing walkthroughs of these controls; - Performing year end cut-off testing to ensure revenue is recognised in the appropriate accounting period; - Agreeing a sample of transactions to support to ensure the correct valuation; - Reviewing bank statement receipts to check for completeness of revenue; and - Confirming that the revenue recognition is measured and disclosed in accordance with IFRS 15 Revenue Recognition.
Key observations communicated to the Group's Audit Committee	Based on the audit procedures above, nothing has come to our attention that causes us to believe that any material misstatement is present in respect of the recognition of revenue in the Group financial statements. Revenue is materially measured and disclosed in accordance with IFRS 15 Revenue Recognition.

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Group was set at £236k (2022: £307k) which was determined on the basis of 2% (2022: 2%) of the Group's net assets. Materiality in respect of the Parent Company was set at £234k (2022: £304k), determined on the basis of 2% (2022: 2%) of the Parent Company's net assets, capped so as not to exceed Group materiality as required by ISA (UK) 600. Net assets was deemed to be the appropriate benchmark for the calculation of materiality as this is a key area of the financial statements with which the users of the financial statements are principally concerned. As the Group is seeking to establish market share for their products, there is a significant amount of expenditure and comparatively small revenue. Due to year on year volatility in the reported revenue and profit values, net assets was selected as the materiality benchmark, as this was regarded as an indicator of the Group's health and considered appropriate to the financial information needs of the users of the financial statements.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Group was set at £142k (2022: £184k) and at £140k (2022: £182k) for the Parent Company which represents 60% (2022: 60%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £12k (2022: £15k) and £12k (2022: £15k) in respect of the Group and Parent Company respectively to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

Overview of the scope of the Group and Parent Company audits

Our assessment of audit risk, evaluation of materiality and our determination of performance materiality sets our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. This assessment takes into account the size, risk profile, organisation / distribution and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative and qualitative coverage of significant accounts in the consolidated financial statements, of the 5 reporting components of the group, we identified 3 components in the UK and Israel which represent the principal business units within the Group. Of the remaining 2 components; one has no movement and the other is consolidated into the accounts of Kanabo Research Ltd, which is one of the 3 which is fully audited.

Full scope audits - Of the 3 components selected, audits of the complete financial information of all 3 components were undertaken, these entities were selected based upon their size or risk characteristics.

As a result, the audit team has covered 100% of revenue, 100% of profit and 99% of total assets of the Group.

The group audit team was involved in the audit work performed by the component auditors in Israel through a combination of the provision of group audit instructions, review and challenge of related component interoffice reporting and of findings from their working papers. The group audit team's member firm office also interacted with the component auditors through a detailed review of their audit workpapers performed via a site visit, and reported on this to the group audit team.

The control environment

We evaluated the design and implementation of those internal controls of the Group, including the Parent Company, which are relevant to our audit, such as those relating to the financial reporting cycle.

Climate-related risks

In planning our audit and gaining an understanding of the Group, including the Parent Company, we considered the potential impact of physical and transitional climate-related risks on the business and its financial statements. We noted the strategic shift in the Group's business model in 2023 and note that management do not consider climate-related risks to be material to these financial statements. Our climate risk audit specialists held discussions with management to understand their assessment of climate-related risks and challenged the assumptions underlying their assessment. Management confirmed that the Directors of the Group and Parent Company did not discuss or consider climate-related risks and opportunities during the year ended 31 December 2023. We have read the disclosures provided under the Taskforce for Climate-related Financial Disclosure framework in the strategic report for the year ended 31 December 2023 and challenged the veracity of those disclosures. We have agreed with managements' assessment that climate-related risks are not currently material to the financial statements for the year ended 31 December 2023.

Reporting on other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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.

We have nothing to report in this regard.

Strategic report and directors report

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

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

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Directors' remuneration report

Those aspects of the director's remuneration report which are required to be audited have been prepared in accordance with applicable legal requirements.

Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's voluntary compliance with the provisions of the UK Corporate Governance Code.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 40;
- Directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 40;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 40;
- Directors' statement on fair, balanced and understandable set out on page 38;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 35;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 35; and
- Section describing the work of the audit committee set out on page 37.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 by 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
- the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns; or

- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 is 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 Group's and the Parent Company'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 intend to liquidate the Group or Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector, the control environment, business performance including remuneration policies and the Group's, including the Parent Company's, own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Group focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006 or UK tax legislation.
- We enquired of the directors and management concerning the Group's and the Parent Company's policies and procedures relating to:
 - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance; and
 - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud.

- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to revenue recognition and management bias in accounting estimates, particularly around valuation of investments and the related goodwill and intangible asset.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Group's and the Parent Company's board meetings;
- audit procedures performed by the engagement team in connection with the risks identified included:
 - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
 - testing journal entries, including those processed late for financial statements preparation, those posted on unusual dates, those posted to new or zero balance accounts, those including materially large amounts or unusual amounts such as round sums, and those with a significant impact on profit;
 - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
 - enquiry of management and legal advisors around actual and potential litigation and claims.
 - challenging the assumptions and judgements made by management in its significant accounting estimates, in particular those relating to the valuation of the subsidiaries as reported in the key audit matter section of our report; and
 - obtaining confirmations from third parties to confirm existence of a sample of transactions and balances.
- the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and the component auditors and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Other requirements

We were appointed by the Directors on 5 March 2023. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Group or the Parent Company, and we remain independent of the Group and the Parent Company in conducting our audit.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared

Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.



Rakesh Shaunak FCA

(Senior Statutory Auditor)

for and on behalf of MHA, Statutory Auditor

London, United Kingdom

30 April 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Consolidated Statement of Profit or Loss

For the year ended 31 December		2023	2022
	Note	£ 000	£ 000
Revenue	7	895	603
Cost of sales	8	(761)	(404)
Gross profit		134	199
Research and development expenses	9	(312)	(597)
Sales and marketing expenses	10	(598)	(1,190)
General and administration expenses	11	(2,978)	(3,804)
Reversal of impairment	24	82	59
Impairment of intangible assets and good will		(4,448)	-
Other (expenses)/gains – including acquisition and listing costs	13	327	(1,448)
Operating loss		(7,793)	(6,781)
Net finance expenses	14	(202)	(89)
Loss before income tax expense		(7,995)	(8,870)
Income tax expense	15	-	-
Loss for the year		(7,995)	(6,870)
<u>Attributable to:</u>			
Equity holders of the parent		(7,987)	(6,867)
Non-controlling interests		(8)	(3)
		(7,995)	(6,870)
Loss (basic and diluted) per share from operations attributable to the equity owners			
Basic and diluted loss per share (pence per share)	16	(1.49)	(1.65)

The notes to the financial statements form an integral part of these financial statements.

Consolidated Statement of Comprehensive Loss

For the year ended 31 December		2023	2022
	Note	£ 000	£ 000
Loss for the year		(7,995)	(6,870)
Other comprehensive income for the year			
Items that may be subsequently reclassified to the profit or loss:			
Foreign operations - foreign currency translation differences		117	21
Total items that may be reclassified to profit or loss		117	21
Total comprehensive loss		(7,878)	(6,849)
<u>Attributable to:</u>			
Equity holders of the parent		(7,870)	(6,846)
Non-controlling interests		(8)	(3)
		(7,878)	(6,849)

The notes to the financial statements form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December		2023	2022
	Note	£ 000	£ 000
ASSETS			
Non-current assets			
Intangible assets and goodwill	17	4,726	10,044
Property, plant, and equipment	18	49	96
Right-of-use asset	31	-	282
Long-term deposit	31	-	31
		4,775	10,453
Current assets			
Inventories	21	56	81
Trade receivables	22	20	43
Other receivables	23	290	156
Financial asset through profit or loss	20	-	491
Short-term deposits	26	1,529	24
Cash and cash equivalents	26	1,681	3,204
		3,576	3,999
Total assets		8,351	14,452
EQUITY AND LIABILITIES			
Equity			
Issued capital	27	15,811	10,573
Share premium account	27	7,251	6,850
Merger reserve	27	17,495	11,393
Share-based payments reserve	28	925	1,715
Share to be issued reserve	6.a, 6.c	1,591	10,476
Reverse acquisition reserve		(14,968)	(14,968)
Foreign currency translation reserve		131	14
Accumulated loss		(20,723)	(13,605)
Equity attributable to equity holders of the parent		7,513	12,448
Non-controlling interests		(11)	(3)
Total equity		7,502	12,445
Non-current liabilities			
Interest-bearing loans and borrowings	29	139	509
		139	509
Current liabilities			
Trade payables		163	153
Other payables	30	414	1,147
Interest-bearing loans and borrowings	29	133	198
		710	1,497
Total liabilities		849	2,007
Total equity and liabilities		8,351	14,452

The notes to the financial statements form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 30 April 2024 and were signed on their behalf by:

Ian Mattioli

Chair

DocuSigned by:

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Company's Statement of Financial Position

As at 31 December		2023	2022
	Note	£ 000	£ 000
ASSETS			
Non-current assets			
Property, plant, and equipment	18	14	17
Investments in subsidiary	19	9,247	23,746
Intercompany receivables	25	2,435	1,097
		11,696	24,860
Current assets			
Inventories	21	56	81
Trade receivables	22	1	35
Other receivables	23	18	69
Intercompany receivables	25	515	3,192
Financial asset through profit or loss	20	-	491
Short-term deposits	26	1,001	-
Cash and cash equivalents	26	1,137	937
		2,728	4,805
Total assets		14,424	29,665
EQUITY AND LIABILITIES			
Equity			
Issued capital	27	15,811	10,573
Share premium account	27	7,251	6,850
Merger reserve	27	17,495	11,393
Share-based payments reserve	28	925	1,715
Share to be issued reserve	6.a, 6.c	1,591	10,476
Accumulated loss		(28,928)	(12,326)
Total equity		14,145	28,681
Current liabilities			
Trade payables		9	79
Other payables	30	270	905
		279	984
Total liabilities		279	984
Total equity and liabilities		14,424	29,665

The notes to the financial statements form an integral part of these financial statements.

As permitted by section 408 of the Companies Act 2006, the parent company's income statement has not been included in these financial statements. The loss for the parent Company was £17,471 thousand (2022: loss of £5,976 thousand).

The financial statements were approved and authorised for issue by the Board of Directors on 30 April 2024 and were signed on their behalf by:

Ian Mattioli
Chair

Company Registration No. 10485105

DocuSigned by:
Ian Mattioli
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Consolidated Statement of Changes in Equity

		Attributable to owners of the Company										
		Share capital	Share premium account	Merger reserve	Share-based payments reserve	Shares to be issued reserve	Reverse acquisition reserve	Foreign currency translation reserve	Accumulated loss	Total	Non-controlling interests	Total equity
	Note	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
As at 1 January 2022		9,249	5,169	9,231	758	2,500	(14,968)	(7)	(6,748)	5,184	-	5,184
Loss for the year		-	-	-	-	-	-	-	(6,867)	(6,867)	(3)	(6,870)
Other comprehensive loss		-	-	-	-	-	-	21	-	21	-	21
Total comprehensive loss		-	-	-	-	-	-	21	(6,867)	(6,846)	(3)	(6,849)
Acquisition of a subsidiary	6.c	533	-	2,162	-	7,976	-	-	-	10,671	-	10,671
Issue of share capital	27	703	1,434	-	-	-	-	-	-	2,137	-	2,137
Exercise of options	28	7	5	-	(10)	-	-	-	10	12	-	12
Exercise of warrants	28	81	242	-	-	-	-	-	-	323	-	323
Share-based payments	28	-	-	-	967	-	-	-	-	967	-	967
As at 31 December 2022		10,573	6,850	11,393	1,715	10,476	(14,968)	14	(13,605)	12,448	(3)	12,445
Loss for the year		-	-	-	-	-	-	-	(7,987)	(7,987)	(8)	(7,995)
Other comprehensive income		-	-	-	-	-	-	117	-	117	-	117
Total comprehensive loss		-	-	-	-	-	-	117	(7,987)	(7,870)	(8)	(7,878)
Issue of share capital	27	2,378	281	-	-	-	-	-	-	2,659	-	2,659
Acquisition of a subsidiary	6.c	2,783	-	6,102	-	(8,885)	-	-	-	-	-	-
Debts settlements	27.a (c)	77	120	-	-	-	-	-	-	197	-	197
Options expiration	28	-	-	-	(869)	-	-	-	869	-	-	-
Share-based payments	28	-	-	-	79	-	-	-	-	79	-	79
As at 31 December 2023		15,811	7,251	17,495	925	1,591	(14,968)	131	(20723)	7,513	(11)	7,502

The notes to the financial statements form an integral part of these financial statements.

Company's Statement of Changes in Equity

		Share capital	Share premium account	Merger reserve	Shares based payments reserve	Shares to be issued reserve	Accumulated loss	Total equity
	Note	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
As at 1 January 2022		9,249	5,169	9,231	750	2,500	(6,360)	20,539
Total comprehensive loss		-	-	-	-	-	(5,976)	(5,976)
Acquisition of a subsidiary	6.a	533	2,162	2,162	-	7,976	-	10,671
Issue of share capital	27	703	1,434	-	-	-	-	2,137
Exercise of options	28	7	5	-	(10)	-	10	12
Exercise of warrants	28	81	242	-	-	-	-	323
Share-based payments	28	-	-	-	975	-	-	975
As at 31 December 2022		10,573	6,850	11,393	1,715	10,476	(12,326)	28,681
Total comprehensive loss		-	-	-	-	-	(17,471)	(17,471)
Issue of share capital	27	2,378	281	-	-	-	-	2,659
Acquisition of a subsidiary	6.a,6.c	2,783	-	6,102	-	(8,885)	-	-
Debts settlements	27.a (c)	77	120	-	-	-	-	197
Options expiration	28	-	-	-	(869)	-	869	-
Share-based payments	28	-	-	-	79	-	-	79
As at 31 December 2023		15,811	7,251	17,495	925	1,591	(28,928)	14,145

The notes to the financial statements form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December		2023	2022
	Note	£ 000	£ 000
Operating activities			
Loss before tax		(7,995)	(6,870)
Adjustments to reconcile profit before tax to net cash flows:			
Reversal of impairment	24	(82)	(59)
Share-based payment expense	28	79	967
Depreciation of property, plant and equipment, and right-of-use assets	18,31	74	69
Amortisation of intangible assets and impairment of goodwill	17	1,378	976
Impairment charge on receivables	22	-	3
Loss on current financial asset	13,20	158	259
Impairment of intangible assets and goodwill		4,448	-
Net finance expenses		31	56
Loss from sale of property, plant and equipment	18	41	-
Other gain	31	(20)	-
Working capital changes:			
Change in trade receivables		23	(3)
Change in other receivables		(103)	155
Change in inventories		25	(18)
Change in trade payables		10	92
Change in other payables		(536)	677
Change in long-term deposit		-	(31)
		(2,469)	(3,727)
Interest paid	36	(51)	(52)
Net cash flows used in operating activities		(2,520)	(3,779)
Investing activities			
Purchase of property, plant, and equipment	18	(25)	(68)
Proceeds from sale of property, plant and equipment	18	5	-
Proceeds from sale the of financial asset	20	333	-
Acquisition of a subsidiary, net of cash acquired	6	-	235
Investment in short-term deposits		(1,500)	(5)
Development expenditures	17	(508)	(85)
Net cash flows from/ (used in) investing activities		(1,695)	77
Financing activities			
Share issue net of issuing cost	27	2,740	2,250
Share issuing cost		(81)	(113)
Proceeds from the exercise of warrants	27	-	323
Proceeds from the exercise of share options	27	-	12
Receipts of long-term loans	29	82	68
Repayment of lease liability	36	(43)	(37)
Repayment of borrowings	36	(133)	(100)
Net cash flows from financing activities		2,565	2,403
Net decrease in cash and cash equivalents		(1,650)	(1,299)
Net foreign exchange difference		127	26
Cash and cash equivalents at 1 January		3,204	4,477
Cash and cash equivalents at 31 December	26	1,681	3,204

The notes to the financial statements form an integral part of these financial statements.

Company's Statement of Cash Flows

For the year ended 31 December		2023	2022
	Note	£ 000	£ 000
Operating activities			
Loss before tax		(17,471)	(5,976)
Adjustments to reconcile profit before tax to net cash flows:			
Reversal losses on financial assets	24	(82)	(59)
Share-based payment expense		63	205
Depreciation of property, plant, and equipment	18	4	4
Net impairment losses on financial asset		1,991	-
Impairment charge on receivables	22	-	3
Loss on current financial asset	13,20	158	259
Impairment of investment in subsidiaries		12,907	-
Net finance (expenses) income		(1)	54
Share of loss of subsidiaries	19	1,608	2,371
Working capital changes:			
Change in trade receivables		34	(28)
Change in other receivables		51	141
Change in inventories		25	(18)
Change in trade payables		(70)	55
Change in other payables		(438)	756
Change in intercompany receivables		(652)	(3,509)
Net cash flows used in operating activities		(1,872)	(5,742)
Investing activities			
Purchase of property, plant, and equipment	18	(1)	-
Proceeds from the sale of financial asset	20	333	-
Investment in short-term deposit		(1,000)	-
Net cash flows used in investing activities		(668)	-
Financing activities			
Share issue net of issuing cost	27	2,659	2,137
Proceeds from the exercise of warrants	27	-	323
Proceeds from the exercise of share options	27	-	12
Receipts of short-term loans		82	59
Net cash flows from financing activities		2,741	2,531
Net increase (decrease) in cash and cash equivalents		200	(3,211)
Cash and cash equivalents at 1 January		937	4,148
Cash and cash equivalents at 31 December	26	1,137	937

The notes to the financial statements form an integral part of these financial statements.

Notes to the Financial Statements

1. Corporate information

The consolidated financial statements of Kanabo Group Plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 30 April 2024.

Kanabo Group Plc (the Company or the parent) is a limited company incorporated and domiciled in England and whose shares are publicly traded on the London Stock Exchange in the standard segment. The registered office is located at Churchill House, 137-139 Brent Street, London, NW4 4DJ, United Kingdom.

The Group's principal activities are digital health committed to transforming patient care through its innovative technology platform and specialised treatment offerings. The Group has been focused on researching, developing, and commercialising regulated medicinal cannabis-derived formulations and therapeutic inhalation devices.

2. Material accounting policy information

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards as adopted in the United Kingdom (UK adopted IFRS) and those parts of the Companies Act 2006 applicable to companies reporting IFRS, except as otherwise stated.

The consolidated financial statements are prepared under the historical cost convention with the exception of certain investments which are carried at fair value such as financial assets measured at fair value.

The consolidated financial statements are presented in GBP (£), which is the functional currency of the company, and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.2 Basis of consolidation (*cont.*)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Going concern

The preparation of the financial statements requires an assessment on the validity of the going concern assumption.

The Directors are required to satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis, and as part of that process they have followed the Financial Reporting Council's guidelines ("Guidance on the Going concern Basis of Accounting and Reporting on Solvency and Liquidity Risk" issued April 2016).

Notes to the Financial Statements *(cont.)*

2. Material accounting policy information *(cont.)*

2.3 Going concern *(cont.)*

As at 31 December 2023, the Group's cash position was £3,210 thousand and it was in a strong net current asset position. Based on the above and the Group's current cash reserves and detailed cash forecasts produced, the Directors are confident that the Group will be able to meet its obligations as they fall due over the course of the next 12 months. The Group is planning to run new income streams and / or raise further funds in the next 12 months. The Directors are confident that the Group would be able to meet its obligations as they fall due, due to the low level of committed expenditure relative to the forecasted discretionary expenditure, which could be reduced or deferred. Although, the Board acknowledges that there is a material uncertainty related to the timing of the new income streams and further fund raise, which could give rise to significant doubt over the Group's ability to continue as a going concern, the Board is satisfied the Group will have sufficient funds either from forecasted operations or through additional fundraising to meet its own working capital requirements up to, and beyond, twelve months from the approval of these accounts.

2.4 Estimates and assumptions

Significant accounting estimations

The Group's consolidated financial statements include the use of estimates and assumptions. The significant accounting estimates with a significant risk of material change to the carrying value of assets and liabilities within the next year in terms of IAS 1 are:

- Depreciation of PPE and amortisation of intangible assets

The directors are required to review the estimated usefulness of PPE and amortisation periods of intangible assets. Were useful lives and amortisation periods to be shorter, or were there impairments of PPE or intangible assets, this would cause an acceleration in depreciation and amortisation charges in future periods. See note 17 for further information.

Other areas of judgment and accounting estimates

While these areas do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgments, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer-term uncertainties. The other areas of judgment and accounting estimates are:

- Share-based payments

In respect to service conditions, the company is required to assess how many share options will eventually vest. As this estimation changes over time this may require a re-estimation of share-based payment charges reflected in profit or loss. The cumulative charge will reflect the amount of share options that ultimately vest. See note 28 for more details including the company's approach to valuing share options and the inputs to the valuation model.

- Impairments of financial and non-financial assets

See disclosures in note 2.5.o.

Notes to the Financial Statements *(cont.)*

2. Material accounting policy information *(cont.)*

2.5 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group concludes that it has acquired a business when it obtains a collection of activities and assets, comprising an input and a substantive process, which collectively play a significant role in the ability to generate outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs and the inputs acquired include an organised workforce with the necessary skills, knowledge or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration is classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments and is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

a) Business combinations and goodwill (*cont.*)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is more than the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Reverse takeover accounting

On 16 February 2021, the Company acquired Kanabo Research Ltd via a reverse takeover which resulted in the Company becoming the ultimate holding company of the Group. The transaction was accounted for as a reverse acquisition since it did not meet the definition of a business combination under IFRS 3. In accordance with IFRS 2, a share-based payment expense equal to the deemed cost of the acquisition less the fair value of the net assets of the Company at acquisition was recognised.

When considering how the acquisition of Kanabo Research Ltd via a reverse takeover should be accounted for, the Directors have been required to make a judgment on whether the acquisition falls within the scope of IFRS 3 or not. The Directors assessed the accounting acquiree, Kanabo Group Plc, at the time of acquisition to not be a business as defined by IFRS 3. As a result, the acquisition was assessed as falling outside the scope of IFRS 3. See note 6.c.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

c) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Notes to the Financial Statements *(cont.)*

2. Material accounting policy information *(cont.)*

2.5 Summary of significant accounting policies *(cont.)*

d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes that the transaction will take place in the asset's or the liability's principal market or, in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

Fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorised into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

- | | |
|---------|---|
| Level 1 | - quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2 | - inputs other than quoted prices included within Level 1 that are observable directly or indirectly. |
| Level 3 | - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data). |

On 21 February 2022, the Company acquired 100% of the voting rights of GP Service (UK) Limited ("GPS") a non-listed company based in the UK. The acquisition price was determined based on the closing bid prices which are level 2 fair value measurements.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

e) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the procurement services below, because it typically controls the goods or services before transferring them to the customer.

In determining the amount of revenue from contracts with customers, the Company evaluates whether it is a principal or an agent in the arrangement. The Company is a principal when the Company controls the promised goods or services before transferring them to the customer. In these circumstances, the Company recognises revenue for the gross amount of the consideration. When the Company is an agent, it recognises revenue for the net amount of the consideration, after deducting the amount due to the principal.

Revenue from the sale of goods:

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods have transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from selling agreements is recognised when the revenue recognition criteria have been met and only to the extent the consideration is not contingent upon other deliverables in the agreements.

Revenue from consultations:

The Group is providing online medicinal services. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer. Revenue is recognised at a point in time (i.e. upon receipt of the customer of the equipment) because this is when the customer benefits from the Group's consultation services.

Disaggregation of revenues:

	2023	2022
	£ 000	£ 000
<i>External revenues by product line</i>		
Primary care	828	505
Secondary care	67	98
Total	895	603

Notes to the Financial Statements (cont.)

2. Material accounting policy information (cont.)

2.5 Summary of significant accounting policies (cont.)

e) Revenue from contracts with customers (cont.)

	2023	2022
	£ 000	£ 000
External revenues by timing of revenue		
Services transferred at point of time	828	505
Goods transferred at point of time	67	98
Total	895	603

f) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants for non-monetary assets, the asset and the grants are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

g) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates (England's statutory income tax rate of 23.5% and Israel: 23%) and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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. Deferred tax liabilities are recognised in full using the balance sheet liability method on temporary differences except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

g) Taxes (*cont.*)

Deferred tax (*cont.*)

- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emissions.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, is recognised subsequently, if new information about facts and circumstances changes. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Notes to the Financial Statements *(cont.)*

2. Material accounting policy information *(cont.)*

2.5 Summary of significant accounting policies *(cont.)*

g) Taxes *(cont.)*

Deferred tax *(cont.)*

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

h) Foreign currencies

The Group's consolidated financial statements are presented in British Pound (£). For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) 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 into the functional currency at the exchange rates at the reporting date

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost 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 from the translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on the initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the nonmandatory asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

h) Foreign currencies (*cont.*)

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into British Pound (£) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions or average for the required period. The exchange differences arising in translation for consolidation are recognised in OCI and recognised in a separate reserve - foreign currency translation reserve. On disposal of a foreign operation, the component of OCI relating to that foreign operation is reclassified to profit or loss.

Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts 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.

(iii) Financial Risk Management Objectives and Policies

The Company does not enter any forward exchange rate contracts.

The main financial risks arising from the Company's activities are market risk, interest rate risk, foreign exchange risk, credit risk, liquidity risk and capital risk management. Further details on the risk disclosures can be found in note 32.

Notes to the Financial Statements (cont.)

2. Material accounting policy information (cont.)

2.5 Summary of significant accounting policies (cont.)

i) Property, plant, and equipment

Property, plant, and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses.

Where material, the cost of an item of property, plant and equipment comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which the item is located.

Depreciation is estimated to write off the cost of assets to their residual value on straight-line basis over the estimated useful lives of the assets as follows:

	%
Leasehold improvements	15%
Equipment and furnishing	15%
Computers and electronic equipment	15%-33%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The directors perform at least an annual review of the residual values and useful lives of property, plant and equipment, and any such changes in estimates are dealt with prospectively as a change in estimate.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss.

j) Leases

The Group assesses at contract inception whether a contract is or contains a lease. That is if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Group as a lessee applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

j) Leases (*cont.*)

Lease liabilities

At the commencement date of the lease, the Group recognises the lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest-bearing loans and borrowings.

k) Financial assets at fair value through profit and loss

Financial assets are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Financial assets are derecognised either when they have been disposed of (i.e. at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is recognised in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

m) Financial Assets

Classification

The Group classifies its financial assets in the following categories: at amortised cost (including trade receivables and other financial assets at amortised cost), fair value through other comprehensive income or fair value through profit or loss. The classification depends on the financial asset's contractual cash flow characteristics and the business model for managing them. Management determines the classification of its financial assets at initial recognition.

Financial assets at amortised cost

(i) Classification of financial assets at amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are initially measured at a fair value and subsequently measured using the effective interest rate method less impairment.

(ii) Impairment of financial assets measured at amortised cost

The Group always recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

There is no definition of default at present. This will be reassessed as and when repayments are due in respect of financial assets at amortised cost held.

n) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

o) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on the most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

o) Impairment of non-financial assets (*cont.*)

The Group assesses whether climate risks, including physical risks and transition risks could have a significant impact. If so, these risks are included in the cash-flow forecasts in assessing value-in-use amounts.

Depreciation of PPE and amortisation of intangible assets

Property, plant and equipment and intangible assets are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

The directors are required to review the estimated usefulness of PPE and amortisation periods of intangible assets. Were useful lives and amortisation periods shorter, or were there impairments of PPE or intangible assets, this would cause an acceleration in depreciation and amortisation charges in future periods. See note 17 for further information.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group assesses where climate risks could have a significant impact, such as the introduction of emission-reduction legislation that may increase manufacturing costs. These risks in relation to climate-related matters are included as key assumptions where they materially impact the measure of recoverable amount.

Recoverability of the investment in subsidiaries (note 19)

As at 31 December 2023, the carrying value of the Company's investments in Kanabo Research Ltd and the GP Service (UK) Limited was £9,247 thousand (2022: £23,746 thousand). The recoverable value of these investments is considered to be less than its carrying value as at 31 December 2023 and therefore an impairment of £12,907 thousand has been recognised. The Directors have made this assessment through reviewing forecasts, other available financial information available and developments during the year and since the year-end. The key inputs within the forecast include revenue growth, gross profit margins and overheads.

Recoverability of amounts due from the subsidiary (note 25)

By 31 December 2023, the parent Company had an ongoing operational balance of £2,506 thousand to Kanabo Research Ltd (2022: £2,686 thousand). The Directors don't expect this balance to be fully recoverable and have thus recognised a credit loss charges of £1,991 thousand. They made this assessment through reviewing forecasts, other financial information available and developments during the year and since the year-end. The Board assesses the loan on an individual basis to examine impairment.

By 31 December 2023 the parent Company had advanced £2,435 thousand (including interest) (2022: £1,097 thousand) as a loan to GPS. The Directors expect this balance to be fully recoverable and have thus not recognised any IFRS 9 expected credit loss charges. They made this assessment through reviewing forecasts, other financial information available and developments during the year and since the year-end. The Board assesses the loan on an individual basis to examine impairment.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

p) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprises cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less from inception, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

q) Provisions

A provision in accordance with IAS 37 is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense is recognised in the statement of profit or loss net of any reimbursement.

r) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

s) Share-based payments

Employees (including Directors and senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

That cost is recognised in employee benefits expenses, together with a corresponding increase in equity (other capital reserves) over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

s) Share-based payments (*cont.*)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The fair value is measured using the Black-Scholes model as the Directors view this as providing the most reliable measure of valuation. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The market price used in the model is the issue price of Company shares at the last placement of shares immediately preceding the calculation date. The fair value calculated is inherently subjective and uncertain due to the assumptions made and the limitations of the calculation used.

t) Equity

Equity instruments issued by the Company are recorded at the value of net proceeds after direct issue costs.

u) Shares to be issued

Obligations which are to be settled via the issue of the Company's shares at the year-end which meet the definition of equity per IAS 32 are classified as shares to be issued within equity and are held at fair value.

Notes to the Financial Statements (*cont.*)

2. Material accounting policy information (*cont.*)

2.5 Summary of significant accounting policies (*cont.*)

v) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Leave obligations are calculated by multiplying the average days of outstanding leave at the period end by the daily salary rate of the employee concerned. The liabilities are presented as current employee benefit obligations in the balance sheet.

Other long-term employee benefit obligations

There are no other long-term employee benefit obligations.

Post-employment obligations

The Group operates one post-employment scheme: a defined contribution pension plan available to all employees. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Share-based payments

Share-based compensation benefits are provided to employees via the Group Employee Option Plan, an employee share scheme, the executive short term incentive scheme and share appreciation rights. Information relating to these schemes is set out in note 28.

Employee options

The fair value of options granted under the Group Employee Option Plan is recognised as an employee benefit expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the Company's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period).

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Notes to the Financial Statements (cont.)

2. Material accounting policy information (cont.)

2.5 Summary of significant accounting policies (cont.)

v) Employee benefits (cont.)

Employee options (cont.)

The Employee Option Plan is accounted for as detailed in note 28. When the options are exercised, the appropriate number of shares is transferred to the employee. The proceeds received, net of any directly attributable transaction costs, are credited directly to equity.

Bonus plans

Where contractually obliged or where there is a past practice that has created a constructive obligation to give staff bonuses, the Group recognises a liability and an expense for bonuses based on a formula that takes into consideration certain financial and operational objectives.

w) Cost of investment in subsidiary

In accordance with IAS 27 Separate Financial Statements the Parent Company has elected to apply the equity method in accounting for the cost of investment in its subsidiaries.

Such investments are initially recognised at cost. Subsequently they are accounted for using the equity method, where the Parent Company's share of post-acquisition profits and losses and other comprehensive income is recognised in profit or loss or other comprehensive income respectively (except for losses in excess of the Parent Company's investment in the subsidiary unless there is an obligation to make good those losses).

Where equity share-based payments are granted to employees of such subsidiary undertakings the cumulative charge is added to the cost of investment.

3. Segment information

Following the acquisition of The GP Service (UK) Limited ("GPS"), for management purposes, the Group is organised into business units based on its products and services and has two reportable segments, as follows:

- Primary Care - Tele pharma services provided by GPS.
- Secondary Care - Development and distribution of cannabis derived medicinal and wellness products.

No operating segments have been aggregated to form the above reportable operating segments.

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately to make decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Also, the Group's financing (including finance costs, finance income, and other income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arms-length basis like transactions with third parties.

Notes to the Financial Statements (cont.)

3. Segment information (cont.)

Year ended 31 December 2023:

	Primary care	Secondary care	Total segments	Adjustments and eliminations	Consolidated
	£ 000	£ 000	£ 000	£ 000	£ 000
Revenue					
External customers	828	67	897	-	895
Inter-segment	-	-	-	-	-
Total revenue	828	67	897	-	895
Expenses					
Cost of sales	(668)	(93)	(761)	-	(761)
Depreciation and amortisation	(1,382)	(70)	(1,452)	-	(1,452)
Impairment of goodwill and intangible assets	(4,448)	-	(4,448)	-	(4,448)
Segment loss	(6,570)	(1,425)	(7,995)	-	(7,995)
Total assets	5,347	1,152	8,351	-	8,351
Total liabilities	528	321	849	-	849

Year ended 31 December 2022:

	Primary care	Secondary care	Total segments	Adjustments and eliminations	Consolidated
	£ 000	£ 000	£ 000	£ 000	£ 000
Revenue					
External customers	505	98	603	-	603
Inter-segment	-	-	-	-	-
Total revenue	505	98	603	-	603
Expenses					
Cost of sales	(349)	(55)	(404)	-	(404)
Depreciation and amortisation	(980)	(64)	(1,045)	-	(1,045)
Segment loss	(2,075)	(4,795)	(6,870)	-	(6,870)
Total assets	11,314	3,138	14,452	-	14,452
Total liabilities	609	1,398	2,007	-	2,007

Notes to the Financial Statements (cont.)

3. Segment information (cont.)

The Group's operation does not include any reconciling items.

Geographical location:

At 31 December 2023:

	Primary care	Secondary care	Total segments
	£ 000	£ 000	£ 000
Assets			
United Kingdom	5,347	375	7,574
Israel	-	777	777
Total assets	5,347	1,152	8,351
Liabilities			
United Kingdom	528	292	820
Israel	-	29	29
Total liabilities	528	321	849

At 31 December 2022:

	Primary care	Secondary care	Total segments
	£ 000	£ 000	£ 000
Assets			
United Kingdom	11,314	740	12,054
Israel	-	2,398	2,398
Total assets	11,314	3,138	14,452
Liabilities			
United Kingdom	609	987	1,596
Israel	-	411	411
Total liabilities	609	1,398	2,007

Notes to the Financial Statements (cont.)

4. Capital management

For the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and adjusts considering changes in economic conditions and the requirements of the financial covenants. The Group includes net debt, interest-bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

	2023	2022
	£ 000	£ 000
Interest-bearing loans and borrowings (note 29)	133	198
Trade payables	577	153
Less: cash and short-term deposits	(3,210)	(3,228)
Net asset	(2,500)	(1,730)
Total equity	7,502	12,445
Gearing ratio	-33%	-14%

There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

5. Group information

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% equity interest		Registered office
			2023	2022	
Kanabo Research Ltd. (a)	R&D	Israel	100	100	(b)
Kanabo Agritech Ltd.	Consulting	Israel	40	40	(b)
The GP Service (UK) Limited	Telemedicine	UK	100	100	(c)
Kanabo GP Limited	Holding company	UK	100	100	(d)

(a) The Company holds 40% of the equity in Kanabo Agritech Ltd. but consolidates 100% of this entity. See note 6.b for details on interest held in Kanabo Agritech Ltd.

(b) 6 Malkei Yehuda Street, Herzliya, Israel.

(c) Coventry University Technology Park the Technocentre, CV1 2TT, Coventry, United Kingdom.

(d) Churchill House, 137-139 Brent Street, London, NW4 4DJ, United Kingdom.

Notes to the Financial Statements (cont.)

6. Business combinations and acquisition of non-controlling interests

(a) Acquisition of The GP Service (UK) Limited

On 21 February 2022, the Company acquired 100% of the voting rights of GP Service (UK) Limited ("GPS"): a non-listed company based in the UK and specialising in care telemedicine providers in exchange for a net consideration of £13,499 thousand ("Net Consideration") with a fair value of £10,671 thousand. The Net Consideration was satisfied by the allotment of 94,133,645 B ordinary shares of £0.00001 each in the capital of Kanabo GP Limited, a subsidiary of Kanabo Group Plc, for £0.1265 per share ("Consideration Shares"). It has been agreed as part of the acquisition that the principal and interest owed as at completion by GPS to MEIF WM Debt LP (£1,591 thousand) will be repayable by the Company by the allotment of 12,574,931 ordinary shares within 18 months based on the same price of £0.1265 per share.

The Group's acquisition of the GPS will facilitate the rapid growth of its existing digital and telemedicine business and will establish a new and fully compliant channel to market the Group's products for medicinal patients. Through improved access to these products, the Group hopes to make a substantial contribution to improving outcomes for thousands of patients in the UK and Europe.

As of the signature date of the report, the total amount of 12,574,931 shares have not yet been issued and the contingent consideration has been included in the "shares to issued" reserve within equity.

The fair values of the identifiable assets and liabilities of GPS as at the date of acquisition were:

	Fair value recognised on acquisition
	£000
Assets	
Property, plant, and equipment	11
Intangible assets	116
Cash and cash equivalents	235
Trade receivables	33
Other receivables	74
	469
Liabilities	
Interest-bearing loan	(500)
Trade payables	(19)
Other payables	(97)
	(616)
Total identifiable net liabilities at fair value	(147)
Other intangible assets arising from the acquisition	6,763
Goodwill arising from the acquisition	4,055
The fair value of purchase consideration transferred	10,671

Notes to the Financial Statements (*cont.*)

6. Business combinations and acquisition of non-controlling interests (*cont.*)

(a) Acquisition of The GP Service (UK) Limited (*cont.*)

Other intangible assets arising on acquisition include the technology that was acquired through business combinations. The management assessed the lifetime of these assets for a minimum of 7 years and as a result recorded amortisation expenses for £962 thousand (2022: £891 thousand).

As agreed between the parties, the net liabilities recognised on the acquisition date were based on GPS results as of 31 January 2022: starting 1 February 2022 the results of GPS are being consolidated in the Group's financial statements.

The revenue of GPS and net loss for the period were £828 thousand (2022: £505 thousand) and £1,160 thousand (2022: 1,185 thousand) respectively.

(b) Investment in subsidiary

In March 2022, Kanabo Research Ltd ("KNR") (a wholly owned subsidiary of the Company) and a third-party partner formed an entity, Kanabo Agritec Ltd. ("Agritec"), to enter into agreements with third parties at minimal cost to leverage the Company's Intellectual Property for the cultivation, processing, and production of cannabis products. KNR holds 40% of the voting shares in this entity. The third party holds the remaining 60% of the voting shares. KNR committed to finance Agritec up to an amount equal to 75% of the principal amount requested by Agritec, the other Founders, together, will lend up to the remaining 25% of the principal amount in equal portions among them. As of the reporting period, KNR loaned Agritec a total amount of ILS 100 thousand (£24 thousand).

Under the contractual arrangement with the third-party partners, KNR has a majority representation on the entity's board of Directors and KNR's approval is required for all major operational decisions, KNR assessed that the voting rights in Agritec are not the dominant factor in deciding who controls the entity. Therefore, KNR concluded that Agritec is a structured entity under IFRS 10 Consolidated Financial Statements and that KNR controls it with non-controlling interests. Therefore, Agritec is consolidated in the Group's consolidated financial statements. The shares of the third-party partner are recorded under the equity as non-controlling interests and the return on investment is recorded as non-controlling interests under the profit and loss.

(c) Reverse acquisition

On 16 February 2021, the Company formerly known as Spinnaker Opportunities Plc acquired through a share-for-share exchange the entire share capital of Kanabo Research Ltd ("KNR"), whose principal activity is the provision of THC-Free retail CBD products and Vaporisation devices.

Although the transaction resulted in KNR becoming a wholly owned subsidiary of the Company, the transaction constituted a reverse acquisition, as the previous shareholders of KNR own a substantial majority of the Ordinary Shares of the Company, and the executive management of KNR became the executive management of Kanabo Group Plc.

In substance, the shareholders of KNR acquired a controlling interest in the Company and the transaction has therefore been accounted for as a reverse acquisition. As the Company's activities prior to the acquisition were purely the maintenance of the LSE Listing, acquiring KNR and raising equity finance to provide the required funding for the operation of the acquisition, it did not meet the definition of a business in accordance with IFRS 3.

Notes to the Financial Statements (*cont.*)

6. Business combinations and acquisition of non-controlling interests (*cont.*)

(c) Reverse acquisition (*cont.*)

Accordingly, this reverse acquisition does not constitute a business combination and was accounted for in accordance with IFRS 2 “Share-based Payments” and associated IFRIC guidance. Although the reverse acquisition is not a business combination, the Company has become a legal parent and is required to apply IFRS 10 and prepare consolidated financial statements. The Directors have prepared these financial statements using the reverse acquisition methodology, but with the result that rather than recognising goodwill, the difference between the equity value given up by KNR’s shareholders and the share of the fair value of net assets gained by these shareholders is charged to the consolidated statement of comprehensive income as a share-based payment on the reverse acquisition and represents in substance the cost of acquiring an LSE listing.

On 16 February 2021, the Company issued 230,769,231 ordinary shares to acquire the 237,261 ordinary shares of KNR based on a share price of £0.065 (the price at which those shares were issued as part of the placing that day. The Company’s investment in KNR is valued at £15,000 thousand prior to the consideration of contingent consideration and share-based payment charges for the year recognised in the subsidiary – see note 2.0 for further commentary regarding this component of the carrying value of the investment in the subsidiary as at 31 December 2023.

On 16 November 2021, the Company achieved two of its deferred consideration of share milestones under the terms of the share purchase agreement. The achievement entitles the sellers to 38,461,492 deferred consideration shares with a total value of £2,500 thousand which increases the total investment to £17,500 thousand. As the Company met this obligation, during 2023, the Company issued the deferred consideration shares.

Because the legal subsidiary, KNR, was treated on consolidation as the accounting acquirer and the legal Parent Company, Kanabo Group Plc, was treated as the accounting subsidiary, the fair value of the shares deemed to have been issued by KNR was calculated at £1,911 thousand based on an assessment of the purchase consideration for a 100% holding of Kanabo Group Plc

According to IFRS 2, the value of the share-based payment is calculated as the difference between the deemed cost and the fair value of the net assets as at the acquisition date. During the period between 1 January 2021 to 16 February 2021, several shareholders exercised their warrants. The exercised warrants indicated that in the event the RTO acquisition would not be completed the funds would be returned to the shareholders. For that reason, it was decided that it would be more appropriate to use the Company's value of the net assets as of 1 January 2021.

	£ 000
Deemed cost	1,911
Trade and other receivables	434
Cash and cash equivalents	359
Trade and other payables	(54)
Total identifiable net liabilities at fair value	739
Total RTO expenses	1,172

Notes to the Financial Statements (cont.)

6. Business combinations and acquisition of non-controlling interests (cont.)

(c) Reverse acquisition (cont.)

The difference between the deemed cost (£1,911 thousand) and the fair value of the net assets assumed per above of £739 thousand resulted in £1,172 thousand being expensed within “reverse acquisition expenses” in accordance with IFRS 2, Share-Based Payments, reflecting the economic cost to KNR’s shareholders of acquiring a quoted entity.

The reverse acquisition reserve which arose from the reverse takeover is made up as follows:

	£ 000
Pre-acquisition equity (a)	(739)
Kanabo Research Ltd share capital at acquisition (b)	2,099
Investment in Kanabo Research Ltd (c)	(17,500)
Reverse acquisition expense (d)	1,172
Total	(14,968)

- (a) Recognition of pre-acquisition equity of Kanabo Group Plc as at 1 January 2021.
- (b) KNR had issued a share capital of £2,099 thousand. As these financial statements present the capital structure of the legal parent entity, the equity of KNR is eliminated.
- (c) The value of the shares issued by the Company in exchange for the entire share capital of KNR; the entry is required to eliminate the balance sheet impact of this transaction.
- (d) The shares to be issued to the vendors upon the meeting of two of the agreed milestones. As the Company met the agreed milestones, during 2023, the Company issued the deferred consideration shares.

7. Revenues

	2023	2022
	£ 000	£ 000
Services	828	505
Sale of products	67	98
Total	895	603

During 2023 and 2022 the revenues were generated only from the sale of products (sale of CBD and THC products) and services (primary care) and were made to customers in the United Kingdom.

All revenues were recognised at a point in time.

Notes to the Financial Statements (cont.)

8. Cost of sales

	2023	2022
	£ 000	£ 000
Salaries and related expenses	563	317
Share-based payment expense	14	13
Cost of sales	136	48
IT Development and licenses	11	12
Impairment changes on receivables	-	3
Other including commissions	37	11
Total	761	404

9. Research and development expenses

	2023	2022
	£ 000	£ 000
Salaries and related expenses	258	293
Share-based payment expense	49	68
IT development and licenses	-	181
Rent and related expenses	4	39
Professional services	1	2
Other	-	14
Total	312	597

The GPS made capitalisation of development expenses which incurred during 2023 and 2022 as management has taken the view that probably the technology and products upon which the research and development expenditure is related will bring future economic benefits to the Group.

Notes to the Financial Statements (cont.)

10. Sales and marketing expenses

	2023	2022
	£ 000	£ 000
Salaries and related expenses	332	403
Share-based payment expense (gain)	(40)	349
Subcontractors	3	60
Marketing expenses	303	364
Conferences	-	14
Total	598	1,190

11. General and administration expenses

	2023	2022
	£ 000	£ 000
Salaries and related expenses	505	778
Share-based payment expense	56	537
Insurance	101	82
Professional services	528	1,005
Rent and related expenses (*)	100	81
Depreciation	74	69
Amortisation (note 17)	1,378	976
IT Development and licenses	70	45
Travel and accommodation	90	128
Other	76	103
Total	2,978	3,804

(*) Rent and related expenses refer to expenses that are out of the scope of IFRS 16, see note 31.

Notes to the Financial Statements (*cont.*)

12. Auditor's remuneration

During the reporting period, the Company incurred the following costs in respect of services provided by the current and previous auditor:

	2023	2022
	£ 000	£ 000
<u>Fees payable to the Company's auditor for:</u>		
- The audit of the parent company and consolidated financial statements	131	131
- Interim review of the Group for the six-month period ended 30 June 2023 and 30 June 2022 in accordance with ISRE 2410	8	8 (a)

(a) The services for interim review in 2022 were provided by Jeffreys Henry LLP.

Notes to the Financial Statements (cont.)

13. Other operating income/expenses

	2023	2022
	£ 000	£ 000
Acquisition and listing costs	224	514
Provision (reverse provision) for agent fees (*)	(524)	675
Loss from sale of property, plant, and equipment	41	-
Other gain (note 31)	(20)	-
Accrued income from R&D refund	(206)	-
Loss on current financial asset (note 20)	158	259
Total	(327)	1,448

Other expenses comprise acquisition-related transaction costs which were expensed as incurred and included as other expenses (note 6.a) and expenses generated from the preparations of the Group's prospectus.

(*) On 23 May 2023, the Company signed a settlement agreement with one of its previous service providers. According to the agreement, the Company will issue 5,000,000 new ordinary shares in exchange for removing all mutual claims.

The shares will be issued for the provision of brokerage services in relation to the acquisition of The GP Service ("GPS"). 4LLC will receive their shares in two tranches, with 3,000,000 shares ("First Tranche") and the remaining 2,000,000 shares ("Second Tranche") within three months.

Of the First Tranche, 337,192 new ordinary shares ("4LLC Shares") were issued by the Company. The remaining 2,662,808 ordinary shares of the First Tranche will be transferred from the shares previously held by Mr. Atul Devani, Co-founder of GPS. Based on the compromise agreement signed with Mr. Devani, on his leaving the Company be returned 25% of the shares received as consideration for the acquisition of GPS. As such, in the settlement of the First Tranche, the Company issued only 337,192 new ordinary shares.

During August 2023, the shares agreed on the Second Tranche have been issued.

Following the settlement agreement, the company reversed the previously booked provision and, as a result, recorded income of £524 thousand booked under "Other operating expenses".

Notes to the Financial Statements (cont.)

14. Net finance expenses (income)

	2023	2022
	£ 000	£ 000
Finance income		
Interest earned on bank deposits	(18)	-
	(18)	-
Finance costs		
Bank charges	23	15
Interest on interest-bearing loans	31	32
Interest on finance lease (note 31)	18	24
	72	71
Net foreign exchange losses	148	18
Net finance expenses recognised in profit or loss	202	89

15. Income tax

a. Analysis of charge in the year

Reconciliation of tax expense and the accounting profit multiplied by the United Kingdom's domestic tax rate for 2023 and 2022:

	2023	2022
	£ 000	£ 000
Accounting loss before income tax	(7,995)	(6,870)
At England's statutory income tax rate of 23.5% (2022: 19%)	(1,879)	(1,305)
<u>Non-deductible expenses for tax purposes:</u>		
Non-deductible expenses	(16)	(11)
Amortisation and impairment of intangible assets	1,107	169
Effect of higher tax rates in Israel	9	(47)
Current year losses for which no deferred tax asset is recognised	779	1,194
Income tax benefits reported in the statement of profit or loss	-	-

Notes to the Financial Statements (cont.)

15. Income tax (cont.)

b. Reconciliation of deferred tax liabilities, net

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
As at 1 January	-	-	-	-
Deferred taxes acquired in business combinations (note 6.a)	-	1,651	-	-
Deferred tax asset on losses recognised due to offset of liability under IAS 12	-	(1,651)	-	-
As at 31 December	-	-	-	-

The Group has accumulated tax losses of approximately £15,242 thousand (2022: £10,099 thousand) that are available, under current legislation, to be carried forward indefinitely against future profits.

A deferred tax asset has not been recognised in respect of these losses of the Company due to the uncertainty of future profits. The amount of the deferred tax asset not recognised is approximately £3,739 thousand (2022: £2,448 thousand).

16. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2023	2022
Loss attributable to ordinary equity holders of the parent (£000)	(7,987)	(6,867)
Weighted average number of ordinary shares for basic EPS	536,803,686	415,187,814
Basic and diluted loss per share (pence per share)	(1.49)	(1.65)

There is no difference between the basic and diluted earnings per share as a loss has been made in the year.

Notes to the Financial Statements (*cont.*)

17. Intangible assets and goodwill

Group:

	Development costs	Intangible asset	Goodwill	Total
	£ 000	£ 000	£ 000	£ 000
Cost				
At 1 January 2022	-	-	-	-
Additions – internally developed	85	-	-	85
Acquisition of a subsidiary (note 6.a)	1,352	6,764	4,055	12,171
At 31 December 2022	1,437	6,764	4,055	12,256
Additions – internally developed	508	-	-	508
At 31 December 2023	1,945	6,764	4,055	12,764
Amortisation and impairment				
At 1 January 2022	-	-	-	-
Amortisation	85	891	-	976
Acquisition of a subsidiary (note 6.a)	1,236	-	-	1,236
At 31 December 2022	1,321	891	-	2,212
Amortisation	416	962	-	1,378
Impairment	-	393	4,055	4,448
At 31 December 2023	1,737	2,246	4,055	3,590
Net book value				
<i>At 31 December 2022</i>	<i>116</i>	<i>5,873</i>	<i>4,055</i>	<i>10,044</i>
<i>At 31 December 2023</i>	<i>208</i>	<i>4,518</i>	<i>-</i>	<i>4,726</i>

Notes to the Financial Statements (cont.)

17. Intangible assets and goodwill (cont.)

Acquisition during reporting period

Intangible assets arising on acquisition include the technology that was acquired through business combinations. The management assessed the lifetime of this asset for a minimum of seven (7) years and as a result recorded amortisation expenses of £962 thousand (2022: £891 thousand).

Impairment review disclosures

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. The carrying amounts of goodwill by segment as at 31 December 2023 and 2022 are as follows:

	2023	2022
	£ 000	£ 000
	PFS	PFS
Goodwill	-	4,055

During the year, the acquired goodwill was tested for impairment in accordance with IAS 36 based on the relevant CGUs. Following the impairment tests, the Group recognised an impairment over the goodwill following the updated carrying values. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on current business plans. The key assumptions for the value-in-use calculations are those regarding revenue growth rates, discount rates and long-term growth rates over a period of five years from the Statement of Financial Position date and thereafter. Management determined revenue growth based on past performance and its expectations for market development. Discount rates were determined using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Terminal value is calculated as cash flows beyond the five-year period extrapolated using estimated long-term growth rates. Additionally, these value-in-use calculations were stress tested on a more prudent basis (assuming a mixture of 75% or 95% of revenue growth dependent upon the relevant CGU) and gave rise to no change in the carrying value of goodwill.

The revenue growth rate does not exceed the long-term average growth rate for the businesses in which the CGUs operate.

	2023	2022
	%	%
Post-tax discounted rates	16.7%	28.3%
Pre-tax discounted rates	22.1%	37.7%
Long-term growth rates	2%	2%

Notes to the Financial Statements (*cont.*)

18. Property, plant and equipment

Group:

	Computers and electronic equipment	Equipment and furnishing	Leasehold improvement	Total
	£ 000	£ 000	£ 000	£ 000
Cost				
At 1 January 2022	26	39	1	66
Acquisition of subsidiary (note 6.a)	13	16	-	29
Additions	18	19	31	68
Exchange differences	-	(2)	(1)	(3)
At 31 December 2022	57	72	31	160
Additions	23	-	2	25
Disposals	(22)	(34)	(32)	(88)
Exchange differences	(4)	(1)	(1)	(6)
At 31 December 2023	54	37	-	91
Depreciation				
At 1 January 2022	13	11	-	24
Acquisition of subsidiary (note 6.a)	7	11	-	18
Depreciation charge for the year	11	7	4	22
At 31 December 2022	31	29	4	64
Depreciation charge for the year	11	7	5	23
Disposals	(17)	(15)	(9)	(41)
Exchange differences	(1)	(3)	-	(4)
At 31 December 2023	24	18	-	42
Net book value				
<i>At 31 December 2022</i>	<i>26</i>	<i>43</i>	<i>27</i>	<i>96</i>
<i>At 31 December 2023</i>	<i>30</i>	<i>19</i>	<i>-</i>	<i>49</i>

Notes to the Financial Statements (*cont.*)

18. Property, plant and equipment (*cont.*)

Company:

	Computers and electronic equipment	Total
	£ 000	£ 000
Cost		
At 1 January 2022	23	23
Additions	-	-
At 31 December 2022	23	23
Additions	1	1
At 31 December 2023	24	24
Depreciation		
At 1 January 2022	2	2
Depreciation charge for the year	4	4
At 31 December 2022	6	6
Depreciation charge for the year	4	4
At 31 December 2023	10	10
Net book value		
<i>At 31 December 2022</i>	<i>17</i>	<i>17</i>
<i>At 31 December 2023</i>	<i>14</i>	<i>14</i>

Notes to the Financial Statements (cont.)

19. Investment in subsidiaries

Company:

	2023	2022
	£ 000	£ 000
As at 1 January	23,746	14,676
Additions	16	11,441
Impairment of investment in subsidiaries	(12,907)	-
Equity results	(1,608)	(2,371)
As at 31 December	9,247	23,746

The GP Service (UK) Ltd.

On 21 February 2022, the Company acquired 100% of the voting rights of The GP Service (UK) Limited ("GPS"), a UK-based private company specialising in care telemedicine, via a share-for-share exchange. The carrying value of investment comprises £13,499 thousand in respect of share consideration (fair value of £10,671 thousand), of which £1,591 thousand remains unissued as at 31 December 2023.

During 2023, £234 thousand (2022: £122 thousand) was recognised in respect of share-based payment charges recognised in the subsidiary during the reporting period. As there is no agreement in place for GPS to reimburse the Company for share options issued to and exercised by employees of GPS, the share-based payment charged recognised in the subsidiary in the year is recognised as a capital contribution in the subsidiary and thus an investment to the Company.

The Company owns 100% of the share capital of GPS.

Kanabo Research Ltd.

On 16 February 2021, the Company acquired 100% of the voting rights of Kanabo Research Ltd ("KNG"), an Israeli-based private company operating the CBD industry, via a share-for-share exchange. The carrying value of investment comprises £17,500 thousand in respect of share consideration, of which £2,500 thousand were issued during 2023, see note 27.a.(d).

During 2023, £219 thousand gain (2022: £648 thousand expense) was recognised in respect of share-based payment charges recognised in the subsidiary during the reporting period. As there is no agreement in place for KNG to reimburse the Company for share options issued to and exercised by employees of KNG, the share-based payment charged recognised in the subsidiary in the year is recognised as a capital contribution in the subsidiary and thus an investment to the Company.

The Company owns 100% of the share capital of KNG.

An impairment of total £12,907 thousand (2022: nil) has been recognised in the year over the above two investments as the Directors do not believe the recoverable value of the investments to be above it their carrying value.

Notes to the Financial Statements (cont.)

20. Financial asset through profit or loss

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
As at 1 January	491	750	491	750
Proceeds from the sale of financial asset	(333)	-	(333)	-
Loss on a financial asset at fair value through profit or loss (note 13)	(158)	(259)	(158)	(259)
As at 31 December	-	491	-	491
<i>Current</i>	-	<i>491</i>	-	<i>491</i>
<i>Non-current</i>	-	-	-	-

On 24 May 2021, the Company entered into an agreement to receive shares in Hellenic Dynamics S.A ("HD") following a reverse takeover by HD of a listed company. HD is a company incorporated in Greece and is a medicinal cannabis cultivator who is in the process of securing admission to the London Stock Exchange through a Reverse Take Over ("RTO").

As part of the agreement, for consideration of £750 thousand the Company has acquired 5,000 shares in HD's parent company, Samos Investments Ltd, and will be entitled to receive shares in HD as part of HD's proposed listing on the London Stock Exchange. The number of HD shares that will be issued to the Company shall be calculated as £750 thousand divided by the RTO valuation share price less a 30% discount.

On 15 November 2022, the Financial Conduct Authority ("FCA") approved the prospectus issued by the UK SPAC in connection with its acquisition of Hellenic and the proposed re-admission of the UK SPAC (to be renamed Hellenic Dynamics Plc) to the Standard Listing segment of the Official List and trading on the London Stock Exchange's Main Market.

Following the RTO, the Company received 357,142,857 shares in Hellenic representing 2.9% of Hellenic share capital.

The fair value of the quoted notes is based on price quotations at the reporting date.

During 2023, the Company sold its investment for a total consideration of £333 thousand, and as a result, recorded a net loss of £158 thousand.

Notes to the Financial Statements *(cont.)*

21. Inventories

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
Finished goods	42	61	42	61
Raw materials	14	20	14	20
Total	56	81	56	81

During 2023, £32 thousand was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

22. Trade receivables

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
Trade receivables	23	48	1	38
Allowance for expected credit losses	(3)	(5)	-	(3)
Total	20	43	1	35

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

23. Other receivables

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
Prepaid expenses	31	17	12	5
VAT recoverable	12	66	6	64
R&D grant receivables	206	64	-	-
Other tax receivables	10	9	-	-
Other	31	-	-	-
Total	290	156	18	69

Notes to the Financial Statements (cont.)

24. Short term loan

Group and the Company:

			31 December	31 December
			2023	2022
	Interest rate	Currency	£ 000	£ 000
Fixed-rate loan	10%	CAD	-	611
Accumulated interest			-	15
			-	626
Less impairment allowance/ECL			-	(626)
Total			-	-

On 25 July 2021, the Company signed a head of agreement with 11157353 Canada Corp. a company incorporated in Canada ("Materia").

As part of the agreement the Company agreed to extend Materia a £1.7 million (CAD 3 million) credit facility which was to be drawn down in tranches based upon agreed uses.

Under the agreement, amounts loaned are due for repayment twelve months after the drawdown date. No repayments were received in the year and none have been received post-year-end.

According to the loan agreement, Materia is obliged to receive the Company's approval for any additional investment from a third party (excluding current investors). The loan is secured by a General Security Agreement under which all Materia's assets from time to time constitute a floating collateral for the Loan. The collateral is shared equally with another lender to Materia (unconnected to the Group) and the relationship between the two lenders is regulated by an inter-creditor agreement.

Additionally, the agreement states that should the proposed transaction not be complete within six months of the signing of the heads of terms, interest of 10% per annum would be charged on amounts drawn down from the date of drawdown.

As of 31 December 2021, the Company transferred Materia CAD 1,000 thousand (£582 thousand) in three tranches. During 2021 the Company recorded interest income in the total amount of £15 thousand. The loan receivable has been impaired in full.

During the reporting period, the Group received notice that Materia entered a receivership process in Canada, the Group initiated legal action to recoup outstanding payments and was awarded £82 thousand. As a result of the repayment, the Group reversed previous booked impairment.

Notes to the Financial Statements (cont.)

25. Intercompany receivables

Company:

			31 December	31 December
			2023	2022
	Interest rate	Currency	£ 000	£ 000
The GP Service (UK) Limited	9%	GBP	2,435	1,097
Kanabo Research Ltd.	-	GBP	2,506	3,192
			4,941	4,289
Less impairment			(1,991)	-
Total			2,950	

<i>Current</i>	515	3,192
<i>Non-current</i>	2,435	1,097

When conducting their IFRS 9 expected credit loss assessment, the Directors have assessed there are indications that an impairment is required to be recognised and thus the intercompany receivables has been adjusted at carrying value.

26. Cash and cash equivalents and short-term deposits

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
Cash at bank and in hand	1,681	3,204	1,137	937
Total	1,681	3,204	1,137	937

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
Deposits at bank and in hand	1,529	24	1,001	-
Total	1,529	24	1,001	-

The Directors consider the carrying amount of cash and cash equivalents and deposits approximate to their fair value.

Notes to the Financial Statements (cont.)

27. Issued capital

a. Authorised shares

As at 31 December 2023, the Company had 632,427,870 allotted and fully paid ordinary shares. The ordinary shares have attached to them full voting, dividend, and capital distribution rights (including on a winding up). The ordinary shares do not confer any rights of redemption.

	2023	2022
	Number of ordinary shares of £0.025 each	
As at 1 January	422,916,056	369,966,277
Shares issued for RTO (d)	38,461,492	-
Shares issued to settled debt (c)	3,080,247	-
Shares issued due to option and warrant exercises	-	3,522,319
Share issued in placing and subscriptions (a)	-	28,125,000
Share issued in placing and subscriptions (e)	95,138,889	-
Issue of shares for acquisition of subsidiary (b), (d)	72,831,186	21,302,460
As at 31 December	632,427,870	422,916,056

	2023	2022
	£ 000	£ 000
As at 1 January	10,573	9,249
Shares issued for RTO (d)	962	-
Shares issued to settled debt (c)	77	-
Shares issued due to option and warrant exercises	-	88
Share issued in placing and subscriptions (a)	-	703
Share issued in placing and subscriptions (e)	2,378	-
Issue of shares for acquisition of subsidiary (b), (d)	1,821	533
As at 31 December	15,811	10,573

Notes to the Financial Statements (*cont.*)

27. Issued capital (*cont.*)

a. Authorised shares (*cont.*)

- (a) On 21 February 2022, the Company issued 28,125,000 ordinary shares, raising £2,250 thousand before costs.
- (b) On 21 February 2022, the Company acquired 100% of the voting rights of The GP Service (UK) Limited ("GPS"), note 6.a and 27.a.(d)
As of 31 December 2023, 12,574,931 shares for the acquisition of GPS still need to be issued.
- (c) On 23 May and on 11 August 2023, the Company issued a total of 3,080,247 ordinary shares for settled debts to suppliers:
- Asserson Law Offices ("Asserson") received 743,055 ordinary shares for £0.0606 per share. These shares were issued as payment for outstanding invoices.
 - The 4th Consulting LLC ("4LLC") received 5,000,000 ordinary shares for £0.0301 per share as part of a settlement agreement entered between the Company, Luca Longobardi, and 4LLC ("4LLC Settlement Agreement"). The shares were issued for the provision of brokerage services about the acquisition of The GP Service ("GPS"). Out of the agreed shares, 2,662,808 ordinary shares were transferred from the shares previously held by Atul Devani, Co-founder of GPS.
See note 13 regarding the 4LLC Settlement Agreement.
- (d) On 13 June 2023, the Company published a prospectus (the "Prospectus") in relation to the proposed issue of 38,461,492 Ordinary Shares ("2020 Deferred Consideration Shares") in connection with the acquisition of Kanabo Research Limited for £0.065 per share and proposed issue of 72,831,186 Ordinary Shares ("Outstanding Consideration Shares") in connection with the acquisition of The GP Service (UK) Ltd at £0.1265 per share.
On 28 June 2023 the "Outstanding Consideration Shares" were issued.
On 10 July 2023 the "The 2020 Deferred Consideration Shares" were issued.
- (e) On 9 May 2023 and 10 May 2023 ("admission dates"), the Company raised £2,740 thousand (before costs) by the issue of 95,138,889 ordinary shares of £0.025 each. The Group additionally granted a half warrant to the noteholders to subscribe for an additional half a new ordinary share at an exercise price of £0.0576 for 24 months following the Admission Dates.
Participants in the fundraising include a new institutional investor as well as the Group's Directors and Senior Officers of the Company. The issue of the shares to the Directors and Senior Officers of the Company in the fundraising was conditional upon the approval of the Company's shareholders of certain resolutions to be proposed at the annual general meeting of the Group (the "AGM").
On 30 June 2023, the AGM approved the issue of the shares. As a result, additional 18,749,999 ordinary shares of £0.025 each out of the 95,138,889 have been issued.
The total warrants issued sum to 47,569,444 (see note 28).

Notes to the Financial Statements (cont.)

27. Issued capital (cont.)

b. Share premium account

	2023	2022
	£ 000	£ 000
As at 1 January	6,850	5,169
Shares issued in placing and subscriptions	281	1,434
Shares issued to settle debts	120	-
Shares issued due to option and warrant exercises	-	247
As at 31 December	7,251	6,850

c. Merger reserve

	2023	2022
	£ 000	£ 000
As at 1 January	11,393	9,231
Shares issued in the year for RTO	2,500	-
Shares issued in the year for subsidiary purchase	3,602	2,162
As at 31 December	17,495	11,393

Nature and purpose of each reserve in equity – disclosure under SOCIEs

The merger reserve arises when the company acquires at least 90% interest in the shares of another company and under the s612 Companies Act 2006 the excess of fair value of the shares issued more than their nominal value is precluded from being recognised in the share premium account. This reserve is not distributable.

28. Share-based payments

Warrants

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, the granted warrants during the year:

	2023		2022	
	Number	WAEP	Number	WAEP
Outstanding at 1 January	31,976,719	0.43	13,505,931	0.09
Granted	47,569,444	0.06	28,125,000	0.20
Realised	-	-	(3,231,501)	0.10
Expired	(14,062,500)	0.16	(6,422,711)	0.10
Outstanding at 31 December	65,483,663	0.10	31,976,719	0.18

Exercisable at 31 December 65,483,663 0.10 31,976,719 0.18

Notes to the Financial Statements (*cont.*)

28. Share-based payments (*cont.*)

Warrants (*cont.*)

- a. On 10 May 2023 ("Admission Date"), the Group completed a fundraising round of £2,740 thousand (before costs) via the issue of 95,138,889 ordinary shares of £0.025 each. Directors and Officers also participate in the fundraising in the total amount of £540 thousand (before costs). The issue of the shares to the Directors and Officers of the Company in the fundraise is conditional upon the approval by the Company's shareholders of certain resolutions to be proposed at the annual general meeting of the Group (the "AGM"). On 30 June 2023 the AGM approved the issue of 18,749,999 ordinary shares to Directors and Officers who participate in the fundraising.

As part of the fundraising the Group additionally granted a half warrant to the noteholders to subscribe for an additional half a new ordinary share at an exercise price of £0.0576 each for a period of 24 months following the Admission Date. The total warrants issued sum to 47,569,444. The issue of the warrants is conditional upon the approval by the Company's shareholders of certain resolutions to be proposed at the annual general meeting of the Group (the "AGM"). On 30 June 2023, the AGM approved the issue of warrants.

- b. On 21 February 2022 ("Admission Date"), the authorised share capital was increased by £2,250 thousand (before costs) by the issue of 28,125,000 ordinary shares of £0.025 each. On the admission date, the Group additionally granted a half warrant to the noteholders to subscribe for an additional half a new ordinary share at an exercise price of £0.16 for a period of 18 months following the Admission Date. An additional half warrant was granted to the noteholders to subscribe for an additional half a new ordinary share at an exercise price of £0.24 for a period of 24 months following the Admission Date. The total warrants issued sum to 28,125,000. The warrants were not issued for goods or services provided and therefore fall outside the scope of IFRS 2 and do not require fair valuing.

As of 31 December 2023, none of the warrants have been converted into shares.

During and after the reporting period, all the warrants expired.

- c. On 17 February 2021 ("Admission Date") the Group granted a warrant to the noteholders to subscribe to one Ordinary Share for every two Conversion Shares issued to the noteholder. The warrants are exercisable at the Conversion Price (£0.05) and will be valid for three years. The total warrants issued sum to 1,650,000. The warrants were not issued for goods or services provided and therefore fall outside the scope of IFRS 2 and do not require fair valuing.

As of 31 December 2023, 1,150,000 warrants have not yet been converted into shares.

After the reporting period, all the remaining warrants expired.

- d. On 27 January 2021, the Company entered a financial adviser warrant deed entitling Peterhouse Capital Limited to warrants over several ordinary shares, representing approximately 0.75 percent of the enlarged Issued Share Capital (the share capital on the date of the RTO) in accordance with their engagement letter. The warrants are exercisable at the fundraising price, exercisable for a period of 7 years from the date of admission. The total warrants issued sum to 2,701,719. As the warrants were issued to the brokers assisting with the raise upon re-listing, the fair value of these warrants, £113 thousand, was treated as a share issue cost and debited against the share premium.

As of 31 December 2023, none of these warrants have been converted into shares.

Notes to the Financial Statements (cont.)

28. Share-based payments (cont.)

Share options

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2023		2022	
	Number	WAEP	Number	WAEP
Outstanding at 1 January	36,902,016	0.12	15,988,895	0.16
Granted	25,050,000	0.03	22,759,150	0.08
Forfeited and expired	(20,978,516)	-	(1,555,211)	-
Exercised	-	-	(290,818)	-
Outstanding at 31 December	40,973,500	0.05	36,902,016	0.12
<i>Exercisable at 31 December</i>	<i>21,858,454</i>	<i>0.07</i>	<i>13,733,577</i>	<i>0.11</i>

- a. On 28 March 2021, the Group approved an Israeli appendix to the share-based payment plan ("The Israeli new plan"). The plan will include a replacement of existing options granted by Kanabo Research Ltd to three of its employees and consultants and for future grants for Kanabo Research Ltd employees. The plan is for 10 years following the date of approval.
- b. During the period ended 31 December 2018, the Company had a share-based payment plan. The plan was approved in February 2018 and has a 10-year duration. The terms of vesting vary according to the grant agreement subject to approval by the Board of Directors. Some grants mature immediately, and others vest over up to 4 years.
- c. During 2022, 290,818 options were exercised to shares. The net proceeds summed to £12 thousand.
- d. On 30 August 2022, 22,759,150 share options were granted to employees and senior executives under the options plans.
- e. On 19 June 2023, 25,050,000 share options were granted to employees and senior executives under the options plans.

Notes to the Financial Statements (cont.)

28. Share-based payments (cont.)

Share options (cont.)

- f. The following tables list the inputs to the models used for the three plans for the years ended 31 December 2023 and 2022, respectively:

Year ended 31 December 2023

	19 June 2023
Weighted average fair values at the measurement date	£0.019
Dividend yield	0%
Expected volatility	91.87%
Risk-free interest rate (%)	4.53
Expected life of share option (years)	10
Weighted average share price	£0.029
Model used	Black-Scholes

Year ended 31 December 2022

	30 August 2022	30 August 2022	30 August 2022	30 August 2022	30 August 2022
Weighted average fair values at the measurement date	£0.023	£0.022	£0.025	£0.022	£0.021
Dividend yield	0%	0%	0%	0%	0%
Expected volatility	91.3%	91.3%	91.3%	91.3%	91.3%
Risk-free interest rate (%)	2.7	2.7	2.7	2.7	2.7
Expected life of share option (years)	10	10	10	10	10
Weighted average share price	£0.065	£0.08	£0.025	£0.1015	£0.1265
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

Notes to the Financial Statements (cont.)

28. Share-based payments (cont.)

Share options (cont.)

f. (cont.)

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The risk-free rate of return is based on zero-yield government bonds for a term consistent with the option life.

g. During the period the Group recognised a total amount of £79 thousand (2022: £967 thousand) for share-based payment expenses.

The amount was recorded in the profit and loss as follows:

	2023	2022
	£ 000	£ 000
Cost of sales (note 8)	14	13
Research and development expenses (note 9)	49	68
Sales and marketing expenses (note 10)	(40)	349
General and administration expenses (note 11)	56	537
Total	79	967

Notes to the Financial Statements (cont.)

29. Interest-bearing loans and borrowings

Group:

				2023	2022
	Interest rate	Currency	Maturity	£ 000	£ 000
Current interest-bearing loans and borrowings					
Lease liability (note 31)	7.5%	ILS	-	-	65
CBILS loan	9%	GBP	2024	133	133
Total				133	198
Non-current interest-bearing loans and borrowings					
Lease liability (note 31)	7.5%	ILS	-	-	233
CBILS loan	9%	GBP	2025	133	267
Loans from third parties' investors in subsidiary (note 6.b)	3.23%	ILS	No maturity date was set	6	9
Total				139	509
Total interest-bearing loans and borrowings				272	707

CBILS loan

On 22 January 2021, The GP Service (UK) Limited received a Coronavirus Business Interruption Loan Scheme (CBILS) which carries a fixed rate interest of 9% and is repayable by instalments over a 3-year period commencing March 2022.

The loan is recognised as a financial liability at amortised cost. Interest is calculated under the effective interest method. The initial recognition at fair value was not materially different from the proceeds received.

Notes to the Financial Statements (cont.)

30. Other payables

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
Payroll and related expenses	27	41	8	-
Accrued expenses	362	991	253	859
Provision for accrued bonus	-	56	-	22
Provision for accrued vacation and convalescence	17	43	9	24
Other	8	16	-	-
Total	414	1,147	270	905

31. Leases

On 22 December 2021, Kanabo Research Ltd ("KNR") (a wholly owned subsidiary of the Company) signed a lease agreement with a third party to rent space in Israel, in exchange for a total of ILS 24 thousand per month linked to the Consumer Price Index. The start date of the rental agreement was agreed between the parties on 17 March 2022. The lease agreement is for three years and includes an extension option for three more years. If KNR exercises the rent extension option, the monthly rent will be updated with an increase of 6%. KNR exercises significant discretion in examining whether it is reasonably certain that an extension option will be exercised. At the date the lease began, the company recognised a right of use in the property against a lease obligation of £327 thousand (ILS 1,399 thousand). To secure the lease agreement, the company provided a deposit of £31 thousand (ILS 132 thousand). After the reporting period, the deposit was released, and the amount returned to the KNR.

During 2023, KNR recognised depreciation expenses of £51 thousand (2022: £47 thousand) as well as financing expenses of £18 thousand (2022: £24 thousand). The annual interest rate for capitalisation that was applied for the purpose of calculating the obligation at the start of the lease was 7.5%.

On 22 October 2023, KNR signed an agreement to cancel the remainder of the lease period (from 1 January 2024, onwards) for its offices. Accordingly, KNR deducted the balance of the right-of-use asset and the balance of the liabilities for the lease and recognised the profit of about £20 thousand presented under 'Other expenses/(gains)' in the profit and loss.

Set out below are the carrying amounts of the right-of-use asset recognised and the movements during the period:

	2023	2022
	£ 000	£ 000
As at 1 January	282	-
Additions	-	327
Depreciation expense	(51)	(47)
Disposal	(231)	-
Exchange differences	-	2
As at 31 December	-	282

Notes to the Financial Statements (*cont.*)

31. Leases (*cont.*)

Set out below are the carrying amounts of the lease liability (included under interest-bearing loans and borrowings) and the movements during the period:

	2023	2022
	£ 000	£ 000
As at 1 January	298	-
Additions	-	327
Accretion of interest	18	24
Disposal	(251)	-
Payments	(62)	(57)
Effect of movement on the exchange rate	(3)	4
As at 31 December	-	298
<i>Current</i>	-	65
<i>Non-current</i>	-	233

32. Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees on policies for managing each of these risks, which are summarised over the next pages.

Notes to the Financial Statements (cont.)

32. Financial instruments risk management objectives and policies (cont.)

The following table sets out the categories of financial instruments held by the Group as at 31 December 2023 and 31 December 2022:

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
Financial assets				
<u>Financial assets held at amortised cost</u>				
Intercompany receivables	-	-	4,941	4,289
Trade receivables	20	43	1	35
Long term deposit	-	31	-	-
Short-term deposits	1,529	24	1,001	-
Cash and cash equivalents	1,681	3,204	1,137	937
<u>Financial assets held at fair value</u>				
Financial asset through profit or loss	-	491	-	491
Total financial assets	3,230	3,793	7,080	5,752
<i>Current</i>	<i>3,230</i>	<i>3,762</i>	<i>7,080</i>	<i>5,752</i>
<i>Non-current</i>	<i>-</i>	<i>31</i>	<i>-</i>	<i>-</i>

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
Financial liabilities				
<u>Financial liabilities held at amortised cost</u>				
Trade payables	163	153	9	79
Other payables	414	1,147	270	905
Interest-bearing loan and borrowings	272	707	-	-
Total financial liabilities	849	2,007	279	984
<i>Current</i>	<i>710</i>	<i>1,498</i>	<i>279</i>	<i>984</i>
<i>Non-current</i>	<i>139</i>	<i>509</i>	<i>-</i>	<i>-</i>

Notes to the Financial Statements *(cont.)*

32. Financial instruments risk management objectives and policies *(cont.)*

Market risk

Market risk 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 other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and based on the hedge designations in place at 31 December 2023.

The analyses exclude the impact of movements in market variables on the carrying values of provisions, and the non-financial assets and liabilities of foreign operations. The Group is not materially exposed to market risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's doesn't exposure to the risk of changes in market interest rates.

The Group is not materially exposed to interest rate risk because it does not have any funds at floating interest rates; all the Group borrowings are at fixed interest rates.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure 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 operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group doesn't hedge its exposure to fluctuations in the translation into the British Pound of its foreign operations.

The Directors do not believe that the Group has a material exposure to foreign currency risk.

Notes to the Financial Statements (cont.)

32. Financial instruments risk management objectives and policies (cont.)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's maximum exposure to credit risk in relation to each class of recognised asset is the carrying amount of those assets as indicated in the balance sheet. At the reporting date, there was no significant concentration of credit risk. Receivables at the year-end were not past due and the Directors consider there to be no significant credit risk arising from these receivables.

Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

Cash flow working capital forecasting is performed for regular reporting to the Directors. The Directors monitor these reports and forecasts to ensure the Group has sufficient cash to meet its operational needs.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2023

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Interest-bearing loans and borrowings	-	-	133	133	6	272
Trade payables	163	-	-	-	-	163
Other payables	414	-	-	-	-	414
Total	577	-	133	133	6	849

Year ended 31 December 2022

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Interest-bearing loans and borrowings	-	-	133	267	9	409
Lease liability	-	11	36	251	-	298
Trade payables	153	-	-	-	-	153
Other payables	1,147	-	-	-	-	1,147
Total	1,300	11	169	518	9	2,007

Notes to the Financial Statements (*cont.*)

32. Financial instruments risk management objectives and policies (*cont.*)

Capital risk management

The Company defines capital based on the total equity of the Company. The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

To maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt in the future.

33. Related party transactions

The Group is headed by Kanabo Group Plc, the ultimate parent entity. There is no ultimate controlling party. The Directors have determined that there is no controlling party as no individual shareholder holds a controlling interest in the Company. A controlling party is defined as a shareholder who holds more than 25% ownership of shares in the Company.

Key management personnel compensation

For the details of the Directors' remuneration in 2023 and 2022, please see the Director's Remuneration Report on the Annual Report.

The amounts outstanding at the period end due to Non-Executive Directors was £nil (2022: £nil).

Trading transactions

During the year, Group companies did not enter any transactions with related parties who are not members of the Group.

Transactions with Group undertaking

	2023	2022
	£ 000	£ 000
With Kanabo Research Ltd:		
Purchase of services	176	729
Total	176	729

Sales to and purchases from the Group undertaking were carried out on commercial terms and conditions based on the transfer price work.

Notes to the Financial Statements (cont.)

34. Employees

The monthly average number of employees in the Group was 17 (2022: 20), which excludes Non-Executive Directors, subcontractors in Sri Lanka and portion allocation between the different departments.

	Group		Company	
	2023	2022	2023	2022
	Number	Number	Number	Number
Research and development	1	2	-	-
Sales and marketing	3	3	1	-
General and administration	13	15	2	2
Total number of employees	17	20	3	2

Their aggregate remuneration, including the Executive Directors' remuneration, comprised:

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
Wages and salaries	924	1,345	284	116
Pension	66	51	13	6
Social security costs	85	113	40	18
Share-based payment	59	783	43	17
Total number of employees	1,134	2,292	380	157

Notes to the Financial Statements (*cont.*)

35. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

No amendments to IFRS or new IFRS standards effective for periods on or after 1.1.2023 had any impact on the Group or Company

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Notes to the Financial Statements (cont.)

36. Reconciliation of liabilities from financing activities

Year ended 31 December 2023

			Non-cash changes			
	1 January 2023	Financing cash	Acquisition of subsidiary	New lease	Lease termination	31 December 2023
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Interest-bearing loan (note 29)	400	(134)	-	-	-	266
Lease liability (note 31)	298	(47)	-	-	(251)	-
Loans from third parties (note 29)	9	(3)	-	-	-	6
Total	707	(184)		-	(251)	272

Year ended 31 December 2022

			Non-cash changes			
	1 January 2022	Financing cash	Acquisition of subsidiary	New lease	Lease termination	31 December 2022
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Interest-bearing loan (note 29)	-	(100)	500	-	-	400
Lease liability (note 31)	-	(29)	-	327	-	298
Loans from third parties (note 29)	-	9	-	-	-	9
Total	-	(120)	500	327	-	707

37. Copies of the Annual Report

Copies of the Annual Report are available on the Company's website at www.kanabogroup.com and from the Company's registered office Churchill House, 137-139 Brent Street, London, NW4 4DJ, United Kingdom.
