THERAPIX
BIOSCIENCES

Therapix Biosciences Ltd.

Annual Report | 2014

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As of the report date, Therapix Biosciences Ltd. ("the Company") is a "small corporation" in accordance with the conditions stipulated in Regulation 5c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 ("the Regulations"). According to the decision of the Company's Board, the Company adopts and applies (to the extent that such application is relevant or irrelevant to the Company) several exemptions prescribed in the Regulations as follows:

1. **Increasing the materiality threshold in connection with the attachment of valuations to 20%[1];**
2. **Increasing the minimum requirement for attachment of financial statements of material associates to interim financial statements to 40% (the materiality threshold for attaching annual financial statements is (remains) 20%[2];**
3. **Exemption from adopting the provisions of the Second Addendum to the Regulations regarding (details of the exposure to market risks and their management (the Galai Report))[3];**
4. **Cancelling the duty to issue a report on internal control and an auditors' report on internal control thereby allowing the Company to attach only letters of representation that are limited in scope[4].**

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1 Regulation 5d(b)(1) to the Regulations. Pursuant to the ISA Staff legal resolution SLB 105-23, as updated on March 13, 2014, regarding parameters for testing the materiality of valuations, "**a very material valuation in a small corporation**" is defined as a valuation:
   (a) whose subject matter represents at least 20% of the Company's total assets; **or**
   (b) whose effect of the change in value on the net income or comprehensive income, as applicable, represents at least 20% of total net income or comprehensive income, respectively, **and** the effect of said change represents at least 10% of the Corporation's equity.

2 Regulation 5d(b)(2) to the Regulations.

3 Regulation 5d(b)(3) to the Regulations.

4 Regulation 5d(b)(4) to the Regulations.

Therapix Biosciences Ltd.

Chapter A - Description of the Corporation's Business

We are hereby pleased to present a description of Therapix Biosciences Ltd. ("**the Company**") and its subsidiaries (collectively - "**the Group**") and the developments in the Group's business in the reporting period and as of the date of this report in conformity with the Regulations.

Therapix Biosciences Ltd.

Date: March 29, 2015

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Description of the Corporation's Business

Chapter A - Description of the Corporation's Business

Since the Company is engaged in the research and development of medical products and in view of the uncertainty involving the successful development of any of the Company's technologies and/or the ability to quickly enter the relevant market, in the event of unsuccessful development of any of the Company's technologies and/or failure to obtain the required approvals from the relevant regulatory authorities for marketing and selling any of the above technologies and/or introducing them in the relevant market, the Company's investment in the development of any of the above technologies may be lost. Moreover, as an R&D company, the Company is required to raise capital to create permanent positive cash flows from the sale of its technologies in order to finance its expenses and is at a risk of not being able to raise the funds needed for its continued R&D activities. See also Note 1c to the financial statements.

This chapter includes estimates, forecasts and evaluations whose materialization is uncertain and not under the control of the Company. In view of the nature of the Company's business activities, there is a risk underlying the Company's expectations and forecasts regarding its activities. Given the Company's line of business, it wishes to stress that there is no certainty that the Company will be successful in developing and/or commercializing and/or achieving significant sales of its various developed products and might not be able to obtain the financing needed for the continued development of its various technologies and/or might not obtain certain or any of the approvals for its products and/or might not be able to market them as scheduled or at all. Moreover, the Company cannot guarantee whether or to what extent certain results will occur as anticipated and/or projected by the Company and/or that it will be able to raise capital for continuing to promote its research and/or development activities of its invested and/or owned technologies. See also Note 1a to the financial statements.

Definitions

For convenience sake, following is a glossary of the main terms used in this chapter:

ADR (American Depository Receipt)	- A negotiable security that represents securities of a non-U.S. company that trades in the U.S. financial markets.
Anti CD3	- The Company's immunotherapy technology (licensed from Hadasit) that employs a monoclonal antibody administered orally or nasally for treating autoimmune disorders (CD3). See details of this technology in paragraph 8 below. For details of the licensing agreement, see paragraph 18 below.
Cannabinoids	- A class of diverse chemical compounds that act on cannabinoid receptors in the body (CB1 and CB2).
Clinical trial	- A trial that is conducted on humans and is designed to test the efficacy or safety of drugs and medical devices.
Dollar	- The US Dollar.
EMEA (European Medicines Agency)	- The European authority that controls and regulates pharmaceutical development and registration in Europe.
Endocannabinoids	- Molecules of the cannabinoid family which are naturally produced in the body of humans and animals such as AEA and 2-AG.
Entourage effect	A technology (licensed to the Company by virtue of a binding term sheet) for treating chronic pain and inflammation using cannabinoid analogs, see details of this technology in paragraph 8 below. For details of the binding term sheet signed with Dekel, see paragraph 18 below.
FDA (Food and Drug Administration)	- The authority in the United States that controls and regulates pharmaceutical development and registration in the US.
GMPs (Good Manufacturing Practices)	- Part of the quality system that controls manufacturing and reviews the pharmaceutical, food and medical device industry. GMPs are the guidelines for manufacturing and testing stages that affect the quality of the end product. GMPs are designed to assure the quality of the medical product in order to protect the health of the end consumer.
Hadasit	- Hadasit Medical Research Services & Development Ltd., the Technology Transfer Company of Hadassah University Hospitals.
Immunotherapy	- Treatment method used to achieve the desired effect by activating the immune system.
Lara-Pharm	- Lara-Pharm Therapeutics Ltd. a private company incorporated in Israel.
Medical device	- A device, instrument, accessory or substance used for medical treatment or diagnosis of humans that does not act as a drug.
NIS	- New Israeli Shekel.
Orimmune	- Orimmune Bio Ltd. (formerly: Protea Vaccine Technologies Ltd.), a private company incorporated under the laws of the State of Israel.

OTC (Over-the-Counter)	- Over-the-Counter trading of securities in the United States where the Company's ADRs are listed for trade.
PCT	- International convention that defines an identical process to protect intellectual property rights in a large number of countries.
Phase I clinical trial	- Controlled clinical trial on humans that is designed to test the safety of a drug or medical device. In many cases, Phase I clinical trials are conducted on healthy volunteers.
Phase II clinical trial	- Controlled clinical trial on humans that is designed to test the safety and efficacy of a new drug on patients. This trial is sometimes divided into two sub-phases: Phase IIa and Phase IIb. Phase IIa is specifically designed to test the required dosage and Phase IIb is designed to obtain information regarding efficacy.
Phytocannabinoids	- Molecules of the cannabinoid family that occur naturally in the cannabis plant, the most known of which are THC and CBD.
Preclinical trial	- A trial that is not conducted on human subjects.
The balance sheet date	- December 31, 2014.
The Chief Scientist	- The Chief Scientist at the Ministry of Economy.
The Companies Law	- The Companies Law, 1999, as will be amended from time to time.
The Company	- Therapix Biosciences Ltd.
The Financial Statement Regulations	- The Securities Regulations (Annual Financial Statements), 2010.
The financial statements	- The Company's audited annual consolidated financial statements as of December 31, 2014 which are hereby attached to this report.
The Group	- The Company and the subsidiary.
The ISA	- The Israel Securities Authority.
The previous annual report	- The Company's periodic report for 2013 issued on March 27, 2014 (TASE reference: 2014-01-026091).
The report date	- March 29, 2015.
The reporting period	- The 12-month period ended December 31, 2014.
The Reporting Regulations	- The Securities Regulations (Periodic and Immediate Reports), 1970.
The Securities Law	- The Securities Law, 1968, as will be amended from time to time.
The subsidiary	- Orimmune.
The TASE	- The Tel-Aviv Stock Exchange Ltd.

The various descriptions of the Company's activities may include data that are based on surveys, studies and/or essays. The Company is not responsible for the contents of those surveys, studies and/or essays.

Chapter A (the Description of the Corporation's Business) to the periodic report should be read in conjunction with the other parts of the periodic report, including the notes to the financial statements.

1. The Corporation's activities and description of its business development

The Company was incorporated in Israel on August 23, 2004 as a private company in compliance with the Companies Law under the name of NasVax Ltd. On December 26, 2005, the Company's securities began trading on the TASE. On November 14, 2013, the Company's name was changed to its current name, Therapix Biosciences Ltd.

Until March 2014, the Company was mainly engaged in the development of several innovative immunotherapy products and owned immunotherapy related patents. For details of the Company's intangible assets, see paragraph 12 below.

In the context of a planned internal restructuring in the Company, in the course of 2013 until the beginning of 2014[5] the Company took steps to structurally separate its activities by March 2014 by transferring the Anti CD3 project to Orimmune as part of the investment of Acebright Holding Limited ("**Acebright**"), a Chinese corporation which on the report date was an interested party in the Company by virtue of its ownership interests therein. See details of the agreement of Acebright's investment in the Company in paragraph 18 below. As of the report date, the Anti CD3 technology has not yet been transferred to Orimmune. The Company continued to promote both the scientific and the business development aspects of the Anti CD3 technology by seeking strategic partners and/or investors.

The Company's business strategy

In late March 2014, the Company reported its new business strategy according to which it will focus on identifying and investing in promising bio-pharma technologies while emphasizing technologies based on a known biological mechanism that are in the post-proof of concept stage and provide responses for major medical needs in the market and involve investing up to US$ 2 million for achieving a significant milestone. The Company's objective is to use its capabilities and experience in developing immunotherapy technologies in order to help these technologies in achieving a significant milestone within a relatively short timeframe (a few years) in a manner that will allow their commercialization and/or the introduction of strategic partners, all while continuing to promote the Company's existing technologies[6].

The Company's investment strategy is based on the following parameters[7]: (1) building an investment portfolio of 2-5 technological companies; (2) providing solutions for major medical needs that are currently unavailable; (3) choosing portfolio companies whose technology is past the proof of concept stage; (4) choosing portfolio companies with proven and familiar method of operation; (5) achieving a significant milestone through an investment of up to US$ 2 million; (6) achieving significant returns; (7) carrying the investment over a limited number of years based on predetermined milestones)to minimize risks).

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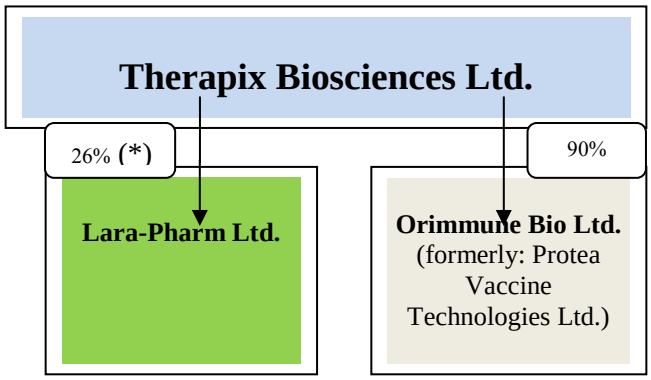
5 See the Company's immediate report of March 17, 2013 (TASE reference: 2013-01-006508).

6 See the Company's immediate report of March 30, 2014 (TASE reference: 2014-01-029448).

7 See the Company's presentation for the capital market in the Company's immediate report of May 8, 2014 (TASE reference: 2014-01-059022).

Simultaneously, the Company's Board decided on a restructuring of the boards of the Company and its subsidiary in order to improve its operations. In the context of this restructuring, several directors in the Company terminated their tenure, an (acting) Chairman of the Board was appointed as well as a VP of Business Development and Strategy and a new external director (to replace the external director who resigned). Also, in the second half of 2014, following a recruitment process, the Company appointed a permanent CEO for the Company to replace the former CEO who retired[8].

The Group's holding structure on the report date[9]



(*) It should be noted that according to the terms of the agreement signed with Lara-Pharm, the Company's interests in Lara-Pharm (26%) will be reduced if the Company fails to deliver the remaining payments on the predetermined dates pro rata to the amounts that will be delivered. As stated above, as of the report date, only the first payment (of US$ 250 thousand) has been made whereas the other due payments (in an aggregate of US$ 550 thousand) have not yet made to Lara-Pharm based on the terms of the agreement (which does not represent a violation of the agreement). **However**, according to the agreement, Lara-Pharm has the right to reduce (forfeit) the Company's interests in its shares pro rata to the amounts that will be paid in such a manner that if Lara-Pharm exercises such right, the Company's interests will be reduced to 11% only. Moreover, Lara-Pharm has a bring-along right to obligate the Company to sell its entire interests in the event that Lara-Pharm forfeits the Company's shares as discussed above in order to sell them to a third party. See information of the agreement with Lara-Pharm in paragraph 18 below.

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8 See the Company's immediate reports of April 6, 2014 (TASE reference: 2014-01-038910), March 30, 2014 (TASE reference: 2014-01-029475), March 30, 2014 (TASE reference: 2014-01-029466), January 9, 2014 (TASE reference: 2014-01-010213), January 9, 2014 (TASE reference: 2014-01-009880), March 30, 2014 (TASE reference: 2014-01-029448), April 8, 2014 (TASE reference: 2014-01-042225), August 24, 2014 (TASE reference: 2014-01-140232) and July 13, 2014 (TASE reference: 2014-01-112740). Regarding the appointment of the Company's CEO, see the Company's immediate report of September 23, 2014 (TASE reference: 2014-01-163011). For details of the CEO's employment terms which are pending the approval of the Company's shareholders' meeting, see the Company's immediate report of March 15, 2014 (TASE reference: 2014-01-050611).

9 The Company also has interests in wholly-owned subsidiaries which are inactive as of the report date (Brain Bright Ltd. and NasVax Inc.).

2. The areas of activity

As discussed above, starting from the second quarter of 2014, the Company has been acting to identify and invest in promising bio-pharma technologies while emphasizing technologies based on a known biological mechanism that are in the post-proof of concept stage and provide solutions for major medical needs in the market and involve investing up to US$ 2 million for achieving a significant milestone.

As of the report date, the Company is focusing on creating a portfolio of technologies and assets based on cannabinoid therapeutics. The Company is also continuing to promote its Anti CD3 project from both a commercial and a scientific perspective.

The technologies in which the Company has invested or in which the Company has interests as of the report date

2.1 Lara-Pharm

See details of the agreement for the investment in Lara-Pharm in paragraph 18 below. See details of Lara-Pharm's technology in paragraph 8 below.

2.2 A term sheet regarding the entourage effect (the Dekel agreement)

On January 11, 2015, the Company's Board approved the signing of a binding term sheet with Dekel Pharmaceuticals Ltd. ("**Dekel**", collectively with the Company - "**the parties**"). The term sheet provides the principles of a final and specific agreement for licensing Dekel's technology and IP including an option for Dekel to invest in the Company (by itself and/or through others) ("**the approved outline**"). The approved outline, which is subject to the approval of the Company's relevant entities, is a combined outline which sets forth terms for licensing Dekel's technology and for Dekel's capital investment in the Company (by itself and/or through others). The purpose of the engagement between the parties is to allow the Company to develop Dekel's technology under a final and specific license agreement and simultaneously raise the capital it needs. See more details of the agreement in paragraph 18 below.

2.3 The Anti CD3 technology

The Company received a license from Hadasit for the Anti CD3 technology. See details in paragraph 18 below.

3. The investments in the Company's capital and transactions in its shares

Following are details of the investments in the Company's capital and other material share transactions carried out by interested parties in the Company in the two years before the report date:

3.1 Private placement agreement of January 2013

According to a private placement agreement the Company signed with Dr. Ascher Shmulewitz and Mr. Avi Meizler (who both serve as directors in the Company as of the report date) (or companies controlled by them), the two will invest in the Company a cumulative amount of NIS 4,000 thousand in equal parts against the allocation of shares that will confer each of them (on the date of allocation) 22.78% of the Company's equity and voting rights. On February 19, 2013, the Company allocated to Dr. Ascher Shmulewitz and Mr. Avi Meizler 25,000,000 Ordinary shares of the Company pursuant to the above agreement. On April 3, 2013, the Company allocated Dr. Ascher Shmulewitz and Mr. Avi Meizler another 7,500,000 shares of the Company[10].

3.2 Private placement agreement of May 2013

According to a private placement agreement signed with an investor, the Company will allocate the investor 4,000,000 Ordinary shares which will confer it, immediately upon allocation, about 4.23% of the Company's issued and outstanding share capital and voting rights (about 3.76% on a fully diluted basis) at a price of NIS 0.1 per share and a total of NIS 400 thousand. On June 6, 2013, the Company allocated the investor 4,000,000 Ordinary shares of the Company[11].

3.3 Public offering

On July 18, 2013, the Company issued 35,937,500 Ordinary shares of the Company and 89,843,750 options (series 2) of the Company based on a shelf prospectus of August 8, 2012 and a shelf offering report of July 17, 2013[12].

3.4 Engagement in agreements with Acebright[13]

On December 25, 2013, the Company issued Acebright 10,507,500 Ordinary shares of the Company and 18,500,000 options that are exercisable into 18,500,000 shares of the Company[14]. See details of the Chinese investor's investment in the Company's share capital and a (non-binding) term sheet for the commercialization of the Company's Anti CD3 technology which was not executed in paragraph 18 below.

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10 See details in the Company's immediate reports of February 3, 2013 (TASE reference: 2013-01-028422), February 11, 2013 (TASE reference: 2013-01-035217) and March 24, 2013 (TASE reference: 2013-01-017665).

11 See also the Company's immediate report of May 7, 2013 (TASE reference: 2013-01-055765).

12 See details in the Company's immediate report of July 18, 2013 (TASE reference: 2013-01-095940).

13 It should be clarified that as of the report date, Acebright is an interested party in the Company by virtue of its holdings pursuant to the investment agreement.

14 See details in the Company's immediate reports of September 3, 2013 (TASE reference: 2013-01-136041), October 6, 2013 (TASE reference: 2013-01-104890) and December 25, 2013 (TASE reference: 2013-01-108562).

3.5 On January 12, 2014, the Company completed a process of capital consolidation of its shares according to which each 10 Ordinary shares of NIS 0.01 par value of the Company's authorized and issued share capital were consolidated to a single share of NIS 0.01 par value of the Company[15].

3.6 On May 8, 2014, the Company issued a shelf offering report[16] by way of uniform unit price auction to the public (each unit consisting of 100 shares, 100 options (series 3) and 100 options (series 4)) and on the same date the Company completed a capital raising of 30,094 units (at the predetermined price of NIS 95 per share). In the offering, the Company raised a (gross) total of approximately NIS 2.86 million[17]. The proceeds were designed to promote the investment in a related company, investigate new projects and expand the portfolio, promote the Company's existing technologies and finance its operating activities, all based on the Board's resolutions as they will be from time to time. On May 15, 2014, pursuant to a shelf offering report, the Company issued 406,269 options (series 4) in a private placement to resellers as part of their commission[18].

3.7 On December 21, 2014, the Company issued 1,300,000 Ordinary shares of the Company and 2,600,000 options of the Company to three private investors at a price of NIS 0.5 per share and an exercise price of NIS 0.5 per option that vests immediately and NIS 0.65 per contingent option allocated according to the investment agreement[19].

3.8 On March 15, 2015, the Company issued 500,000 Ordinary shares of the Company and 1,000,000 options of the Company to two private investors (one of whom participated in the private placement described in paragraph 3.7 above) at a price of NIS 0.5 per share and an exercise price of NIS 0.65 per option that vests immediately and NIS 1.1 per contingent option allocated according to the investment agreement[20].

3.9 On March 30, 2015, the Company entered into an investment agreement according to which it will allocate a private investor 4,400,000 Ordinary shares of the Company at a price of NIS 0.5 per share in consideration of NIS 2.2 million[21].

3.10 On January 20, 2015, the Company issued 10,875 Ordinary shares of the Company to the holder of options (series 2) who had already exercised the options. As of the report date, the options (series 2) all expired[22].

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15 See details in the Company's immediate reports of January 1, 2014 (TASE reference: 2014-01-001165), January 2, 2014 (TASE reference: 2014-01-003034) and January 13, 2014 (TASE reference: 2014-01-014011).

16 For details of the Company's shelf offering report, see the Company's immediate report of May 8, 2014 (TASE reference: 2014-01-059028).

17 For details of the results of the offering, see the Company's immediate report of May 8, 2014 (TASE reference: 2014-01-059742).

18 For details, see the Company's immediate report of May 15, 2014 (TASE reference: 2014-01-064788).

19 For details, see the Company's immediate report of December 21, 2014 (TASE reference: 2014-01-226122) and an immediate report on the extension of the vesting date of the options that vest immediately of March 15, 2015 (TASE reference: 2015-01-050608).

20 For details, see the Company's immediate report of March 15, 2015 (TASE references: 2015-01-051154 and 2015-01-051157).

21 For details, see the Company's immediate report of March 30, 2015 (TASE reference: 2015-01-065656).

22 For details, see the Company's immediate report of January 20, 2015 (TASE references: 2015-01-015346 and 2015-01-022720).

3.11 The following table presents information of private placements made by the Company from the beginning of 2013 through the report date (see also allocations to officers in paragraph 13 below):

Type of optionee	Date of allocation	Type of security	Quantity	No. of optionees	Consideration		Company value after the money derived from the allocation (if relevant) NIS in thousands
					Consideration in cash	Other consideration	
Private investors	02/2013	Shares	25,000,000	2	2,500,000	---	9,212
Investor	03/2013	Shares	4,000,000	1	400,000	---	10,093
Chinese investor (Acebright)	12/2013	Shares	10,507,500	1	1,569,600	---	19,459
	12/2013	Options	18,500,000	1		---	---
Private investors	12/2014	Shares	1,300,000	3	650,000	---	8,560
	12/2014	Options	2,600,000			---	
Private investors	2/2015	Shares	500,000	2	250,000	---	9,210
		Shares	1,000,000			---	
Private investor	3/2015	Shares	4,400,000	1	2,200,000	---	12,222

3.12 Listing the Company's ADRs OTC in the US

As part of the Company's plan to enhance the accessibility of foreign investors to the Company's activities and in keeping with its new business strategy, in early October 2014, the Company completed the process of listing its Level 1 ADRs on the OTCQB in the US. As of the report date, each ADR is comprised of 20 Ordinary shares of the Company which are traded OTC in the US under the symbol of THXBY[23].

4. Dividend distribution

Since its establishment, the Company has not distributed any dividends to its shareholders.

5. Financial information on the Company's areas of activity

See details of the Company's financial results and balance sheets in the financial statements hereby attached to this report. See explanations of developments in the financial data in connection with the Company's areas of activity, including adjustments to certain amounts in the financial statements and their nature in the Report of the Board of Directors in Chapter B to the periodic report.

23 See the Company's immediate reports of May 28, 2014 (TASE reference: 2014-01-075777) and July 20, 2014 (TASE reference: 2014-01-117225). See also link to the OTCQB's website at http://www.otcmarkets.com/stock/THXBY/quote.

6. The general environment and the effect of outside factors on the Company's operations

The Company's business opportunities and the risks underlying its operations mainly arise from general, industrial and specific factors that are characteristic of the Company's operations as detailed in paragraph 23 below. Nevertheless, there are certain macroeconomic factors that are liable to affect the Company's operations as follows:

6.1 Developments in global markets

6.1.1 The global economy - global economy recorded a growth of 2.6% in 2014 compared with a growth of 2.5% in 2013. Among others, this growth arises from the significant recovery in the US and UK markets against the slower recovery in the Eurozone countries and Japan and the controlled slowdown in the Chinese economy. The World Bank's expected global growth for 2015 is 3% with the continuing problems in the Eurozone and in the emerging markets overshadowing the recovery in the US economy and the plunge in oil prices. The World Bank's growth forecast for high-income economies in 2015-2017 is 2.2%, compared with only 1.8% in 2014. As for developing economies, the World Bank expects growth acceleration from 4.4% in 2014 to an estimated 4.8% in 2015 and 5.4% by 2017.

6.1.2 Israeli economy - the local economy has grown in 2014 by 2.6% and the Bank of Israel expects this growth to accelerate to 3.2% in 2015 and 3% in 2016. This growth rate represents a slowdown compared to the 3.3% growth rate in 2013. The slowdown in the growth rate probably arises from the continued global recession which leads to reduced demands for Israeli products.

6.1.3 The impact of the global and local economies on the Company's business strategy - the developments in global markets are liable to affect the implementation of the Company's strategy. The future technologies that are planned to be integrated in the Company's activities might come from companies in need of external financial resources. These developments could affect both the Company's ability to finance the current operations of the technology companies and/or the continued development of their technologies and the ability of those companies to raise fund for their current operations. In the event that such financing is not obtained, the companies might discontinue their operations, which will impair the Company's return on its investments, its business results, its equity and the value of its assets and their divestiture.

6.1.4 The effect of the economy and financial position on the development of medical products:

a) Recession will lead to reduced demands for purchasing new technologies and products in struggling markets and to a decline in the prices which buyers will be willing to pay for such technologies and products, all of which will impair the Company's profits and business results.

b) Some of the Company's technologies require regulatory approvals for the sale of the underlying products in Europe and in other markets. The current financial crisis in several markets is likely to adversely affect the Company's ability to market its products in these markets and/or the time to market of these technologies.

c) Economic crises in emerging markets might affect the Company's ability to achieve its business development targets in these countries and/or by investors in these markets.

d) For the purpose of the continued research and/or development of the Company's invested and/or owned technologies and/or for the purpose of the continued investment in additional/innovative technologies based on the Company's strategy, the Company is required to raise significant amounts of capital. Any slowdown in global and/or local economy and/or negative trends in the field of investments in life sciences are liable to have an adverse effect on the Company's ability to raise significant amounts as stated above under reasonable and/or any terms.

6.1.5 Merger of operations of companies in the area of activity - in recent years, the global markets in which the Company operates have been experiencing a process of mergers of companies operating in this industry. On the one hand, this trend obligated large companies to identify and purchase products under development that have high marketing potential and/or companies that develop attractive products and on the other hand, the trend led to the birth of large business rivals in the industry. With the advancement of clinical trials, pharmaceutical companies tend to enter into license or collaboration agreements for manufacturing, marketing and commercializing their products.

6.2 Exchange rate fluctuations - the Company's financial results could be affected in the future by fluctuations in the exchange rates of the currencies in the countries in which its products will be marketed, if at all.

6.3 Israeli identity - the sale of the Company's technologies might be affected by Israel's international status. In some cases, the Israeli identity contributes to sales (in view of the recognition of Israel's technological advantages) whereas in other cases it may prove to be a hindrance and might even lead to cancellation of transactions. As of the report date, the Company is not aware of any event in which the Company's Israeli identity affected a buyer's considerations.

6.4 The political-security situation - the Middle East has been experiencing strong political instability in recent years. As of the report date, the Company is unable to estimate the impact of the recent political and social turmoil on the global economy but it is likely that these political tumults will affect the financial markets and the prices of commodities and natural resources worldwide.

6.5 OTC trade in the US - the OTC trading of the Company's Level 1 ADRs in the US is likely to expose the Company and its technologies to a larger public of investors but also to greater responsibility towards those investors.

7. General information about the areas of activity

The Company's principal areas of activity as of the report date are as follows:

- Immunotherapy, particularly through the Anti CD3 technology.
- Development of cannabinoid-based and related drugs.

7.1 The structure of the Company's areas of activity and changes therein

See details of the implications of the structure of the Company's areas of activity and the changes therein arising from certain trends, events and developments in the Company's macroeconomic environment in paragraph 6 above.

7.2 Specific limitations, legislations, regulations and restrictions applicable to the Company's activities

See details of restrictions and supervision imposed on the Company's activities in paragraph 18 below.

7.3 Developments in the markets of the Company's areas of activity and changes in the composition of customers

The Company is of the opinion that the prominent trends and indicators underlying its technologies as of the report date are as follows:

- High growth rate compared to other segments in the pharmaceutical industry;
- Massive growth in investments by large manufacturers, financial investors, non-profit organizations and governments;
- Proliferation of licensing, collaboration, merger and acquisition transactions.

The Company estimates that as of the report date, the medical world is in need of new medications designed for the populations of patients which are addressed by the Company's technologies.

The medicinal cannabis market

The medicinal cannabis market is an important and evolving segment in global medical therapy. The growing awareness of the medicinal benefits of the active cannabinoids in the plant and its use for improving the quality of life of patients with numerous and diverse indications (oncological patients, chronic pain conditions etc.) as well as the global trends of regulatory changes relating to the use of the plant and of cannabinoids have all led to a rapid growth in this market. The recent changes in the perception of medicinal cannabis and the scientific and medical acknowledgement of its benefits have created a growing need for more efficient drugs with an improved tolerance profile. The market for medicinal cannabis (and its medical substitutes) is estimated at approximately US$ 2 billion a year in the US alone[24] and is expected to continue showing a significant growth in the coming years. The main disadvantages of the use of the plant stem from the lack of uniformity in the dosage of the cannabinoids in each portion which are liable to materially affect its therapeutic effect and create side effects. Another disadvantage if the method of administration of the cannabis since smoking it is not necessarily suitable for all patients. In addition to the use of cannabis for medical needs, there are several medical products that are based on cannabinoids (botanical or synthetic). These products have specific benefits such as uniform dosage, predefined efficacy and safety profile and controlled manufacturing processes. The Company focuses on improving these medical products to make them more efficient and safer and obtain a share of the medicinal cannabis market for a variety of therapeutic indications.

The Company estimates that the principal risks underlying the medicinal cannabis activity at this stage are as follows:

(1) The ability to obtain regulatory approvals in a timely manner;
(2) The ability to deal with growing competition in the market and maintain a vanguard position in terms of technology and medical needs; and
(3) The ability to simultaneously retain the developed IP.

24 http://www.ibisworld.com/industry/medical-marijuana-growing.html, http://www.mpp.org/assets/pdfs/library/SeeChange_MedMarijuanaMkts.pdf.

The Anti CD3 technology

Immune system disorders include an increasingly long list of diseases that affect a significant percentage of the world's population, including acute inflammatory and autoimmune diseases, some of which cause severe disabilities or even death. These diseases include, inter alia, Non-Alcoholic Steatohepatitis (NASH), Type 2 Diabetes (T2D), Hepatitis C, colitis, lupus, atherosclerosis, multiple sclerosis, etc.

In general, the existing treatments for these diseases are unsatisfactory and generally require the use of drugs that suppress the entire immune system, which might potentially result in its collapse and increase the risk of acute inflammations and severe infections and cancerous tumors that might result in death. Recently developed innovative biological treatments might involve pain and discomfort. The method of operation of the Anti CD3 oral technology differs from that of other drugs. Subsequently, administration of a drug based on this technology may be independent or complement other treatments if administered concomitantly.

The immunotherapy market for NASH

The global market segment for immunotherapy and inflammatory diseases is estimated to be in the billions of dollars annually, and this number is expected to continue to increase with the growing adult population. Approximately 8 million adults in the US who suffer from obesity have fatty liver disease and approximately 30 million might contract this illness rather easily. Fatty liver disease occurs in approximately 2-5% of the population that does not suffer from obesity and in approximately 20% of the population that is morbidly obese[25]. Today, there are no drugs to treat fatty liver disease and NASH, the most serious condition of fatty liver disease, and patients are primarily treated with diabetes drugs in addition to other non-drug treatments (diet, sports). In 2012, the market in the six main markets was estimated at US$ 233 million, with an average annual growth rate of 42.2%. In 2017, this number is expected to reach US$ 1.3 billion annually[26]. To the best of the Company's knowledge, various treatments for this disease currently in development are based on technologies that materially differ from the Anti CD3 technology.

7.4 Critical success factors in the Company's operations and changes therein

There are several critical success factors that affect the Company's operations and success:

a. Completion of product development and successful completion of clinical trials in treatment in various indications.

b. Successful completion of pre-clinical trials to prove safety and efficacy in animals;

c. Obtaining regulatory approvals to market its products (see paragraph 18.2 below);

d. Contractual arrangements with entities (pharmaceutical manufacturers) that will work with the company to finance research and development and/or incorporation of the Company's technologies in their products;

25 See US government website – http://digestive.niddk.nih.gov/ddiseases/pubs/nash.

26 OpportunityAnalyzer: Nonalcoholic Steatohepatitis (NASH) - Opportunity Analysis and Forecasts to 2017 - Event-Driven Update, March 2014, GlobalData.

e. Development of other products based on technologies in the Company's possession;

f. Obtaining approvals for patent applications to protect intellectual property;

g. Contractual arrangements in agreements to commercially manufacture the products under competitive conditions;

h. Commercial manufacturing capacity for products developed by the company;

i. Ability to raise sufficient funds and financing for company operations, including research and development, protection of intellectual property, compliance with standards and obtaining approvals from the regulatory authorities, including by way of collaborations, development agreements with major manufactures, grants from the Chief Scientist, etc.

7.5 Changes in the supply and raw material system

See paragraph 14 below.

7.6 Main barriers to entry in the Company's areas of activity and changes therein

The Company's operations are largely based on licenses granted to it for use of intellectual property on which the products that the Company is developing is based. In addition, the Company is working to expand the technological base and products.

The following barriers to entry affect the Company's ability to enter its area of activity:

a. The existence of clinical, technological and business knowledge needed for developing the technologies in the Company's areas of activity;

b. The existence of knowledge of and acquaintance with regulatory and licensing mechanisms needed to comply with the standards of the relevant regulatory authorities pertaining to the manufacturing and marketing of the Company's products in various countries in which the Company chooses to market the products, once they reach the commercial stage;

c. Familiarity and experience with the required regulatory and approval mechanisms for clinical trials in order to obtain the approvals on time and within a relatively short period of time;

d. The existence of clinical, technological and scientific knowledge needed to plan clinical trials in a manner that will allow obtaining conclusive results and information to be obtained to the extent possible while reducing costs and conducting a relatively small number of clinical trials;

e. Familiarity with international pharmaceutical and vaccine manufacturers and access to these companies that would allow them the possibility of collaborating with regards to the Company's technologies;

f. Acquaintance with the companies, investigators and research institutions both in Israel and around the world needed to identify new, attractive technologies;

g. The ability to raise significant funds to promote research and development, protect intellectual property, comply with standards and obtain approvals from the regulatory authorities;

h. The knowledge underlying the licenses granted to the Company for its technologies that are detailed above, which constitutes patent-protected intellectual property and/or in patent applications.

7.7 Alternative products to the products being developed by the Company and changes therein

As for the immunotherapy segment, see paragraph 10 below.

As for cannabinoid-based therapy, the existing alternative products consist of using the cannabis plant for medicinal purposes as well as drugs that contain cannabinoids, as discussed in paragraph 10 below.

8. Technologies in which the Company has invested or has rights therein

8.1 General

The following table summarizes the main information regarding the Company's principal technologies:

Name of product in development	Disease/s for which the product is being developed	Advantages over existing therapies	Stage of development (status) as of the report date	Company rights in the product	Projected milestones over the next 12 months	Nearest milestone and milestone due date	Estimated cost for completing nearest milestone	Size and scale of annual funds of product's target market (in US dollars)[27]	Corporate assessment regarding start date for marketing the medical product under development	Corporate assessment regarding projected market share assuming marketing approval is obtained
Anti CD3 (antibody)	NASH	Change to oral administration (PO) of the antibody, which activates a unique mechanism of the immune system and causes the desired therapeutic effect. Prevents large-scale suppression of the immune system that occurs when the antibody is administered by injection.	Phase IIa clinical trial ended successfully in 2011[28]	Licensing agreement – See paragraph 18.3 below	Start of production of the humanized antibody, expansion of patent portfolio, manufacturing of capsules, preparation for clinical trial	First phase in transfer of humanized antibody for GMP manufacturing	US$ 1-2 million	The target market for NASH in 2017 is expected to total US$ 1.3 billion[29]. See paragraph 7 above	2020	2% in the first year and up to 25% in the fifth year
	Ulcerative colitis/IBD)		Phase IIa clinical trial began in 2014[30]		Start of production of the humanized antibody, expansion of patent portfolio, manufacturing of capsules, preparation for clinical trial	Termination of treatment of patients and conclusion of the trial half way through the year		Approximately US$ 3.6 billion in 2022[31]	2021	1% in the first year and up to 10% in the fifth year

27 Source of assessment listed in the report regarding size of potential market for its products is publications by entities outside the Company that the Company has reasonable grounds to believe are reliable (references to these publications are found in the footnotes to the table or in the footnotes to paragraph 7 to the report). For the most part, these publications assess the market size on later dates in 2013, but include, for the most part, the projected annual growth rate. In order to assess market size in 2013, the Company's calculation was based on projections from said publications for later years and from which the projected annual growth rate was deducted for 2013 and thereafter.

28 See the Company's immediate reports of August 22, 2010 (TASE reference: 2010-01-593637), September 12, 2010 (TASE reference: 2010-01-616743), March 21m 2011 (TASE reference: 2011-01-085731), August 7, 2011 (TASE reference: 2011-01-246567) and October 27, 2011 (TASE reference: 2011-01-309405). Regarding the results of the clinical trial, see the Company's immediate report of October 2, 2012 (TASE reference: 2012-01-246915).

29 OpportunityAnalyzer: Nonalcoholic Steatohepatitis (NASH) - Opportunity Analysis and Forecasts to 2017 - Event-Driven Update, March 2014, GlobalData.

30 See the Company's immediate report of May 14, 2018 (TASE reference: 2014-01-065805).

31 Decision Resources – Ulcerative colitis report, October 2013.

- In addition, as discussed above, the Company intends to consummate the Dekel transaction and license Dekel's technology to develop the medicinal cannabis segment. See details of the transaction for the purchase of shares of Lara-Pharm in paragraph 18 below.

- For details of the Anti CD3 clinical trial for the Hepatitis C indication and its results, see paragraph 8 to Chapter A to the previous annual report.

- It should be emphasized that the Anti CD3 technology's development stage, consisting of the successful Phase IIa clinical trial of the NASH indication and the beginning of the clinical trial for the ulcerative colitis indication, addresses the OKTS non-humanized antibody which originates from mice whose production has been discontinued. The Company estimates that in order to be able to continue the development of the drug based on this antibody (against CD3), the Company must continue the development (a process which was completed) and production of a humanized antibody that will require conducting Phase I clinical trials.

The information in the table above includes projections, assessments and estimates, which represent forward-looking information, as defined in the Securities Law, whose materialization is not guaranteed and whose materialization depends, inter alia, on factors that are outside the Company's control, such as developments in the treatment of diseases that the Company's developments were designed to treat, competitors' developments, position of the Company's business partners on various developments and their business and strategic decisions with regards to these developments, the ability to raise funds to conduct additional clinical trials and manufacture antibodies, the ability to enter contractual arrangements with adequate business partners, availability and willingness of patients to participate in clinical trials, clinical trial results, requirements of the medical institutions where the clinical trials will be conducted, acceptance of the Company's developments by the medical community, etc.

8.2 The Anti CD3 technology

Immunotherapy that uses orally administered anti CD3 monoclonal antibodies (alone or in combination with other molecules) for controlling the immune system. The commercial use of anti CD3 monoclonal antibodies IV for preventing transplant rejection was approved by the FDA back in 1986. One of the main limitations of this therapy is the significant side effects that arise from the non-selective widespread suppression of T-cells in the immune system. This technology is based on joint patents between Hadasit and the Harvard University Medical Center according to a license received by Hadasit for using these patents. The innovation in the Company's developed therapy based on the license received by Hadasit lies in the method of administration of the antibody - orally, which is expected to prevent the widespread immune suppression and allow treating various inflammatory and autoimmune diseases with the required safety. This technology was tested in clinical trials conducted by the Company. See a description of the technology and the Company's development process in paragraph 8 above and in paragraph 18 below. See details of an attempted business development of this technology with Chinese investors in paragraph 18 below.

The technology focuses on development of a unique immunotherapy of inflammatory and autoimmune diseases with a monoclonal antibody to CD3 that is administered orally (per os). The antibody affects lymphatic tissue in the lining of the digestive system by induction of regulatory T-cells that bind to the disease sites and suppress the activity of other T-cells that attack specific organs in the patient. In the first clinical trial, treatment successfully complied with the safety criteria and immunological changes were measured that might indicate the efficacy of the treatment in controlling and inhibiting inflammatory processes. In pre-clinical trials in accepted models of the disease, oral administration of the Anti CD3 antibodies was shown to prevent progression of the disease in a range of inflammatory and autoimmune diseases including jaundice related to the immune system, fatty liver (NASH), Type 1 diabetes, Type 2 diabetes, Multiple Sclerosis (MS) model, Lupus (SLE), ulcerative colitis (UC), prevention of graft versus host disease, psoriasis and atherosclerosis.

See more details of the next development stages of this technology and the required clinical trials in paragraph 8 to Chapter A to the previous annual report.

See the main details of the clinical trials conducted by the Company in the Anti CD3 technology in paragraph 11 to Chapter A to the previous annual report. See details of the license agreement with Hadasit in paragraph 19 below.

8.3 The entourage effect

Cannabinoids are a diverse group of chemical compounds that operate on specific receptors in the body (CB1 and CB2). This family includes molecules that are derived from the cannabis plant (phytocannabinoids) (the most known ones being THC and CBD) and molecules that are naturally produced in the human and animal body (endocannabinoids) (such as AEA and 2-AG). Dozens of molecules have been identified as part of the cannabinoid family. Cannabinoids participate in a large number of physiological processes and are used for treating a wide range of medical conditions. Cannabinoids have been proven as pain relievers and anti-inflammatory, prevent nausea and enhance appetite and are therefore widely used among cancer patients who undergo chemotherapy. Other uses include mental health and psychological conditions such as posttraumatic stress disorder and anxiety. These compounds were also found to be effective in treating epilepsy, Parkinson's, cancer and MS. In 1998, Prof. Raphael Mechoulam, Israel Prize laureate, described the "entourage effect" which explains how an allegedly inactive compound synergizes with an active cannabinoid. One of the most studied cannabinoids in entourage effect research is the palmitoylethanolamide (PEA), part of the endocannabinoid family derived from fatty acids. PEA has extensive pharmacological benefits such as relieving pain and inflammation. Despite being part of the endocannabinoid system, PEA does not bind to the CB1 and CB2 receptors. Dekel's entourage effect technology and knowhow consist of synergizing compounds like PEA with other cannabinoids and drug families such as opiates and steroids in order to increase the drug's effect thereby allowing the use of smaller doses and preventing undesired side effects. Several clinical trials have demonstrated the synergy between PEA and other painkillers such as opiates and anti-epileptic drugs that are given for neuropathic pain. When combined with opiates, PEA significantly mitigates the dependency on morphine and doubles the number of days of the drug's efficacy without causing dependency. Moreover, to the best of the Company's knowledge, Dekel has illustrated PEA-induced enhanced steroid activity, mainly when used dermatologically. This enhanced activity stems from the shared effect of the steroids and PEA on the target molecules. PEA's ability to intensify the cannabinoid system's activity has been described by Prof. Mechoulam. To the best of the Company's knowledge, Dekel is acting to synergize PEA with THC and create a new drug under an accelerated regulatory approval process to enhance THC medicinal effect. Such product will minimize the side effects relating to the use of these compounds. Combining PEA with phytocannabinoids (THC and CBD) will support the enhancement of the efficacy of the drugs based on these compounds for indications such as pain relief, nausea and vomiting in cancer patients.

8.4 Lara-Pharm's technology

Lara-Pharm develops cannabinoid-based prescription drugs as a medical product whose aim is to replace the use of medicinal cannabis for various indications. Based on this development, to the best of the Company's knowledge according to information obtained from Lara-Pharm, the first product in the series of products which Lara-Pharm plans to develop is synthetic cannabis in a proprietary formulation through an inhaler ("**the medical product**" or "**the inhaler**", as applicable) in order to serve as a medicinal alternative for medical marijuana. The inhaler is designed using a state-of-the-art innovative technology that aims to provide a solution for the medical need for marijuana as therapy for various diseases and/or medical conditions[32] by licensing the technology and marketing it as a prescription medicine to the large pharma companies. Lara-Pharm aspires to develop the product that is administered through the inhaler as a beneficial alternative for existing medical solutions in the market that do not provide an appropriate response to the medical needs of millions of patients worldwide. In such cases, the product may serve as a medicinal alternative with a similar function to that of medicinal marijuana that is preferable to cannabinoid-based drugs that are orally administered. In view of Lara-Pharm's technology and development, the absorption of the active ingredients from the lungs after using the inhaler will be more effective than after taking them orally. The improved absorption of the active ingredients will possibly allow reducing the required dosage for achieving the same medical effect and therefore is likely to minimize the side effects associated with these ingredients. As a first stage, Lara-Pharm's R&D activity underlying the medical product using the inhaler focuses on developing the formulation towards commencing pre-clinical trials. Lara-Pharm intends to begin pre-clinical trials in the course of 2015.

9. Existing and prospective customers

9.1 As of the report date, the Company does not have any regular or fixed customers that make commercial purchases and therefore does not have an order backlog.

9.2 As discussed above, the Company mainly focuses on identifying and investing in promising bio-pharma technologies while emphasizing technologies based on a known biological mechanism that are in the post-proof of concept stage and provide responses for major medical needs in the market and involve investing up to US$ 2 million for achieving a significant milestone.

9.3 As of the report date, the Company is attempting to create a portfolio of cannabinoid-based therapeutic technologies and assets. The Company is also promoting the Anti CD3 project from a commercial and scientific perspective. The plausible commercial track for the technologies and plans being developed by the Company is collaborating with leading pharmaceutical and biotechnological companies. Agreements of this type generally consist of various payments and royalties that are contingent on development and commercialization milestones.

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32 Conditions arising from chemotherapy, sleep disorders, pain, posttraumatic stress disorder, arthritis, multiple sclerosis, cardio and vascular diseases, epilepsy, diabetes, glaucoma, nausea, Parkinson's, inflammation, migraines etc.

10. Competition

The entourage effect and Lara-Pharm technologies

As of the report date, the Company has examined several possible indications for the development and application of its technologies, including in connection with pain and chemotherapy-induced nausea and vomiting (CINV). Nevertheless, at the current development stage of the technologies, the Company estimates that it is too early to address the relevant markets and specific competitors.

In general, it may be argued that the medicinal cannabis market offers therapeutic solutions that are distinguished according to FDA control and consumption. The highest selling FDA controlled synthetic cannabis product is Marinol whose US sales are estimated at approximately US$ 200 million a year whereas the more widely consumed medicinal cannabis reaches total sales of some US$ 2 billion in the US every year and is expected to grow to approximately US$ 8 billion in 2016. The benefits of Dekel's and Lara-Pharm's technologies lie in the potential improvement/enhancement of the existing drug and the creation of a medical alternative for medicinal cannabis.

The Anti CD3 technology

To the best of the Company's knowledge, there is currently no development which uses similar mechanisms to those of the Company's technology which is in competition with the Company's Anti CD3 technology.

Listed below is information about the competition in the three different indications in which the Company conducted clinical trials on the use of the Anti CD3 technology (as of the report date, the Company is not conducting any clinical trials):

NASH - to the best of the Company's knowledge, there are currently no approved drugs for the treatment of NASH. At this stage, the Company considers the indication for treatment of NASH as the Company's leading indication. Subsequently, the Company analyzed the relevant economic parameters for the drug while emphasizing the cost structure and projected return from insurance mechanisms in the US. Based on the projected quantities and production costs, the Company expects the production cost of the drug for one treatment day to be approximately US$ 3. The Company premises that this cost would allow it to present a high gross profit.

The aforementioned information with regards to production costs and gross profits is forward-looking information, as defined in the Securities Law, whose materialization is not guaranteed and whose materialization depends, inter alia, on factors that are outside the Company's control such as changes in prices of raw materials and personnel costs, scope of insurance coverage that will be provided, if any, the Company's ability to conduct the necessary clinical trials and the timeframes of these trials, the results of the Company's clinical trials, changes in the structure of competition, costs and efficacy of alternative drugs that will be marketed in the future, etc.

To the best of the Company's knowledge, several drugs are in various stages of development. The Company's management believes that the main ones are as follows:

Company product	NASH product	NASH product	Development in competition with NASH	Development in competition with NASH	Development in competition with NASH
Anti-CD3 (mAb) Route of administration - oral The main advantage over the competition is the use of an antibody that is administered orally and that works as an anti-inflammatory drug. Final dosage is not known. The Company expects that insurance coverage will be given and will allow a selling price at a level of tens of dollars and a wide profit margin. Whereas insurance reimbursement is subject to future discussions, the Company premises relatively low production costs (depending on final dosage). To date – no adverse events.	Intercept Pharma – Intercept specializes in the development and commercialization of drugs to treat chronic liver disease based on semi-synthetic bile acid Obeticholic Acid (OCA). The drug is based on the Farnesoid X receptor. In January 2014, the company published that the Phase IIb trial which is being conducted on NASH patients was being terminated earlier than scheduled by the DSMB as a result of the assessment of successful efficacy The company reported that it met all of its main targets for this trial. At the same time, it should be noted that the Company reported change in the lipid profile of patients that includes elevation of LDL and a decrease in HDL. The focus of Intercept's mechanisms differs from that of Therapix, and therefore may be considered a complementary and not necessarily competing product.	Galmed Pharmaceuticals is developing the aramchol as a treatment of NASH. Aramchol is a conjugate molecule of fatty acid and bile acid. The company has shown positive results in a Phase IIa clinical trial while complying with the main targets that included a decrease in lipids in the liver and other clinical parameters but did not demonstrate a decrease in hepatitis or a change in fibrosis. The company is currently in patient enrolment stage for the Phase IIb trial and is scheduled to begin the Phase III trial in 2015. The company recently raised US$ 38 million on the American stock market to cover development expenses. The mechanism focus of Galmed differs from that of Therpaix, and subsequently this might be a complementary and not necessarily competing product.	Jenken Biosciences The drug is currently used to treat drug and alcohol addiction (JKB-122) in clinical trials on NASH patients. Results indicated some efficacy in parameters related to the liver. Safety apparently good. Development plan – not known. Pricing not known.	L-ACG (carnitine) is in Phase II. Oral administration. Basic approach of food supplement and not a drug. To date – good results in several parameters but method of trial makes its comprehension difficult. Safety – good. Mechanism of action different. Cost - expected selling price - low (currently sold in a different formulation as a food supplement). No guarantee regarding continuation of clinical trials on NASH patients.	Genfit is developing the GFT505 product to treat NASH and other liver diseases. The company completed the Phase IIa clinical trial but has yet to publish results for the product that should control the activity of genes involved in the inflammation process. The company began a Phase IIb clinical trial in which patients are treated for one year with two doses and a placebo with the end point including a biopsy examination. In February 2014, the company was given approval for the designated fast track by the FDA. In March 2015, Genfit announced that that it failed to meet the clinical trial targets. The mechanism focus of Genfit differs from that of Therapix, and subsequently the product may be a complementary and not necessarily a competing product.

The data in the table above, with regards to the Company's products and with regards to the competitions' products, projected continuation of development and its results, selling prices, margins and insurance coverage are strictly estimates of the Company's management, based on its experience and familiarity with the pharmaceutical market, and constitutes forward-looking information, as defined in the Securities Law, whose materialization is not guaranteed and whose materialization depends, inter alia, on factors that are outside the Company's control such as the state of competition in the market, decisions by regulatory authorities and insurance companies that might affect insurance coverage given to the drugs, volume of demand for the drugs, acceptance of the drugs in the medical community and competition with other drugs in the market at the same time.

11. Research and development

11.1 The Company intends to act for the development of Dekel's technology and the continued development of the Company's Anti CD3 technology, including by introducing partners and/or strategic investors and by granting sublicenses and/or selling the Company's rights in the technology to third parties.

11.2 In the past, the Company financed its R&D investments in its various technologies from its own resources, from grants received from the Chief Scientist and from raising capital from private and public resources in return for the allocation of securities of the Company and/or its subsidiaries, as discussed below.

11.3 Below is a summary of the grants received by the Company and that were invested in R&D (NIS in thousands):

Project name	Grant received through 2011	Grant received in 2012	Grant received in 2013	Grant received in 2013 and as of the report date	Balance of grants received from the Chief Scientist as of the report date	Terms of repayment of the grants and timetables[33]	Special stipulations established by the Chief Scientist with regards to grants and/or their repayment
Therapix/Anti CD3	1,569	1,945	402	-	3,916	2015-2018	Payment of royalties of 3%
Therapix/Alzheimer's	-	533	84	-	617	2015-2018	Payment of royalties of 3%
EU/Orimmune (formerly: Protea)	656	142	-	-	798	No repayment of grants	No repayment of grant
Chief Scientist/ Orimmune (formerly: Protea)	491	748	-	-	1,239	The Company decided to close the program	Payment of royalties of 3%
Total grants - Therapix and Orimmune (formerly: Protea)	2,716	3,368	486	-	6,570		

33 For more information – see appraisal regarding the undertakings to the Chief Scientist attached to the Company's financial statements that are included in this report. It is hereby clarified that the timetables for repaying the grants are based on the Company's assessments and constitute forward-looking information, as defined in the Securities Law, whose materialization is not guaranteed and a significant part of which are outside the Company's control or not under its exclusive control. As such, there is no guarantee that these assessments will materialize, fully or in part, or that they will materialize in a manner different than presented in this table. This, inter alia, due to factors not in the Company's control such as changes in market conditions and the competitive and business environment, obtaining approvals for future trials, results of future trials that the Company may conduct, the Company's ability to finance future trials, its ability to produce and market products, the Company's success in entering collaboration agreements with regards to its technologies under commercial conditions and materialization of the Company's risk factors, as specified in paragraph 23 below.

12. Intangible assets

The Company's technologies as discussed above include the orally administered Anti CD3 antibody for treating inflammatory, autoimmune and other diseases.

In addition, the Company has signed a binding term sheet underlying Dekel's technology.

Below are details of the patents used by the Company in the development of its technologies and in its current activities. See paragraphs 19.5-19.6 for information on the license agreements which grant the Company rights to these technologies.

In most cases, the life of an approved patent is 20 years from the date of the patent application, excluding cases in which a patent term extension is granted based on local laws. The patent renewal dates differ in each country. In certain countries, a maintenance fee is levied on patent applications.

The Anti CD3 technology

The Company has development and commercialization rights in this technology in accordance with the licensing agreement (see paragraph 19.6 below). The current developments of the Company with regards to the Anti CD3 technology primarily rely on the patents and patent applications listed below:

Patent name and number	Patent description	Company rights in the patent	Countries in which they are approved	Projected expiration date of patent
Methods of modulating immunity * US 7883703	Treatment with Anti-CD3 Antibody for autoimmune diseases, administered orally (patent for use)	Usage and commercialization license from Hadasit	US Europe Australia	11/2023

* In October 2010, approval was obtained in the United States for the "methods of modulating immunity" patent that focuses on the oral administration (per os) of the Anti CD3 antibody to treat various inflammatory and autoimmune diseases. The approval that was given includes the following indications: diabetes, multiple sclerosis, psoriasis, rheumatoid arthritis, SLE, lupus, graft-versus-host disease, inflammatory bowel disease and uveitis. For more information about said approval, see the immediate report published by the Company on October 5, 2010 (TASE reference: 2010-01-636270).

Patent name and number	Patent description	Company rights in the patent	Priority date	Patent application deadline	Countries in which an application was submitted
Methods of modulating immunity	Anti CD3 antibody treatment for autoimmune diseases, oral or nasal administration (mucous) (patent on use)	Usage and commercialization license from Hadasit	November 14, 2003	November 12, 2004	US (approved), Europe (approved), Canada (approved), Hong Kong(submitted), Japan (approved), Australia (approved)
Combination therapy of beta-glycolipids and antibodies for the treatment of immune-related disorders	Combination use of beta-glycolipids such as GC (Glucosyl Ceramide0 with Anti-CD3 antibody for immune-related disorders (patent on use)	Usage and commercialization license from Hadasit	January 18, 2008	January 18, 2009	US Australia (abandoned) India (abandoned) Israel
Methods and compositions for treating and/or preventing hepatitis with anti-CD3 immune molecule therapy	Use of the Anti CD3 molecule to treat or prevent jaundice, including viral, and fatty liver disease (NASH) (patent on use)	NasVax rights	April 29, 2010	April 29, 2011	US Europe India China Japan Korea
Methods and Compositions for treating an orphan indication	Treatment with Anti CD3 antibody for orphan disease, administered orally or nasally (mucous)	NasVax rights	02/2012	02/2013	PCT (can be submitted – international)
Methods and compositions with immune therapy against CD3	Humanized Anti CD3 antibody	NasVax rights	06/2012	03/2013	PCT (can be submitted – international)

The BBS technology

Regarding patents relating to the BBS technology, the Company is in the process of returning the patents to Ramot as part of the agreement for the recovery of the license to Ramot.

13. Fixed assets, real estate and facilities

Starting from August 2014, the Company is subleasing from an unrelated third party spaces in an office building in Tel-Aviv which are used as the Company's offices and headquarters. The lease fees are immaterial to the Company. To secure the Company's obligations under the sublease agreement the Company provided the lessor a bank guarantee in an immaterial amount.

14. Human capital

14.1 The Company operates with a limited number of executive managers in an aim to achieve effective management of its operations within its budget and meet the targets established by the Board from time to time given the Company's cash flow and financing limitations.

14.2 In the course of 2014, the Company's entire management team was replaced.

14.3 As of the report date, senior management consists of seven employees (about 6.3 positions) including the CEO (whose employment terms have not yet been approved), the CFO, the VP of Business Development and Strategy and the Director of R&D and Regulation (external consultant). The Company also has an active Chairman of the Board.

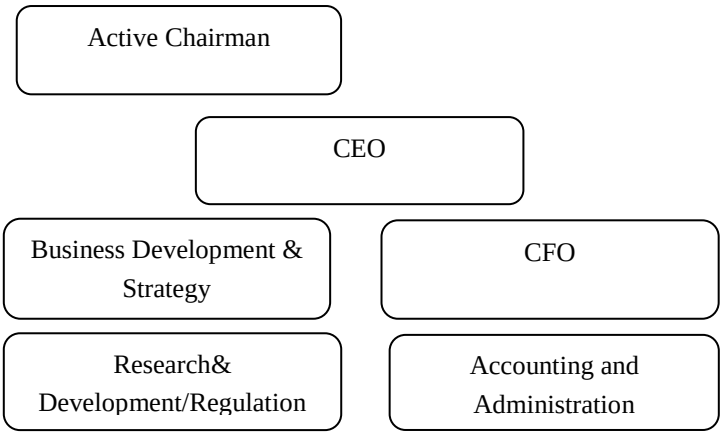
14.4 The Company also has a limited number of temporary part-time employees, consultants and service providers and does not hire any subcontractors.

14.5 The following table presents the headcount of the Company's full-time employees as of December 31, 2013 and 2014 and as of the report date:

Area of activity	No. of employees/service providers as of the report date	No. of employees/service providers as of December 31, 2014	No. of employees/service providers as of December 31, 2013
Senior management	2	2	2
Business development	1	1	-
Finances and administration	3	3	3
Research and development	1	1	4
Total	**7**	**7**	**9**

14.6 Organizational structure

Below is a diagram of the Company's organizational structure:



14.7 Employment agreements

As of the report date, the Company's entire employees are employed under personal contracts. These contracts include clauses pertaining to non-disclosure and non-compete and exclusivity and protection of the Company's IP rights against third parties. The terms of employment consist of paid vacation, recreation and other social benefits pursuant to applicable law. The employment agreements are normally signed for an indefinite term whereby each party may terminate the agreement by providing an advance notice of 30 days (or 14 days during the trial period), excluding irregular cases that provide for immediate termination as set forth in the agreements. Agreements with consultants generally determine shorter early notice periods to allow flexibility and quick breakaway without significant costs to the Company in view of its financial position.

14.8 Officers and senior management

The Company's senior officers and members of management are also employed under personal contracts that include non-disclosure, non-compete and IP protection clauses. The terms of employment generally include participation in car expenses, paid vacation and recreation and other social benefits pursuant to applicable law. The employment agreements are normally signed for an indefinite term whereby each party may terminate the agreement by providing an advance notice of 30 days, excluding irregular cases that provide for immediate termination as set forth in the agreements.

See details of the main engagements between the Company and senior officers in the Company in conformity with Regulation 21 to the Reporting Regulations in Chapter D (Additional Information about the Corporation) to this report.

As of the report date, the Company believes that it is not dependent on any of its employees and/or senior officers.

All the Company's directors and senior officers are covered by a directors' and officers' professional liability insurance policy through an Israeli insurance company. See details in Regulation 29a to Chapter D (Additional Information about the Corporation) to this report.

In addition, the Company grants standard letters of indemnity and quittance to the officers in the Company and/or in the subsidiaries, as they will be from time to time, during their service as officers in related companies, and to officers who are controlling shareholders or their relatives.

14.9 Officer remuneration policy

Based on the provisions of Amendment No. 20 to the Companies Law, on January 23, 2014, the Company adopted an officer remuneration policy ("**the remuneration policy**")[34]. The objective of the remuneration policy is to describe and specify the Company's officer remuneration policy. The remuneration policy serves as a tool for the Company to provide incentives and rewards to officers.

34 See the Company's immediate report of January 23, 2014 (TASE reference: 2014-01-023434).

When signing new employment and/or management agreements and/or renewing or revising existing agreements, the Company aspires to assimilate and implement the remuneration policy, provided that it retains the right to make certain adjustments as needed and pursuant to applicable law.

The remuneration components to which the officers are entitled will only be the components that have been specifically approved by the Company's qualified entities and subject to the provisions of applicable law. The adoption of the remuneration policy by the Company does not grant its officers any rights whatsoever.

The Company's remuneration policy became effective from the date of its approval by the general meeting on March 24, 2014 and will remain in effect for a period of three years (until March 24, 2017), unless it is adjusted and/or modified before that, all in keeping with the provisions of the Companies Law and the regulations published thereunder, as amended from time to time.

The principles of the Company's remuneration policy were made public[35].

14.10 The Company's option plan

(a) In July 2005, the Company's Board adopted a plan to allocate unlisted options for the purchase of up to 11,082 Ordinary shares of NIS 0.01 par value each of the Company to employees, directors, consultants, service providers or anyone whose services are deemed valuable by the Company's Board, at no consideration ("**the option plan**").

(b) As of the report date, the Company granted 2,678,257 options, of which 2,045,891 options were granted to officers in the Company.

(c) The following table presents information of options granted under the option plan to employees, officers and consultants of the Company in 2013 and 2014 and as of the report date (categorized according to the type of optionee)[36]:

Type of optionee	Allocation date	No. of optionees	Amount of offered options	Consideration	Corporate value after the money derived from the allocation (if applicable)
Officer (other than CEO or director)	April 23, 2014[37]	1	266,242	--	--
Chairman of the Board	January 27, 2014[38]	1	423,037	--	--

35 See Appendix A to the Company's (revised) immediate report of February 6, 2014 (TASE reference: 2014-01-034204 and an immediate report of March 24, 2014 (TASE reference: 2014-01-022311).

36 For details of the options granted to the CEO based on his employment agreement which has not yet been approved, see the Company's immediate report of March 15, 2014 (TASE reference: 2014-01-050611).

37 See the Company's immediate report of April 23, 2014 (TASE reference: 2014-01-049038).

38 See the Company's immediate report of January 27, 2014 (TASE reference: 2014-01-024814).

(d) In accordance with the option plan, the options to employees, including directors but excluding controlling shareholders in the Company, will be allocated in accordance with Section 102 of the Income Tax Ordinance, and the options to consultants, service providers and the controlling shareholders in the Company will be allocated in accordance with Section 3(i) of the Income Tax Ordinance.

The options that will be allocated in accordance with the option plan will be held by a trustee during a capping period as defined in the Income Tax Ordinance. The trustee will act in compliance with the trust agreement to be signed, inter alia, between the trustee and the Company.

The Company's Board has the authority to amend the terms of the option plan.

The options can be exercised in one portion or in several portions over the exercise period.

Each optionee is entitled to receive the options and/or the shares deriving from the exercise of the options ("**the underlying shares**"), provided that on the date of receipt of the options and/or underlying shares, the optionee is an employee or service provider of the Company.

The options can be exercised until the earlier of the date set forth in the agreement between the optionee and the Company or the end of any extended period as stipulated below ("**the exercise period**").

Upon termination of the employee's employment by the Company and/or termination of the contractual arrangement between the service provider and the Company ("**the optionee's contractual arrangement with the Company**" and "**the date of termination of the contractual arrangement**", as applicable), the options allocated to that optionee will expire. The optionee will be entitled to exercise the options granted to it even after the date of termination of the contractual arrangement under the circumstances prescribed in the option plan.

The options will be subject to adjustments as specified below:

In the event of a transaction, as defined below in this paragraph, the options will be assigned to the receiving company or swapped with shares of the receiving company, in accordance with the consideration that will be given to the Company's shareholders, including consideration in shares of the receiving company, consideration in cash or any other form of consideration. In said circumstances, the exercise price will be adjusted, as set forth by the Company's Board. The Company will inform the optionees of said transaction at least 10 days prior to the record date of the transaction. If the Company chooses not to act as specified, and subject to the provisions of the agreements that were signed with the optionees, the exercise period may be accelerated, the options will be considered as exercised and each optionee will be entitled to sell the underlying shares to the Company, which will be required to purchase them at market price, as defined in the plan.

"Transaction" is defined as a merger, acquisition or restructuring of the Company that will result in the dissolution of the Company or the sale of all or most of the Company's assets.

In the event of voluntary liquidation of the Company prior to the end of the exercise period of the options, the Company will inform the optionees of said liquidation and the optionees will be entitled to exercise the options within 10 days from date of said notice. Options that are not exercised within said 10 days will expire.

If any change occurs in the Company's issued capital by way of dividend in shares (bonus shares), stock split, consolidation or exchange of shares, a change in the Company's capital structure or any other similar event, the number and type of shares that will derive from the options as part of the plan will be proportionally adjusted in order to proportionally maintain the number of shares, without any change in the exercise price. In said case, the cumulative type and number of shares that can be issued as part of the exercise of the options by virtue of the plan, in relation to the options that have not yet been exercised, will be similarly adjusted, as will be determined by the Company's Board. There will be no adjustment in the event of a rights issue.

14.11 The Company's Scientific Advisory Board

The Company has a Scientific Advisory Board that discusses the scientific issues relating to the Company, whose members as of the report date include Prof. Itamar Shalit, Prof. Howard Weiner, Prof. Yaron Ilan and Dr. Ascher Shmulewitz.

14.12 Benefits and nature of employment agreements

See details relating to the Company's officers in Regulation 21 to Chapter D to this report.

15. Raw materials and suppliers

The Company's main suppliers are the owners of the knowledge from which the Company acquires and/or receives a license to develop, use, market and commercialize its technologies, as described below.

Each supplier is an exclusive supplier of the relevant technology. Nonetheless, in light of the nature of the licensing agreements, the Company believes that it does not have an absolute dependency on any of the said suppliers, since its rights are derived from the usage agreement that, barring a fundamental breach of contract by the Company, entitles the Company to continue its activity in accordance with the terms of the licensing agreement. The Company has several agreements with other suppliers that are used by the Company for outsourcing. These suppliers include companies that specialize in research and development, conducting animal testing, clinical trials, regulation etc. The Company believes that working with these suppliers does not pose a real risk, based on the reputation of these suppliers, experience with working with them and the availability of alternative suppliers.

16. Financing

The Company finances its operations with funds from the private and public offerings it carried out and from grants from the Chief Scientist as specified in paragraph 11.4 above.

Nevertheless, it should be mentioned that as of the report date, the Company's shelf prospectus of August 8, 2012 is no longer in effect and cannot serve as a basis for raising capital in the context of shelf offering reports.

The Company's financial statements include a going concern notice and from time to time, the Company's Board examines various options for the Company's continued funding, including private placements and capital raisings (rights issues).

See details of an agreement for making a material investment of approximately US$ 0.5 million in the Company's share capital in the Company's immediate report of March 30, 2015 (TASE reference: 2015-01-065656).

17. Taxation

For information about taxation, see Note 15 to the financial statements.

18. Restrictions and regulations underlying the Company's operations

18.1 The Law for the Encouragement of Industrial Research and Development, 1984 ("**the R&D Law**")

The R&D Law establishes a series of requirements with which the applicant of the R&D grants must comply. Although the R&D Law establishes that the parties entitled to benefits in accordance with the Law will pay the State Treasury royalties from any revenue deriving from or generated by the product developed in the program, including ancillary services to the product or that involve it, the Company is not required to pay royalties. In addition, the R&D Law requires that the product to be developed as a result of the research and development will be manufactured solely in Israel unless approval is issued by the Ministry of Industry, Trade and Labor's Research Committee to transfer manufacturing rights of the product to outside of Israel.

On April 7, 2005, Amendment No. 3 to the R&D Law was published ("**the Amendment**"). The Amendment allows, inter alia, the transfer or sale of knowledge whose development was supported by the grants of the Chief Scientist's Office to third parties outside of Israel, in consideration for a certain part (according to a defined formula) of the consideration from the transfer or sale of the knowledge, or consideration for receipt of knowledge from third parties or participation in research and development. In accordance with its provisions, the Amendment became effective in June 2005 and also applies retroactively to programs approved before that date, including research and development programs for which the Company received a letter of approval.

18.2 Regulatory approvals for the stages of development

Approval for marketing medical products is subject to stringent regulations around the world. The regulatory process in obtaining the necessary approvals is composed of various stages, each of which requires the Company to comply with certain conditions and criteria. Once the Company has successfully passed all of the trial phases, it can submit an application for approval to register the medical product by the relevant regulatory authorities, such as the FDA in the United States, or EMEA in Europe, or the Ministry of Health in Israel.

The Company will apply for product development approvals from the health authorities in Israel and in other countries in which it decides to operate, based on the calculations listed below that are required for continued development and later for commercial marketing of its products, or will partner with a manufacturer that will obtain said approvals. The work involved in obtaining approvals and licenses in various countries for the use of the products development by the Company ("**the product**") requires an enormous financial investment.

All of the procedures involving the product's clinical trials, tests, manufacturing, labeling, publication, sales promotion, export and marketing are subject to the supervision of regulatory authorities in the different countries. The Company believes that the strategy of granting licenses for using some of the Company's technologies is preferable in that a large percentage of the later activities (advanced clinical trials, licensing, marketing, etc.) will be carried out by the partner in receiving the license in the said stages.

The development stages required to obtain approval for marketing and manufacturing the product include, inter alia,

a. Pre-clinical trials on laboratory animals;

b. Development of adequate and controlled manufacturing conditions that are approved by the various health authorities;

c. Meticulously controlled clinical trials that provide proof of the efficacy and safety of the product;

d. Submission of the product's registration file to the regulatory authorities in various countries;

e. Review of the product's registration file by the health authorities in various countries;

f. Obtaining marketing approval;

g. Studies after the start of marketing, if necessary.

All of the trial and approval procedures are time-consuming and require tremendous effort and significant financial investment, with no guarantee that any approval will be granted at the end of a reasonable amount of time or at all.

Pre-clinical trials include a laboratory review of the product and animal trials. These trials are designed to test the product's potential efficacy and safety for use. The results of the pre-clinical trials, along with the information on product manufacturing methods and analytical properties (composition, stability of the chemical components, etc.) are submitted to the authorities and reviewed as part of the review process required to obtain approval to begin clinical trials in human subjects.

During the clinical trial stage, the investigational product is given to healthy or sick human beings under the supervision of the doctor – investigator qualified to regulate trials in human subjects. Every clinical trial must undergo an audit and receive prior approval from an independent institutional ethics committee in the institution where the trial is being conducted and from the Ministry of Health if necessary. According to the Helsinki Covenant, the committee supervising clinical trials considers granting said approval, inter alia, the ethical foundations related to the trial, product safety for use and exposure to tort suits against the institution carrying out the trial for the planned trial.

The number of subjects in each of the trials is established in conjunction with the qualified licensing authorities. In principle, clinical trials are conducted in three phases that can sometimes overlap. In the first phase, during which the product is first administered to human subjects, safety is primarily tested (adverse events), the subject's tolerability of the dosage. In addition, specific biomarkers are tested during blood tests for the preparation's safety.

In the second phase, clinical trials are conducted on a defined population of patients in order to determine the safety and efficacy of the product used to treat a defined indication, to establish tolerance to different dosages and the optimal dosage as well as identify adverse events and health risks. In the third phase, trials are conducted on a larger scale, for additional and broader proof of the product's efficacy and safety in a large number of subjects and study sites.

Once the product has been approved, Phase IV clinical trials are occasionally conducted to accumulate more information on treatment results in the approved indication, and to examine the benefit to patients if the product has passed an accelerated licensing stage (approval in an accelerated process is primarily carried out for life-saving drugs). The applicant for the approval must complete Phase IV clinical trials if and when they are instructed to do so. Failure to comply with any of the stipulations in the approval process might result in a revocation of the product license.

The results of the pre-clinical and clinical studies, along with the information specified on the product vehicle and its method of manufacturing, are submitted to the health authorities by the approval applicant. The health authorities are entitled to delay approval of the license if all of the required conditions have not been met or if additional trials are needed. In addition, the health authorities are entitled to condition approval on the conducting of Phase IV trials, in order to monitor product efficacy and large-scale safe use. There is no guarantee that the product that is in registration proceedings will receive approval in a reasonable period of time, if at all. Even if approval is granted, it might be limited and restricted.

As previously mentioned, the Company's products will be subject to existing laws in various countries in which the products (by the Company or by parties that will be granted licenses to its technologies) will be marketed, in accordance with the requirements of the health authorities in each of those countries. Licensing in the various countries must be obtained uniquely before marketing of the product begins in each country. The licensing procedure differs in each country.

18.3 Ministry of Health

The Company's operations in Israel are subject to a permit from the Ministry of Health for conducting trials in human subjects, and to approval from the Helsinki Committee, as specified below.

18.4 Public Health Regulations (Clinical Trials in Human Subjects, 1980 ("**the Regulations**") and Procedure No. 14 of the Pharmaceutical Administration in the Ministry of Health – Clinical Trials in Human Subjects

The regulations and procedure establish the steps for approval for conducting a clinical trial and trial on medical equipment. According to the procedure, every clinical trial is subject to the Regulations, to the provisions of the procedure, to the provisions of the Harmonized Tripartite Guideline for Good Clinical Practice ICH-GCP (E6) and to the provisions of the standard for Clinical Investigation of Medical Devices for Human Subjects (AMAR). The Regulations establish that a clinical trial in a human subject will not be approved until after the Helsinki Committee (see below) of the hospital that is planning to conduct the trial has approved the trial and has issued written notice of this to the medical director of the hospital in which the trial will be conducted and the director of the hospital was convinced that the trial does not violate the Helsinki Declaration and with Regulations. In certain cases, an opinion is required from the higher Helsinki Committee for Clinical Trials in Human Subjects in order for the trial to be approved.

"Helsinki Committee" will not approve a trial unless it has been convinced to its satisfaction that the following conditions have been met, including: anticipated benefits to the trial participant and to the group justify the risk and the discomforts involved in participation in the trial and that the medical and scientific information that exists justifies conducting the requested clinical trial.

19. Material agreements

19.1 Agreement for investment in medical cannabis with LaraPharm Ltd.

On April 2, 2014, the Company signed a master agreement with LaraPharm Ltd. ("**Lara**"), an Israeli company that operates in the field of medical cannabis and is developing a synthesized formulation that is based on cannabinoids (active components found in the cannabis plant) to be administered through an inhaler ("**the medical product**")[39]. On June 15, 2014, a final investment agreement was signed between the parties (in this paragraph, "**the agreement**") according to which, subject to the fulfillment of several prerequisites[40], the Company will transfer to Lara an initial investment amount of US$ 800 thousand (based on the schedules and dates determined in the agreement. The first installment only has been paid as of the date of this report and the second installment which is due has not yet been paid to Lara) against shares that will represent about 26% of Lara's issued and outstanding share capital (on a fully diluted basis) ("**the initial stage**")[41.] The agreement also stipulates that the overall amount that the Company will invest in Lara will be US$ 1.5 million (including the initial investment amount), subject to the fulfillment of certain milestones[42] and according to predetermined timetables. It was also determined in the agreement that the investment funds will be used by Lara to manage and promote its activities based on the approved budget and work plans. The agreement also stipulates rights and conditions for appointing directors on Lara's board and additional rights as customary in this type of agreement. Assuming that Lara successfully meets all the milestones determined in the agreement and the Company invests the entire investment amount as above, the Company will hold 49% of Lara's issued and outstanding share capital (on a fully diluted basis)[43].

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39 See the Company's immediate See the Company's immediate report of April 2, 2014 (TASE reference: 2014-01-035922).

40 Among others, these prerequisites include the completion of related agreements and the completion of various operating, monetary and commercial information and data and additional background studies of Lara to the Company's satisfaction.

41 It should be noted that according to the agreement, the percentage of the Company's holdings in Lara's shares as mentioned above (26%) will be reduced pro rata to the amounts that will be transferred if the Company fails to provide the remaining payments on the predetermined dates. As discussed above, as of the report date, only the first instalment has been paid and the second installment which is due has not yet been paid to Lara. According to the provisions of the agreement, Lara has the right to reduce the Company's holding rate in Lara's shares pro rata to the amounts that will be transferred in a manner that as of the report date, insofar as Lara exercises its right, the Company will hold about 11% only.

42 Among others, the milestones include obtaining an expert's approval for the medical product's successful compliance with biotechnological criteria determined both in the context of a simulator test and in preclinical trials (animal testing).

43 See the Company's immediate reports of June 16, 2014 (TASE reference: 2014-01-091608) and of June 23, 2014 (TASE reference: 2014-01-097152).

On August 10, 2014 ("**the initial consummation date**"), all the prerequisites for completing the initial stage in the Lara share purchase transaction were met[44]. As discussed above, the Company delivered to Lara a sum of approximately US$ 250 thousand of the initial investment amount of US$ 800 thousand whereas the remaining sum was not delivered on the predetermined date. According to the agreement, failure to deliver the remaining initial investment amount by the Company will not represent breach of the agreement although Lara will have the right to reduce (forfeit) the Company's holdings in its shares pro rata to the amounts that are delivered, as stipulated in the agreement, and in certain cases Lara will also be able to exercise a tag-along right and force the Company to sell its interests in Lara in the event of such forfeiture of shares for the purpose of selling Lara's shares to a third party. Also according to the agreement, upon the fulfillment of the first milestone within the predetermined timeframe from the initial consummation date (a summary report of compliance with the target of reaching a specific range of particles of powder using the inhaler through simulator tests and its approval by an expert), Lara will allocate the Company shares that will confer it a cumulative holding of 39.2% of the shares in Lara (on a fully diluted basis) in return for US$ 400 thousand. Moreover, upon the fulfillment of the second milestone within a timeframe that exceeds the predetermined date from the initial consummation date (a summary report of compliance with the target of reaching a specific range of particles of powder using the inhaler through animal testing and its approval by an expert), Lara will allocate the Company shares that will confer it a cumulative holding of 49% of the shares in Lara (on a fully diluted basis) in return for US$ 300 thousand. As of the report date, none of the abovementioned milestones has been met. See also Note 8b to the financial statements.

19.2 A binding term signed with Dekel

In keeping with the Company's reports of October 2014[45] regarding the Company's engagement with Dekel Pharmaceuticals Ltd. ("**Dekel**")[46] in a non-binding term sheet for the purchase of Dekel's entire share capital (on a fully diluted basis) in return for the allocation of shares in the Company ("**the previous term sheet**"), which expired pursuant to its terms on December 31, 2014 without a final and binding agreement having been approved by the Company's relevant entities, and to replace the previous term sheet, the Company and Dekel agreed to sign a final binding and specific license agreement regarding Dekel's technology and IP that also consists of an option for investing in the Company ("**the license agreement**" and "**Dekel's technology**", respectively), all subject to obtaining the necessary approvals as specified below.

44 See additional details of Lara and its business affairs, including a description of its market structure, developed products and R&D stage in the Company's immediate report of August 11, 2014 (TASE reference: 2014-01-167559).

45 See the Company's immediate report of October 1, 2014 (TASE reference: 2014-01-167559), as amended on October 1, 2014 (TASE reference: 2014-01-167748).

46 To the best of the Company's knowledge, Dekel is a privately-held company incorporated in Israel that is engaged in the research and development of drug therapies based on synthetic cannabinoid substances (active ingredients in cannabis and synthesized endocannabinoids) for treating chronic pain and inflammation. In addition, to the best of the Company's knowledge, Dekel holds the IP rights to a disposable, patent-protected dose-controlled inhalation device, which can be used in the delivery of steroids and/or cannabinoids.

On January 7, 2015 and January 11, 2015, the Company's Audit Committee and the Company's Board respectively discussed and approved the signing and the terms of a binding term sheet underlying the license agreement with Dekel ("**the approved outline**"), as determined in negotiations held between the Company's representatives[47] and Dekel's representatives, which will be brought to the approval of the Company's relevant entities[48].

The approved outline and the principal terms of the license agreement as agreed upon between the parties as of the report date are as follows:

1. General - the approved outline sets forth a general outline of conditions for the grant of a license for Dekel's technology to the Company simultaneously with Dekel's capital investment in the Company (by itself and/or through others). The objective of the engagement between the parties is to allow the Company to develop Dekel's technology through the license agreement and simultaneously raise the capital needed for this purpose, all as specified below.

2. Agreement for licensing Dekel's technology - Dekel will grant the Company an irrevocable global exclusive royalty-bearing license which can be sub-licensed for using Dekel's technology for research and development, manufacturing, sale, distribution, marketing and commercialization of drugs which are derived from this technology (including sublicenses). In return for the license, the Company will pay Dekel certain amounts based on specific milestones as described below:

   2.1 Upon the success of pre-clinical trials in Dekel's technology - US$ 25 thousand (in cash and/or in share capital (at a price of NIS 0.5 per Ordinary share of the Company) ("**cash and/or equity-settled payments**"));

   2.2 Upon the success of Phase I/IIa clinical trials in Dekel's technology - US$ 75 thousand in cash and/or equity-settled payments;

   2.3 Upon the generation of revenues (in the amount determined in the approved outline) from the commercialization of products that are based on Dekel's technology by Dekel and/or a third party, or FDA/EMA approval of the drug that is based on Dekel's technology - US$ 75 thousand in cash and/or equity-settled payments.

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47 The Company appointed a special committee which consisted of the Company's external director (Mr. Zohar Heiblum), the Company's CEO (Mr. Jan Turek) and the Company's VP Business Strategy & Innovation (Dr. Elran Haber) for the purpose of negotiating with Dekel's representatives. Dekel's shareholders also included Dr. Ascher Shmulewitz who as of the report date serves as the Chairman of the Company's Board and an interested party therein by virtue of his interests.

48 In the first stage, the approved outline must be brought to the approval of the Company as required by law. In this context it should be mentioned that based on the position of the Board, as it was also with respect to the previous term sheet, the approved outline should be approved by the Company's various entities such as the Audit Committee and Board (which were already obtained, as discussed above) and, as an exception and for prudence sake only, also by the general meeting of the Company's shareholders pursuant to the provisions of Section 275(a) to the Companies Law.

3. Advance; royalties - upon the signing of the license agreement, the Company will pay Dekel an amount of NIS 100 thousand (in the Company's shares at a value of NIS 0.5 per Ordinary share) as an advance on account of future royalties ("**the advance**"). The advance will be returned to the Company by offsetting it from any future royalties based on the license agreement until the entire advance is offset. In addition, the will pay Dekel direct royalties from net revenues at either a high single-digit rate or indirect royalties from sublicenses at a median double-digit rate.

4. Development obligation - the Company will lead, manage and finance the development of the technology, including in connection with conducting pre-clinical trials, GMP-based development and clinical tests with a minimum annual investment (as determined in the approved outline) or based on an approved budge that is agreed upon between the parties.

5. Option for investing in the Company ("**the option**") - upon signing the license agreement, Dekel will have an option to invest an amount of US$ 500 thousand in the Company's shares (at a price of NIS 0.5 per Ordinary share of the Company) for a period of three months from the date of signing the license agreement.

6. Additional option for investing in the Company ("**the additional option**") - subject to the exercise of the option mentioned in paragraph 5 above, Dekel will have an additional option for investing an amount of up to US$ 2,000 thousand in the Company's shares in such a manner that each option exercised as described in paragraph 5 above will entitle Dekel to four additional options for the Company's shares (at an exercise price of NIS 0.65 per option) for a period of 12 months from the date of signing the license agreement.

7. IP - if in the first year any of the payments owed to Dekel as described above is not made (including the Company's R&D obligation), the license will be revoked and Dekel's IP under the license will be recovered to Dekel (excluding the IP that is generated by the Company's research and development activity in the technology). If after the first year any of the payments owed to Dekel as described above is not made (including the Company's R&D obligation), the license will be revoked and the entire IP developed under the license will be recovered to Dekel (including the IP that is generated by the Company's research and development activity in the technology).

8. Suspending conditions - the license agreement will become effective provided that the following conditions are met:

    8.1 Detailed and final license agreement - the parties will sign a detailed and final within 90 days from the date of approval of the approved outline by the parties, including the fulfillment of generally accepted suspending conditions, as will be determined in the license agreement.

    8.2 Due diligence - completion of a due diligence study of Dekel by the Company tot eh Company's satisfaction.

    8.3 Receipt of relevant approvals - receipt of the approvals of the parties' relevant entities.

    8.4 Regulatory approvals - receipt of the relevant regulatory approvals for the completion of the approved outline, including the TASE's approval (and the ISA's and OTC's approvals, if needed).

8.5 Investment - completing the investment both by Dekel and by others in one or several transactions in a cumulative total of at least US$ 350 thousand.

9. Exclusive dealing obligation - Dekel has undertaken towards the Company not to hold any exclusive dealings for the entourage effect technology with other parties and to sign a license agreement for a period of 90 days from the date of signing the approved outline as above.

10. Expiration - according to the approved outline, it will expire at the earlier of: (1) notice of failure to obtain shareholders' approval delivered by one of the parties to the other; (2) signing and executing the final agreement; (3) the date of expiration of the approved outline as agreed upon between the parties in writing.

11. Assignment of the option and/or the additional option for investing in the Company's shares to third parties - Dekel will be entitled to assign its right (or part thereof) in the option and/or the additional option for investing in the Company's shares to a third party provided that the third party fully secures its investment pursuant to the option and/or additional option. In the event that following the exercise of the option in the context of such assignment the assignee will be granted 25% or more of the Company's entire voting rights, the assignment will require the approval of the Company's Audit Committee. For the purpose of this paragraph, the percentage of "voting rights" will be calculated on a cumulative basis along with any assignee's other holdings in the Company immediately prior to the assignment and collectively with any other previous assignment as prescribed in this paragraph. In addition, any exercise of the option and/or the additional option (or part thereof) will be governed by the provisions of applicable law regarding purchase offers, under the circumstances.

It should be mentioned that during the period from the date of signing the previous term sheet through the report date, the Company has initiated a due diligence study of Dekel (which has not yet been completed) and has negotiated with Dekel regarding the final conditions of the engagement between the parties.

The Company believes that the engagement with Dekel in the approved outline coincides with the Company's business strategy[49] and is potentially synergetic with (and advantageous to) another operation which the Company has been exploring for some time in this field[50].

As discussed above, as an exception and for prudence sake only, the approved outline will also be brought for the approval of the general meeting of the Company's shareholders, pursuant to Section 275(a) to the Companies Law. The Company's management will convene a general meeting, among others with the agenda of approving the approved outline and will issue a detailed transaction report accordingly[51].

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49 For details of the Company's business strategy as of the report date, see immediate report of March 30, 2014 (TASE reference: 2014-01-029448).

50 The Lara-Pharm transaction as discussed in the Company's immediate reports of April 2, 2014 (TASE reference: 2014-01-035922), May 8, 2014 (TASE reference: 2014-01-059022), May 21, 2014 (TASE reference: 2014-01-069705), June 16, 2014 (TASE reference: 2014-01-091608), June 23, 2014 (TASE reference: 2014-01-097152) and August 11, 2014 (TASE reference: 2014-01-131130).

51 It should be clarified that based on the approved outline, a detailed and final license agreement is expected to be signed whose main terms will be based on the approved outline. Any material differences between the approved outline and the final agreement that will be signed will be disclosed by the Company in a specified immediate report.

Forward-looking information warning - the Company's information and evaluations discussed above in connection with the completion of the approved outline and the signing of a final and binding agreement, the fulfillment of any of the abovementioned milestones, the integration of Dekel's activity in the Company's activities and its contribution to the Company, including forecasts, dates, evaluations and/or plans of the Company in connection therewith all represent forward-looking information, as this term is defined in the Securities Law, which involves a great degree of uncertainty and is based, among others, on outside factors (including information received from Dekel) and numerous variables which are not necessarily under the Company's control and therefore, the completion of the transaction and the fulfillment of the other suspending conditions and milestones and/or their expected costs, dates and relevant schedules might not materialize in practice and/or might not materialize in full and/or might materialize in a manner that is materially different from that originally evaluated or anticipated. Among the factors that are liable to cause the Company's information and evaluations not to materialize as expected we should mention the discovery of material scientific data that will significantly modify the terms and/or viability of the engagement, failure to reach a final and binding detailed agreement (subject to the approval of the general meeting of the Company's shareholders), failure to complete the R&D process of the entourage effect technology (including in the context of pre-clinical and/or clinical trials or non-compliance with such pre-clinical and/or clinical trial targets) and/or demands for repeating clinical trials on products developed based on the entourage effect technology, failure to obtain the necessary regulatory approvals from the authorities in a timely manner and/or at all, or potential disputes with regulatory authorities and the related consequences, change and/or aggravation of the approval policy of regulatory authorities with respect to developed products, failure to obtain the additional financing required for completion of development and/or entering into strategic collaboration agreements for completing the development of Dekel's products, entry of other competitors for Dekel's products into the market, change in the structure of the competition in the target markets of Dekel's products and the realization of any of the risk factors detailed in paragraph 23 to Chapter A (Description of the Corporation's Business) to the Company's annual report for 2014. It should also be emphasized that there is no certainty that pre-clinical and/or clinical trials of products developed on the basis of the entourage effect technology will yield successful results, which in turn might require making adjustments to the Company's R&D plans, budgets and timetables and that the Company is exposed to additional risk factors, as described in paragraph 23 to Chapter A (Description of the Corporation's Business) to the Company's annual report for 2013, which might significantly affect the Company's evaluations as above either jointly or severally.

19.3 A strategic Anti CD3 technology collaboration term sheet signed with a Chinese corporation

On December 18, 2014, a non-bonding term sheet ("**the term sheet**") was signed between Orimmune Bio Ltd., a subsidiary of the Company[52], and Nanjing BioSciKin Co. ("**the Chinese corporation**"), a private Chinese company which acts as the investment vehicle of Simcere Pharmaceutical Group[53], in connection with strategic collaboration for developing and manufacturing the Company's Anti CD3 antibody ("**the antibody**") and commercializing it in the Chinese market (China, Taiwan, Hong Kong and Macau) ("**the region**"). This is in keeping with the Company's report of May 4, 2014 regarding negotiations being held with the Chinese company in the same issue[54]. According to the term sheet, the parties will act for signing an exclusive license agreement for using Orimmune's patents and IP for the Chinese corporation's researching, developing, manufacturing, commercializing and sublicensing activities in the region in return for an amount of US$ 300 thousand in cash. Also according to the term sheet, the Chinese corporation is expected to finance setting up a GMP-based production line for the antibody and the Company will not be required to invest any amounts in this context. Moreover, according to the term sheet, the parties will enter into a non-exclusive supply agreement for the manufacturing the antibody (based on FDA standards) for the purpose of clinical trials at a price that will be determined between the parties. The Chinese corporation will bear all the payments in connection with and/or arising from the commercialization of the antibody, including payments to the Chief Scientist, if any are needed. The completion of the engagements is contingent on the fulfillment of several conditions ("**the suspending conditions**"), including the completion of a due diligence study to the Chinese corporation's satisfaction, filing patent applications for the antibody in China and signing a final and binding agreement as discussed above within 60 days from the date of signing the term sheet. As of the report date, the term sheet is no longer in effect and the parties have not signed any binding and final agreement; nevertheless, it should be noted that the parties are continuing to hold negotiations although as of the report date no significant achievements have been made. The Company will report any major developments in this context.

Forward-looking information warning - the Company's information and evaluations discussed above in connection with the signing of final and binding agreements, the fulfillment of any of the suspending conditions, including the signing of a final license and/or supply agreement as discussed above, and including forecasts, dates, evaluations and/or plans of the Company in connection therewith all represent forward-looking information, as this term is defined in the Securities Law, which involves a great degree of uncertainty and is based, among others, on outside factors and various variables which are not necessarily under the Company's control and therefore it is possible that the information regarding the signing of a final and binding agreement and the dates and schedules relating to the fulfillment of the suspending conditions might not materialize in practice and/or might not materialize in full and/or might materialize in a manner that is materially different from that originally evaluated or anticipated. Among the factors that are liable to cause the Company's information and evaluations not to materialize as expected we should mention the failure to receive regulatory and/or government approvals, including from the Chief Scientist and/or other government offices, the non-fulfillment of any of the suspending conditions in a timely manner and/or at all, failure to compete the negotiations between the parties and reach final and binding agreements and the realization of any of the risk factors described in paragraph 23 to Chapter A (Description of the Corporation's Business) to the Company's annual report.

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52 Orimmune Bio Ltd. (formerly: Protea Vaccine Technologies Ltd.) is a subsidiary that is controlled by the Company ("**Orimmune**"). As of the report date, the Company holds about 90% of Orimmune's issued and outstanding share capital (about 90% on a fully diluted basis).

53 To the best of the Company's knowledge, Simcere is traded on the NYSE.

54 See the Company's immediate report of May 4, 2014 (TASE reference: 2014-01-056541).

19.4 Agreement for the return of the VaxiSome® technology to the technology owners

Until May 2013, the Company owned an adjuvant technology for the improvement of preventive vaccinations and enhancement of their efficacy for developing a vaccine adjuvant (agent that helps increase the immune response and improve antibody production in the human body) that is delivered either by injection or through the intranasal route. On May 21, 2013, the Company signed an agreement on the transfer of rights to the technology with Yissum Research Development Company of the Hebrew University of Jerusalem ("**Yissum**") and Bio-Lev Ltd. ("**Bio Lev**"), the owners of the technology ("**the technology owners**"), for no immediate consideration, whereby the Company will be eligible for future payments from the commercialization of the technology. According to said agreement, subject to obtaining the approval of the Chief Scientist (on July 11, 2013, the Chief Scientist approved the transfer of the technology rights), the VaxiSome® technology will be transferred to the technology owners for no immediate consideration and the Company will be entitled to 25% of future revenues from commercialization of the technology, less the technology owners' expenses, up to a total amount of US$ 12.5 million. It was further agreed that if the license is given to Novartis or to a related company thereto, the rate of payments will be 50% (instead of 25%) and the ceiling of payments to the Company will be US$ 25 million (instead of US$ 12.5 million). According to the agreement, payments that will need to be delivered to the Chief Scientist for grants the Company received with regards to the technology will be paid by the technology owners. The agreement includes a provision according to which the parties release each other from claims and allegations with regards to the original license agreement signed between them in March 2005[55].

19.5 License agreement with Ramot - the BBS technology

In January 2014, the Company announced that it has received a letter from Ramot at Tel-Aviv University Ltd., the Tel-Aviv University's technology transfer company ("**Ramot**"), in which Ramot announces its intention to terminate the license and research agreement in connection with the BBS technology (the Alzheimer's drug). The Company's position was (and remains) that Ramot's announcement is illegitimate and groundless[56]. The parties negotiated the disputes between them in order to promote a mutual solution, including on issues that pertain to the Chief Scientist. In early October 2014, the parties agreed on an outline whereby the Company will return the license to Ramot and grant Ramot an exclusive license for the use and commercialization of the assets and knowhow accumulated in the Company during the license period ("**the Company's assets and knowhow**") in return for future royalties (based on the scope, rates and conditions determined in said outline)[57] on the future commercialization of the Company's assets and knowhow ("**the agreed outline**").

55 See the Company's immediate report of May 22, 2013 (TASE reference: 2013-01-067867).

56 See the Company's immediate reports of January 13, 2014 (TASE reference: 2014-01-013072) and of January 29, 2014 (TASE reference: 2014-01-026068).

57 The agreed outline consists, among others, of the payment of royalties by Ramot to the Company based on Ramot's receipts from the commercialization of the Company's assets and knowhow and limitation of the scope of royalties to a predetermined cumulative amount (which in any event will not exceed US$ 9.5 million, depending on the date of commercialization) and at a varying rate (which will be reduced pro rata to the prolongation of the commercialization date).

Once the agreed outline becomes effective, the parties agreed that the license agreement will become null and void as well as any other monetary and/or other liability outstanding between the parties, including the Company's obligation to finance the registration and/or maintenance of the patents effective from the date of cancellation and thereafter, and Ramot will bear those payments from then onwards[58]. The agreed outline will become effective once the approvals of the Chief Scientist and the Tmura Fund are obtained[59] for the agreed outline and for the parties' obligations and agreements[60], in conformity with the R&D Law and its regulations.

In keeping with the Chief Scientist's approval in principle for the agreed outline from early December 2014, on March 3, 2015, the Chief Scientist approved that the Company is in compliance with the terms of the approval stipulated by the research committee and accordingly, the agreed outline between Ramot and the Company (as disclosed in the previous immediate report) became effective. The Company and Ramot will act in accordance with the agreed outline for transferring the Company's developments based on the license agreement from the Company to Ramot (including the transfer of the patents and other necessary issues for completing the transfer of the license back to Ramot) and the license agreement shall become null and void.

See a condensed description of the license from Ramot in paragraph 18.2 to Chapter A (Description of the Corporation's Business) to the Company's annual report for 2013.

See details of an administrative proceeding taking place in this context in paragraph 20 below.

19.6 The license agreement with Hadasit - the Anti CD3 technology

On March 25, 2010, the Company entered into an exclusive global royalty-bearing license agreement with Hadasit Medical Research Services & Development Ltd., the Technology Transfer Company of Hadassah University Hospitals ("**Hadasit**") for the research, development and commercialization of the immunotherapy treatment that uses the oral Anti CD3 antibody to treat inflammatory, autoimmune and other diseases involving immune control disorders.

In consideration for said rights, the Company undertook to finance the patent maintenance with regards to the technology, including for past expenses, and to pay, beginning from the third year of the license, the annual fixed license fees, all in amounts that are immaterial to the Company.

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58 For the removal of doubt it should be clarified that the Company's obligation towards a third party (a supplier) in connection with the payment of future royalties for services rendered by that supplier at the rate agreed upon between the Company and the supplier remains in effect and will continue to apply even after the license agreement is cancelled. Furthermore, according to the agreement, Ramot is expected to pay the Company an immaterial amount of approximately NIS 135 thousand for the return of the license.

59 Tmura – the Israeli Public Service Venture Fund at the Office of the Chief Scientist regulates issues of royalties and operates by virtue of the Encouragement of Industrial Research and Development (Rate of Royalties and Rules for the Payment thereof) Regulations, 1996 ("**the Tmura Fund**").

60 An approval in principle has been received from the Chief Scientist for the agreed outline on November 2, 2014 and was signed by the Company on December 3, 2014.

In addition, according to the agreement, the Company will practice reasonable commercial diligence in developing and commercializing the products based on the technology. Without derogating from the aforementioned, according to the agreement, the Company must meet certain development milestones, including commencing Phase IIa clinical trials of any of the technology-based products within a period of 12 months from the date of signing, Phase IIb clinical trials of any of the technology-based products within a period of four years from the date of signing and additional Phase IIb or Phase III clinical trials of any of the technology-based products within a period of seven years from the date of signing. In addition, the Company has undertaken to invest, by itself and/or through sub-licensees, an amount of US$ 1.5 million in developing technology-based products in the first two years from the date of signing in order to achieve the above milestones. It should be clarified that as of the report date, the Company has not yet commenced any Phase IIb clinical trials. As of the report date, the Company is acting in cooperation and transparency with Hadasit with respect to the project and to the best of its knowledge is receiving full backup and cooperation from Hadasit.

The Company will also pay royalties from the sale of products that are based on the technology in varying percentages based on the sold product, to the IP rights and accordingly to the sum of the net revenues, at a rate between 2.25% and 4.5% of the sum of the net annual revenues. "Net revenues" are defined in the agreement as sums to be actually received by the Company, its related entities or holders of sublicenses, from the sale of products based on the technology, following offset of accepted discounts, reimbursements, tax, insurance and shipping costs.

The Company may grant sublicenses to partners in the research and development of the technology and will pay Hadasit 30% of all revenues it will generate from the grant of the sublicense provided that this amount is not higher than 5% of the net revenues of the holders of the sublicense or lower than a percentage that ranges between 0.75% and 2.5% of its net sales (depending on the territory in which the sales are made). The Company is entitled to withdraw the license at any time before the launch of the drug, without having any additional obligations imposed on it. In addition, it is hereby agreed that the Company will sign a consulting agreement with scientists who spearheaded the development of the technology according to which they will oversee the project with the Company in return for consulting fees in a sum that is immaterial to the Company[61].

In April 2010, the Company entered into consulting agreements with Hadasit and with Prof. Howard Weiner for receiving consulting services in connection with this project according to which they will advise the Company with regards to the project, oversee and plan the clinical trials, etc. in consideration for allocation of the Company's stock options.

In August 2010, the Company entered into an agreement with Centocor Ortho Biotech ("**Centocor**"), manufacturers of the Anti CD3 antibodies, according to which Centocor will supply the Company with the antibodies under preferential commercial conditions over market prices, for use by the Company for clinical trials that the Company carried out and whose results were published by the Company on March 21, 2011 (for trial results, see paragraph 8.3 below). In consideration, the Company granted Centocor exclusive rights for several months, beginning on the date on which the Company delivers to Centocor the results of the aforementioned clinical trial, to negotiate with the Company ahead of the license agreement and/or partnership agreement with regards to the Anti CD3 technology. The results of the trial were delivered to Centocor shortly after their date of publication by the Company. A similar procedure is expected to be in place with regards to the results of the HCV trial.

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61 For a description of this agreement, see the Company's immediate report of March 28, 2010 (TASE reference: 2010-01-432594).

On July 9, 2012, the Company reported that it completed the development of the humanized monoclonal Anti CD3 antibody ("**the antibody**"), for which the Company submitted a patent application.

19.7 Negotiations for the grant of an Anti CD3 antibody manufacturing and marketing license for treating the NASH indication in the Chinese market and in the Far East

In the course of 2014, the Company held negotiations with Acebright Holding Limited ("**Acebright**"), a Chinese corporation which on the report date is an interested party in the Company, regarding the grant of a license for manufacturing a humanized Anti CD3 antibody and an exclusive right for marketing it for treating the NASH indication in the Chinese market and the Far East (not including Japan)[62]. The negotiations discussed the possibility of integrating the Anti CD3 development activities of the Chinese company and Acebright in said markets or operating jointly with one of the two based on specific understandings. As of the report date, the parties are still holding negotiations but there is no certainty that the negotiations will yield any binding agreement and at what terms.

19.8 Agreements for the payment of royalties

Below is a list of royalties that the Company is required to pay[63]:

Identity of the recipient of royalties	Cause for eligibility for royalties	Means of payment	Range of the consideration
Ramot	License for BBS technology	Royalties from sales	1% to 4% of net annual revenues – for more information, see paragraph 19.3 above
Antitope	License for BBS-related technology	Royalties from sales and sublicenses	Approximately 0.5% of net annual revenues up to £ 6.375 million
Hadasit	License for Anti CD3 technology	Royalties from sales and sublicenses	Between 2.25% and 4.5% of net annual revenues; 30% of the sums to be received for the sublicenses – for more information , see paragraph 19.4 above
Antitope	License for Anti CD3-related technology	Royalties from sales and sublicenses	Approximately 0.5% of net annual revenues

62 See the Company's immediate reports of September 3, 2013 (TASE reference: 2013-01-136041) and May 4, 2014 (TASE reference: 2014-01-056541).

63 In addition, the Company is required to pay the former shareholders of Protea certain amounts, subject to compliance with certain milestones or as a percentage of certain revenues that the Company will generate from the Protea technology. For more information – see the Company's immediate report regarding the Protea acquisition transaction of January 19, 2009, whose content was included in this report by way of reference.

19.9 Engagement in agreements with Acebright

On September 2, 2013, the Company entered into certain investment agreements and a memorandum of understandings with Acebright with a view to signing a license agreement.

The investment agreements

According to the investment agreements, Acebright will invest a sum of US$ 1 million in the Company and its subsidiaries, in a manner that a sum of US$ 450 thousand will be invested in the Company against allocation of 10,507,500 Company shares (approximately 8% of the issued capital of the Company) and a sum of US$ 550 thousand will be invested in the Company's subsidiaries to which the Company's Anti CD3 technology and BBS technology will be transferred, against allocation of 10% of each subsidiary's issued capital. It should be noted that the subsidiary that is designed to receive the Company's BBS technology has not yet been set up and as such, the investment agreement with regards to this company has not yet been signed. In addition, Acebright will be allocated options for 12 months to purchase up to 26,268,750 additional Company shares against an additional investment of up to US$ 1,125 thousand in the Company. In addition, Acebright will be allocated options for the same period for investment of up to US$ 1,375 thousand in the Company's subsidiaries, and all at the same exercise prices as the original investment price in each company.

Completion of recruitment according to the allocation agreements was conditioned on several suspending conditions, including the TASE's approval of the allocation of Company shares and options as specified above and approval of the Chief Scientist.

As of the report date, the funds of the investment were transferred to the Company and Acebright was allocated shares and options of the Company and of the subsidiary Orimmune (formerly Protea), as specified in the immediate reports of December 23, 2013 (TASE reference: 2013-01-104890) and December 25, 2013 (TASE reference: 2013-01-107896).

The memorandum of understandings for license agreement for development and commercialization ("**MOU**")

In addition to said investment agreements, on September 2, 2013, the Company entered into a non-binding MOU with Acebright that specifies the main terms of the license agreement which the parties plan on entering. According to the MOU, the Company will grant Acebright an exclusive license for developing a product and for conducting clinical trials with the Company's Anti CD3 technology in the NASH indication only in defined territories in the Far East, including China, Hong Kong, India, Korea, the Philippines, Thailand and others (not including Japan) and for the commercialization of said technology in these territories.

In consideration for the license, Acebright will pay the Company royalties at a rate equivalent to 10% of total net sales of products based on the Company's Anti CD3 technology made by Acebright in each country in the above territories in the first three years, and 5% of sales after the said period. The final license agreement will establish minimum sums for periodic royalties to be paid to the Company.

Development by Acebright will be performed in accordance with a development plan to be approved by the Company and in compliance with predetermined quality requirements. Acebright will bear all clinical trial costs and costs involved in compliance with regulatory requirements in said territories.

The Company will own the intellectual property rights related to the Anti CD3 technology. Acebright will be granted a license for using the intellectual property that will be developed based on said technology for other indications as well. Certain IP rights relating to formulation of the oral administration of Anti CD3 will be assigned to Acebright but the Company will be granted exclusive license for said technology and Acebright will be prevented from granting the license for said technology to any third party. As of the report date, the Company is waiting for Acebright's response to the draft agreement that the Company sent it.

Expansion of cooperation with Prof. Howard Weiner with regards to the Anti CD3 antibody

In November 2013, the Company announced that it came to principle agreements with Prof. Howard Weiner regarding expansion of cooperation with his laboratory. Prof. Weiner, a member of the Company's Scientific Advisory Board, is an expert in multiple sclerosis as well as neurological and autoimmune diseases, from the Harvard University School of Medicine and from Brigham and Women's Hospital in Boston.

Prof. Howard Weiner serves as head of the Institute of Multiple Sclerosis and co-director of the Center of Neurologic Diseases at Brigham and Women's Hospital in Boston. Prof. Howard Weiner developed, along with other researchers in his laboratory, the Anti CD3 monoclonal antibody treatment P.O. (by mouth) and nasal (through the nose) for a range of inflammatory and autoimmune diseases while preventing suppression of the immune system in whole, whose rights to this were acquired by the Company in 2010 from Hadasit and Brigham and Women's Hospital in Boston.

As part of said expansion of cooperation, the Company and Prof. Weiner plan on studying a new method of use of the Anti CD3 monoclonal antibody in nasal administration for the treatment of Progressive Multiple Sclerosis. In addition, the Company and Prof. Weiner will work towards cooperation in the formation of protocols for new clinical trials for the treatment of juvenile diabetes and Type 2 diabetes through the Anti CD3 antibody P.O. in order to accelerate development of immunotherapy treatment for both types of diabetes. Expansion of the cooperation does not involve, at this stage, material financial investment on the part of the Company.

Phase IIa clinical trial in the Anti CD3 antibody

On May 18, 2014, the Company reported that researchers in the Boston Children's Hospital, Brigham and Women's Hospital in Boston and Harvard University in Boston announced the success of a Phase IIa clinical trial for proof of concept of the oral administration of the Anti CD3 antibody for treating ulcerative colitis. The clinical trial met its initial targets - testing the safety of the treatment and changes in immunological parameters which might be an indication for the treatment's efficacy. The Company was also informed that the secondary target of the clinical trial has been achieved - testing the efficacy parameters in patients with more severe degrees of UC. The clinical trial was conducted using an antibody extracted from mice (OKT3). The Company has developed an analogous humanized OKT3 antibody with reduced immunogenicity which is better adapted for long-term administration to humans. The Company has clarified that the continued development of the humanized antibody will depend on obtaining proof that the humanized version operates similarly to the mice version[64].

64 See the Company's immediate report of May 18, 2014 (TASE reference: 2014-01-065805).

20. Legal proceedings

20.1 In keeping with the Company's previous reports from early 2014 in connection with Ramot's notification to the Company[65] that it intends to cancel the license granted to the Company for Ramot's BBS technology ("**the Ramot case**")[66], the Company reported that to the best of its knowledge, the ISA is holding an administrative inquiry apparently regarding the dates for reporting the Ramot case to the public and the quality of the disclosure provided by the Company in connection with the technology's development status in the relevant periods before Ramot issued said cancellation notice. The Company has no information of the stage of the inquiry and/or cannot assess its outcome, if any. As of the report date, the Company is fully cooperating with the ISA in the Ramot case and will report any material developments.

21. Business strategy and targets

Below is a review of Company targets with regards to its activity in ensuing years:

Product name and indication	Development stage as of the report date	2015	2016	2017
Anti CD3 (antibody for treating inflammatory and autoimmune diseases)	1. Completion of creating a proprietary humanized antibody 2. The development of the antibody's formulation for pre-clinical use has been concluded	Commercial, research or technological collaboration	Subject to collaboration and based on predetermined terms, GMP production of the proprietary humanized antibody and completion of the product's optimization - GMP produced capsule/liquid	- Beginning bridge trial; - Concluding bridge trial; - Obtaining Phase IIa clinical trial results in other indications
Capital raisings	The Company has a going concern notice in its financial statements - raising an amount of approximately NIS 650 thousand in 2014 and as of the report date	Raising capital of at least US$ 1 million	Raising capital of at least US$ 1 million	Raising capital of at least US$ 1 million
Expansion of the Company's portfolio of cannabinoid pharmaceutical technologies	The Dekel and Lara-Pharm technologies	Expanding the Company's portfolio of cannabinoid pharmaceutical technologies	Expanding the Company's portfolio of cannabinoid pharmaceutical technologies	
Upgrading and development of existing medicinal cannabis related technologies	Licensing (binding term sheet) for the Dekel technologies and investing in Lara-Pharm	- Completing the licensing of the entourage effect technology (subject to the required approvals); - Developing proprietary formulations to prepare for clinical trials	Clinical trials for proof of concept	Technological commercialization

65 Ramot at Tel-Aviv University Ltd., the Tel-Aviv University's technology transfer company.

66 For details of Ramot's cancellation notification in the Company's immediate reports of January 13, 2014 (TASE reference: 2014-01-013072) and January 29, 2014 (TASE reference: 2014-01-026068); see details of an agreement for settling the disputes between the parties in the Ramot case in the Company's immediate reports of December 3, 2014 (TASE reference: 2014-01-214758 and its amendment 20140-01-214758) and of March 4, 2015 (TASE reference: 2015-01-044713).

The information in the table above is forward looking information, as defined in the Securities Law, whose materialization is not guaranteed and whose materialization depends, inter alia, on factors outside the Company's control, such as developments in the vaccine markets and treatments of diseases for which the Company's development is designed, position of the Company's business partners in the various developments and their business and strategic decisions with regards to these developments, the ability to raise funds to carry out other trials and manufacture antibodies; the availability and willingness of patients to participate in trials, trial expenses, requirements of the medical institutions where the trials will be carried out, acceptance of the Company's development in the medical community, etc.

22. Predictions of developments for the next year

Below is a list of the plans that deviate from the ordinary course of business which the Company decided to implement in the upcoming year that might materially impact the business status and operating results:

a. Identification of new companies to add to the Company portfolio.
b. Identification of pharma companies for possible cooperation and/or investment in the Company.
c. Identification of an entity that will cooperate with the subsidiary Orimmune to continue development.

23. Risk factors

Investment in the Company's securities involves risks that characterize an investment in any new biotechnology and pharmaceutical company. As of the report date, the Company does not have any sales and there is no guarantee that the Company will be able to complete development of products that it is currently developing and market the products on a commercial basis.

Below is information on the risk factors that might materially affect the Company's operations and business results:

23.1 Development of the Company's products

The Company has not yet completed development of any product and there is no guarantee that the Company will be able to complete development of any of its projects and products and if and when they will be developed or that they will be effective and safe for use. In addition, there is no guarantee that the Company will successfully complete development of its products within the timeframe and/or within the budget it set for itself. A delay in the timetable or a deviation from the budget might result in the Company incurring additional expenses with regards to product development and might even prevent completion of their development.

In addition, a significant percentage of the Company's products have yet to be tested on human subjects. There is therefore no guarantee that the developments that showed promising results in animal trials will present similar results in human subjects as well.

23.2 Demand for the Company's products and product prices

There is no guarantee that the Company's products will have a demand that justifies their commercial production and marketing. In addition, the Company has no guarantees with regards to demand for its products, with regards to product pricing it suggests and the cost of production of said products.

23.3 Need to manufacture Anti CD3 antibodies

To date, the Company acquired Anti CD3 antibodies that were used in its clinical trials from a third party (J&J, Jenssen). These antibodies were created from mice and their manufacturing was recently stopped. Continuing the clinical trials by the Company requires the use of humanized antibodies whose manufacturing is being examined by the Company itself. There is no guarantee that the Company will be able to manufacture these antibodies or what the cost and/or continued production will be. A delay in manufacturing and extraordinary manufacturing costs might hinder continued development of the Company's Anti CD3 technology.

23.4 Uncertainty regarding the receipt of patents

There is no guarantee that the patent registration applications that were submitted by the Company with regards to the Company's technologies will result in patent registration. In the event of failure to complete patent registration, the Company's developments will not be proprietary, which might allow other entities to manufacture the Company's products and compete with them.

23.5 IP protection

A third party might challenge the measures adopted by the Company to protect its IP. Failure by the Company to protect its IP might hinder its ability to effectively compete and might negatively impact its business.

23.6 Company operations based on third party licenses

The Company's development activity is based on licenses from third parties to develop vaccines and other drugs in specific segments related to the immune system, as described in this report. For more information about the license agreements, see paragraph 18 above.

23.7 Technological changes and competition

The pharmaceutical market is characterized by steady developments. The results of the Company's operations depend on its ability to constantly develop new generations of products. There is no guarantee that the Company's R&D activity will produce results and that it can conduct research and development at the level required to successfully compete with competing products.

Once regulation has been completed with regards to the Company's products, the third parties might develop alternative products in which they introduce a technological modification that would allow them to bypass the Company's patent-protected rights. In this case, the third parties might develop competing products to the Company's products and not violate any patent-protected rights. This would increase competition against Company products and lower the Company's projected profit.

23.8 Changes in regulations, permits and international standardization; regulatory changes and stricter medicinal cannabis policies

The Company's operations are subject to the relevant standards in the countries in which the Company plans to operate (including European, American, Israeli and other standards). Subsequently, the Company might be affected by regulatory developments. Changes in the regulatory environment with regards to pharmaceutical marketing, including changes and/or failure to comply by the Company and its manufacturers with the said regulatory provisions, might result in various restrictions on imposed on the Company's operations, including on the future grant of approvals for its products. For information about the standards and regulations that apply to the Company's operations, see paragraph 17 above.

23.9 Delay in obtaining the necessary permits for marketing the Company's products, failure to obtain permits and resulting expenses

Marketing of the Company's products is subject to regulatory approvals as specified in paragraph 18.2 above. Obtaining said approvals might be time-consuming, which might delay marketing of the Company's products and result in additional expenses for the Company with regards to obtaining permits to market the Company's products on a commercial basis. Furthermore, there is no guarantee that the Company will receive the necessary approvals to market its products. Without these approvals, the Company will not be able to market its products.

23.10 Limited financial resources

As a company that is engaged in research and development of medical products and in view of the uncertainty that involves the success of development of any of the Company's various technologies and/or introducing them into the relevant market, in the event of failure of the development of any of the technologies and/or failure to obtain the required approvals for marketing and selling any of the Company's technologies from the regulatory authorities and/or introducing them into the relevant market, the Company's investment in the development of any of the technologies might be lost. Moreover, as an R&D company, the Company is required to raise capital to create permanent positive cash flows from the sale of any of its medical products in order to finance its expenses. The Company records a going concern notice in its financial statements and there is no guarantee that it will have the financial resources needed for realizing its strategic targets.

23.11 Failure to sign collaboration agreements with leading pharma companies

Failure by the Company to sign significant collaboration agreements with leading pharma companies or failure of such agreements to result in commercial engagements with such pharma companies will on the one hand limit the Company's ability to develop and market its products and core technologies and on the other hand force the Company to invest far more resources in developing and marketing its products that will probably not be available to it.

23.12 Lack of additional funding resources to complete the R&D

The limited funding sources available to the Company might not be sufficient to finance the operating costs and complete the R&D of products under development by the Company. The Company's financing needs might materially change, due to results of the R&D and clinical trials, competition, technological developments in the field as well as expenses incurred from additional requirements from various regulatory authorities.

There is no way of guaranteeing that the Company will manage to raise additional funds, if and when it is required to do so. The lack of suitable funding might result in the suspension of Company operations.

23.13 Projected lack of profits over the next several years

The Company is currently in the development stage. It has no source of revenue from product sales, manufacturing or R&D activity. There is no guarantee that it can develop these types of sources of income, or that the activity will become profitable even if its products are manufactured on a commercial basis.

23.14 Competition

The Company expects to be exposed to competition due to development of new therapeutic methods and due to the introduction of new competition into the market.

23.15 Below is a table breaking down the risk factors that might impact the Company's operations and business results and the Company's assessment of the degree of impact of these risk factors on its entire operations:

	The degree of the impact of the risk factor on the Company's entire operations		
	Tremendous impact	**Moderate impact**	**Slight impact**
Specific risks			
Development of the Company's products	**X**		
Demand for the Company's products and their prices		**X**	
Need to manufacture humanized Anti CD3 antibody	**X**		
Limited financial resources	**X**		
Changes in regulations, permits and international standardization		**X**	
Delay in obtaining permits required to market the Company's products, failure to obtain permits and resulting expenses	**X**		
Projected lack of profitability in ensuing years		**X**	
Lack of additional sources of funding to complete R&D	**X**		
Company operations based on third party license		**X**	
Failure to sign collaboration agreements with leading pharma companies	**X**		
Industry risks			
Technological changes		**X**	
Uncertainty regarding patent approval		**X**	
Protection of intellectual property		**X**	
Competition	**X**		

THERAPIX BIOSCIENCES LTD.

CHAPTER B

BOARD OF DIRECTORS' REPORT
ON THE STATE OF THE CORPOTATION'S AFFAIRS
AS OF DECEMBER 31, 2014

THERAPIX BIOSCIENCES LTD.

CHAPTER B - BOARD OF DIRECTORS' REPORT ON THE STATE OF THE CORPOTATION'S AFFAIRS

We are hereby pleased to present the Board of Directors' report on the state of affairs of Therapix Biosciences Ltd. ("**the Company**") for 2014 ("**the reporting year**"), prepared in conformity with the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 ("**the report**").

a. The Board's explanations for the Company's financial position, operating results, equity and cash flows

1. Material changes in the Company's operations and business and financial statement data in the fourth quarter of 2014 and in 2014

1.1 Main results for the period of three months ended December 31, 2014 ("**Q4 2014**")

1.1.1 Net cash used in operating activities in Q4 2014 amounted to approximately NIS 1,124 thousand, compared with net cash used in operating activities in the amount of approximately NIS 2,488 thousand in the corresponding quarter of 2013. The decrease of NIS 1,364 thousand in net cash used in operating activities in Q4 2014 mainly arises from personnel cutbacks and a significant reduction in R&D costs following the suspension of clinical trials.

1.1.2 The comprehensive loss in Q4 2014 amounted to approximately NIS 1,824 thousand, compared with NIS 2,314 thousand in the corresponding quarter of 2013. The main decrease in loss is a result of the decrease in employment costs and a reduction in additional R&D costs.

1.2 Main results for the year ended December 31, 2014

1.2.1 Net cash used in operating activities in 2014 amounted to approximately NIS 7,358 thousand, compared with approximately NIS 9,543 thousand in 2013. The decrease in net cash used in operating activities in 2014 mainly arises the gradual reduction in the number of employees in the course of the year (partly offset by non-recurring severance pay costs) and the decrease in R&D costs.

1.2.2 The comprehensive loss in 2014 amounted to approximately NIS 7,292 thousand, compared with income of NIS 209 thousand in 2013.

In 2013, the Company signed an agreement for the transfer of the VaxiSome® technology and the respective Chief Scientist obligations to Yissum. Accordingly, the Company wrote down the liability in respect of Government grants attributed to the VaxiSome® adjuvant project in the second quarter of 2013 by a total of approximately NIS 7,206 thousand and recognized other income in said amount in its financial statements. The comprehensive loss in 2014 includes other income in the amount of approximately NIS 115 thousand.

1.2.3 Net operating expenses in 2014 and 2013 amounted to approximately NIS 6,923 thousand and NIS 1,322 thousand, respectively. The increase in operating expenses in 2014 stems from the cancellation of the liability to the Chief Scientist in the amount of NIS 7,206 thousand in 2013, as discussed in paragraph 1.2.2 above. In 2014, there was a decrease in net R&D expenses due to a material decline in payroll and operating expenses and in R&D expenses due to shortage of cash.

2. The financial position

The Company's condensed consolidated balance sheets in NIS in thousands:

	December 31,	
	2014	**2013**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	614	5,122
Restricted cash	44	327
Accounts receivable	102	122
	760	**5,571**
NON-CURRENT ASSETS:		
Investment in company accounted for at equity	187	-
Property, plant and equipment	70	318
	257	**318**
Total assets	**1,017**	**5,889**
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	1,182	1,556
Other accounts payable	132	343
Warrants	-	396
	1,314	**2,295**
NON-CURRENT LIABILITIES:		
Government grants	156	128
	156	**128**
EQUITY (DEFICIT):		
Share capital	1,841	1,410
Share premium	80,460	78,276
Capital reserve for share-based payment transactions	15,215	15,071
Capital reserve for translation of financial statements of foreign operation	10	-
Warrants	4,981	4,377
Capital reserve from transactions with non-controlling interests	941	941
Accumulated deficit	(103,591)	(96,384)
	(143)	**3,691**
Non-controlling interests	(310)	(225)
Total liabilities and equity	**1,017**	**5,889**

2.1 Current assets

2.1.1 Cash and cash equivalents as of December 31, 2014 amounted to NIS 614 thousand, compared with NIS 5,122 thousand as of December 31, 2013. As of December 31, 2014, the balance of restricted cash amounted to NIS 44 thousand, compared with NIS 327 thousand as of December 31, 2013. The cash is pledged to secure the lease of the Company's offices. The decrease is due to the relocation to a smaller leased space.

2.1.2 Accounts receivable as of December 31, 2014 amounted to NIS 102 thousand, compared with NIS 122 thousand as of December 31, 2013.

2.1.3 Total current assets as of December 31, 2014 amounted to NIS 760 thousand, compared with NIS 5,571 thousand as of December 31, 2013. The decrease is mainly due to the decrease in the cash balance as described above.

2.2 Non-current assets

2.2.1 Property, plant and equipment, net as of December 31, 2014 amounted to NIS 70 thousand, compared with NIS 318 thousand as of December 31, 2013. The decrease is a result of the sale of most of the equipment used in research due to the evacuation of the Ness Ziona premises and of depreciation in the period.

2.2.2 The balance of the investment in Lara-Pharm amounted to NIS 187 thousand, see Note 16d to the financial statements.

2.3 Current liabilities

2.3.1 Trade payables as of December 31, 2014 amounted to NIS 1,182 thousand, compared with NIS 1,556 thousand as of December 31, 2013. The decrease is mainly a result of the decrease in the Company's current liabilities due to cuts made in work plans.

2.3.2 Other accounts payable as of December 31, 2014 amounted to NIS 132 thousand, compared with NIS 343 thousand as of December 31, 2013. The balance of other accounts payable is mainly comprised of employees and payroll accruals. The decrease is mainly a result of the reduction in the Company's employee headcount.

2.3.3 Total current liabilities as of December 31, 2014 amounted to NIS 1,314 thousand, compared with NIS 2,295 thousand as of December 31, 2013.

2.4 Non-current liabilities

2.4.1 Liabilities in respect of Government grants as of December 31, 2014 amounted to NIS 156 thousand, compared with NIS 128 thousand as of December 31, 2013.

2.5 Non-controlling interests

2.5.1 Non-controlling interests as of December 31, 2014 amounted to NIS 310 thousand, compared with NIS 225 thousand as of December 31, 2013. Non-controlling interests represent the minority's share in Orimmune Ltd., the subsidiary.

2.6 Equity (deficit)

2.6.1 The Company's equity deficit as of December 31, 2014 amounted to NIS 453 thousand, compared with equity of NIS 3,466 thousand as of December 31, 2013. The decrease in equity mainly stems from the current loss of NIS 7,292 thousand, offset by a capital issuance in a total of NIS 3,219 thousand.

3. Operating results

3.1 The Company's condensed consolidated statements of profit or loss for the years ended December 31, 2014, 2013 and 2012:

	Year ended December 31,		
	2014	**2013**	**2012**
	NIS in thousands		
Research and development expenses, net	(1,800)	(4,649)	(8,626)
General and administrative expenses	(5,238)	(3,919)	(4,734)
	(7,038)	(8,568)	(13,360)
Other income, net	115	7,246	336
Operating loss	(6,923)	(1,322)	(13,024)
Finance income	401	1,603	235
Finance expenses	(427)	(72)	(454)
Total finance income (expense)	(26)	1,531	(219)
Group's share of losses of company accounted for at equity	(343)	-	-
Net income (loss) and total comprehensive income (loss)	(7,292)	209	(13,243)
Attributable to:			
Equity holders of the Company	(7,207)	207	(13,243)
Non-controlling interests	(85)	2	-
	(7,292)	209	(13,243)

3.2 The condensed consolidated interim statements of profit or loss:

	Three months ended			
	December 31, 2014	**September 30, 2014**	**June 30, 2014**	**March 31, 2014**
	NIS in thousands			
Research and development expenses, net	(105)	(561)	(488)	(646)
General and administrative expenses	(1,230)	(1,523)	(1,273)	(1,212)
Other income, net	(2)	84	33	-
Operating loss	(1,335)	(2,000)	(1,728)	(1,858)
Finance income	-	192	66	326
Finance expenses	(395)	(171)	(39)	(5)
Total finance income (expense)	(395)	21	27	321
Group's share of losses of company accounted for at equity	(92)	(251)	-	-
Net income (loss) and total comprehensive income (loss)	(1,824)	(2,230)	(1,701)	(1,537)
Attributable to:				
Equity holders of the Company	(1,798)	(2,191)	(1,656)	(1,562)
Non-controlling interests	(26)	(39)	(45)	25
	(1,824)	(2,230)	(1,701)	(1,537)

The Company is the development stage and does not generate any sales.

3.3 Research and development expenses, net

In the year ended December 31, 2014, research and development expenses, net amounted to NIS 1,800 thousand, compared with NIS 4,649 thousand in 2013. In the three months ended December 31, 2014, research and development expenses amounted to approximately NIS 105 thousand, compared with NIS 939 thousand in the corresponding period of 2013. The Company's research and development expenses consist of wages, subcontractors, patents, etc. which are used in the Company's research and development activity in its various projects.

General and administrative expenses

In the year ended December 31, 2014, general and administrative expenses amounted to NIS 5,238 thousand, compared with NIS 3,919 thousand in 2013. In 2014, the Company completed the process of registering its Level 1 ADRs for trade on the OTCQB in the United States. The main increase in general and administrative expenses in 2014 arises from business development costs in the US relating to the registration process described above.

In the three months ended December 31, 2014, general and administrative expenses amounted to NIS 1,230 thousand, compared with NIS 1,474 thousand in the corresponding period of 2013. These expenses consist of wages, professional services, business development in the US, etc. The decrease in Q4 2014 compared to the corresponding quarter of 2013 mainly arises from the reduction in the number of employees and the decrease in lease expenses.

3.4 Other income, net

In the year ended December 31, 2014, other income amounted to NIS 115 thousand, compared with NIS 7,246 thousand in 2013. The income in 2014 derives mainly from the sale of equipment after evacuating the labs and offices in Ness Ziona as opposed to the income in 2013 which mainly derived from the decrease in the liability to the Chief Scientist following the transfer of the VaxiSome® technology to Yissum.

3.5 Operating loss

In the year ended December 31, 2014, the operating loss amounted to NIS 6,923 thousand, compared with an operating loss of NIS 1,332 thousand in 2013. In the three months ended December 31, 2014, the operating loss amounted to NIS 1,336 thousand, compared with an operating loss of NIS 2,392 thousand in the corresponding period of 2013. The decrease in loss mainly arises from minimizing the R&D activity and the number of employees.

3.6 Finance income/expenses, net

In the year ended December 31, 2014, finance expenses, net amounted to NIS 26 thousand, compared with finance income, net of NIS 1,531 thousand in 2013. In the three months ended December 31, 2014, finance expenses, net amounted to NIS 395 thousand, mainly due to the impairment of a financial instrument in the amount of NIS 350 thousand, compared with financial income, net of NIS 78 thousand in the corresponding period of 2013.

Finance income in 2014 mainly derives from the decrease in the value of warrants in the amount of NIS 396 thousand against finance expenses from the impairment of a financial instrument in the amount of NIS 350 thousand. Last year, the income derived from a change in the balance of the liability to the Chief Scientist following an adjustment of the Company's forecasts in a total of approximately NIS 1,482 thousand.

3.7 Income (loss) for the period and comprehensive income (loss)

In the year ended December 31, 2014, net loss and comprehensive loss attributable to equity holders of the Company amounted to NIS 7,292 thousand, compared with income of NIS 209 thousand in 2013. In the three months ended December 31, 2014, net loss and comprehensive loss amounted to NIS 1,824 thousand, compared with a loss of NIS 2,314 thousand in the corresponding period of 2013. The loss in the current year mainly arises from the reduction of the Company's operations. Last year, the loss was offset by income totaling NIS 7,240 thousand from the derecognition of the liability to the Chief Scientist in respect of the VaxiSome® project following its transfer to Yissum in 2013.

3.8 Cash flows

Cash flows used in operating activities in the year ended December 31, 2014 amounted to approximately NIS 7,358 thousand, compared with approximately NIS 9,543 thousand in the year ended December 31, 2013. The decrease in cash flows is mostly due to minimizing the Company's operations and employee downsizing.

Net cash used in investing activities in the year ended December 31, 2014 amounted to NIS 396 thousand, compared with net cash provided by investing activities of NIS 41 thousand in the year ended December 31, 2013. The cash were used in investing activities in Lara-Pharm (as described in paragraph 19 to Chapter A), offset by the proceeds from sales of property, plant and equipment and a change in restricted cash. Last year, net cash provided by investing activities derived from the sale of property, plant and equipment

Net cash provided by financing activities in the year ended December 31, 2014 amounted to NIS 3,219 thousand, compared with NIS 11,749 thousand in the year ended December 31, 2013. The cash flows in the current year derive from funds raised by the Company from the public and private sectors. See details in paragraph 4 below regarding cash flow liquidity.

4. Liquidity, cash flows and financial resources

Since its inception, the Company financed its activities using the capital raised from the public in December 2005, in the context of which the Company's securities were listed for trade on the Tel-Aviv Stock Exchange, and from private placements. In 2013, the Company completed a raising round of approximately NIS 4.4 million by issuing shares to private investors. In July 2013, the Company raised, through a shelf prospectus, a gross amount of approximately NIS 4.6 million in return for the issuance of shares and options. In December 2013, the Company raised approximately NIS 2.6 million in a private placement of shares and warrants.

On May 8, 2014, the Company raised a gross amount of approximately NIS 2.9 million from the issuance of 3,009,400 ordinary shares, 3,009,400 warrants (series 3) and 3,009,400 warrants (series 4) of the Company.

On November 19, 2014, the Company offered 1,300,000 Ordinary shares, 1,300,000 options that vest immediately and 1,300,000 contingent options in a private placement. The immediate gross proceeds from the offered securities total NIS 650 thousand.

The liquid financial assets available to the Company as of December 31, 2014 comprise cash and cash equivalents totaling NIS 614 thousand. The Company invests its funds in solid channels, mainly in NIS deposits.

As of December 31, 2014, the Company has a working capital deficiency of NIS 554 thousand, compared with a positive working capital of NIS 3,276 thousand as of December 31, 2013.

As part of the Company's plan of offering improved accessibility to prospective foreign investors, in early October 2014, the Company completed the process of registration of its Level 1 ADRs for trade on the OTCQB in the United States. Each ADR consists of 20 Ordinary shares of the Company which are traded OTC in the US under the symbol of THXBY. The Company's Board and Management are taking steps to ensure the Company's financial stability and examining different financing options, including recruiting investors to invest in the Company through private placements.

5. Remuneration of interested parties and senior officers

On January 26, 2014, following several meetings and discussions held in the subject (and following the Remuneration Committee's recommendation), the Company's Board recommended approving the Company's officers' remuneration policy, which was approved on March 24, 2014 ("**the remuneration policy**").

In general and pursuant to the ISA Staff's position, the examination of the remuneration in terms of its conditions, reasonableness and its correlation to the senior officers' and interested parties' contribution to a company in conformity with the criteria in Regulation 21 to the Securities Regulations (Periodic and Immediate Reports), 1970 ("**the officers**", "**the Reporting Regulations**" and "**Regulation 21**", respectively) is performed for each officer separately and is specifically discussed and approved by the Company's Board based on the data presented to it which consists, among others, of details and data of the relevant experience of each officer, their education, base salary, terms of employment and tenure, various bonuses received from the Company in the reporting year, including grants and rewards in the Company's securities, the degree of complexity of their position, the nature of their responsibilities, the efforts invested by them in the period, the Company's profits and financial results, the scope and complexity of the Company's business and the personal contribution of each officer to the success of the Company's business. In addition, the Board receives comparative data of the salaries of similar officers in other public companies with similar business scopes and/or areas of activity to those of the Company. The Company has examined the employment terms of the officers and found them to be in compliance with the remuneration policy's principles and provisions.

Based on the above data, the Board held meetings to discuss the tenure and remuneration terms of the Company's officers and interested parties in keeping with Regulation 21 to the Reporting Regulations. The Company's Board believes that each officer's remuneration in the reporting year, as specified in Regulation 21 to Chapter D (Additional Information about the Corporation) to this report properly reflects the officer's individual contribution to the Company and is reasonable and fair and in compliance with the remuneration policy's principles and provisions.

See also Note 20 to the financial statements and see Regulation 21 to Chapter D (Additional Information about the Corporation) to this report regarding remuneration.

The Board has also reexamined the remuneration terms of all the directors in the Company, including directors who are (or might be viewed as) controlling shareholders or their relatives, excluding external directors ("**the directors who receive remuneration**"). The remuneration is based on the maximum amount that is paid to a (non-expert) external director ("**the maximum amount**" or "**the remuneration**", as applicable) according to the Company's ranking pursuant to the Companies Regulations (Rules of Remuneration of External Directors and Expenses to External Directors), 2000 ("**the External Director Remuneration Regulations**"). The Board has ruled that the remuneration adequately reflects the contribution of the directors who receive remuneration to the Company, is reasonable and fair in relation to their contribution to the Company's operations and business and in view of their active involvement in promoting the Company's business, and does not exceed the remuneration paid to directors serving in companies of the same size and sector as the Company and even coincides with the Company's remuneration policy as issued to the public.

b. Corporate governance aspects

6. Details of directors with accounting and financial expertise

6.1 The Company's Board has stipulated that the minimum number of directors with accounting and financial expertise in the Company in accordance with Article 92(a)(12) to the Israeli Companies Law, 1999 ("**the Companies Law**") will be one ("**the minimum number**"). This stipulation was based, among others, on the Company's size, scope of activity, areas of activity and degree of complexity of its financial reporting framework. The Company believes that the minimum number is adequate and will allow the Company's Board to meet its obligations pursuant to applicable law and the Company's articles of association and fulfill its responsibility for inspecting the Company's financial position and prepare and approve the financial statements.

6.2 As of the date of the periodic report, the Company is meeting the minimum number as above. After evaluating the education, experience, qualifications and knowledge of the members of the Board regarding accounting and financial statement issues, the Board members who are viewed by the Board as possessing accounting and financial expertise are Mr. Amit Berger, Mr. Zohar Heiblum and Mrs. Tamar Kfir.

6.3 See more details of the above directors in Regulation 26 to Chapter D (Additional Information about the Corporation) to this report.

7. Details of independent directors

As of the report date, the Company did not adopt in its articles of association the directive regarding the rate of independent directors as defined Article 219(e) to the Companies Law.

8. Details of the Company's internal auditor

8.1 Name of the internal auditor - Mr. Daniel Shapira.

8.2 Date of beginning of tenure - March 29, 2006.

8.3 The Company's internal auditor meets all the requirements of Articles 3(a) and 8 to the Israeli Internal Audit Law, 1992 ("**the Internal Audit Law**") as well as the provisions of Article 146(b) to the Companies Law; the internal auditor is not an interested party in the Company or a relative of any interested party or officer in the Company and does not serve as or on behalf of the Company's external auditor; the internal auditor does not hold any securities of the Company or of a related entity thereto; the internal auditor does not fill any other position in the Company in addition to the internal audit position and to the nest of the Company's knowledge does not fill any position outside the Company that creates or might potentially create a conflict of interests with his position as the Company's internal auditor; to the best of the Company's knowledge, other than the employment of the internal auditor and his team, the internal auditor has no other material business or other relations of any kind or type with the Company or a related entity thereto.

8.4 The internal auditor serves as a senior officer in the Company pursuant to applicable law.

8.5 The internal auditor's appointment: in its meeting of March 2006, the Company's Board approved the appointment of the internal auditor pursuant to the Internal Audit Law, based, among others, on the Company's nature, size and scope and complexity of its financial activity. The internal auditor owns an accounting firm which specializes in internal audits in a variety of industries. His firm has some 23 years of experience in internal audits of public companies. The internal auditor holds a BA in Economics and Accounting and is a CPA. He will act, among others, in keeping with the provisions of the Companies Law and the Internal Audit Law to sustain the Company's internal audit.

8.6 The officer in the Company in charge of supervising the internal auditor is the CFO.

8.7 The method and scope of the work performed by the internal auditor and his team and their remuneration: in 2014, the internal auditor and his team provided the Company internal audit services at a scope of about 50 hours, a scope which has been deemed to reflect the level of investment needed from the internal auditor and his team for the purpose of carrying out the internal audit work in the reporting year.

8.8 The audit preparation: based on information delivered to the Company's Management by the internal auditor, the audit is prepared according to generally accepted professional internal audit standards, guidelines and policies, as approved and issued by the IIA and pursuant to the Internal Audit Law. The Board has relied on the internal auditor's reports of his compliance with said professional standards which underlie the internal audit.

8.9 Access to information: the internal auditor is granted constant and direct access to the Company's documents and IT systems, including financial data, for the purpose of conducting his work, as described in Article 9 to the Internal Audit Law.

8.10 The internal auditor's reports: the internal auditor's written reports are filed periodically and discussed by the Company's Audit Committee and Management. In the reporting year, the internal auditor filed two internal audit reports regarding credit cards and banks and corporate governance issues.

8.11 The Board's evaluation of the internal auditor's work: the Board believes that the nature, scope and consistency of the internal auditor's work and audit plan are reasonable under the circumstances and fulfill the Company's internal audit targets.

8.12 Remuneration: in return for the internal auditor's work in the reporting year, the Company paid the internal auditor fees based on actual labor hours. The Board believes that this remuneration is reasonable and does not affect the internal auditor's professional judgment when auditing the Company. The internal auditor did not receive any securities as part of his employment terms.

9. Details of the Company's external auditors

9.1 Details of professional fees and labor hours: on August 21, 2014, the general meeting of the Company's shareholders approved the extension of the engagement with Kost Forer Gabbay & Kasierer, CPAs (Ernst & Young Israel) as the Company's external auditors in the reporting year and the Company's Management's authority to determine their professional fee.

9.2 The Company's external auditors in 2013 and 2014 are as described above.

9.3 The following table specifies the professional fees paid to the Company's auditors in 2013 and 2014 for audit, audit related, tax and other professional services and the actual work hours invested in these services:

	2014	2013
Total expenses in respect of audit, tax and ISOX services (NIS)	210,000	214,500
Total expenses in respect of other services (NIS)	25,000	90,000
Total audit, tax and ISOX hours	1,654	1,070
Total hours in respect of other services	40	333

10. Details of the financial statement approval process

10.1 The Company's Board is in charge of entity-level controls in the Company and of the approval of the financial statements.

10.2 The Board members as of the report date are: Dr. Ascher Shmulewitz, Mr. Avraham Meizler, Mr. Amit Berger, Mr. Zohar Heiblum and Mrs. Tamar Kfir.

10.3 See details of the Board members as of the report date in Chapter D (Additional Information about the Corporation) to this report.

10.4 Based on the provisions of the Companies Regulations (Provisions and Conditions underlying the Financial Statement Approval Process), 2010 ("**the Financial Statement Approval Regulations**"), the Company appointed a Financial Statement Review Committee (in this section - "**the Committee**"). As of the report date, the Committee consists of three members: (1) Mr. Amit Berger, external director and Chairman of the Committee, (2) Mr. Zohar Heiblum, external director, and (3) Mrs. Tamar Kfir, director.

10.5 All the members of the Committee have the ability to read and understand financial statements. Mrs. Tamar Kfir and Mr. Amit Berger have accounting and financial expertise and prior to their appointment, all the members produced the certification that is required in the Financial Statement Approval Regulations. See details of the members of the Committee who have accounting and financial expertise, including their qualifications, education, experience and knowledge based on which the Company considers them as having the ability to read and understand financial statements in Regulation 26 to Chapter D (Additional Information about the Corporation) to this report.

10.6 The approval of the financial statements involved two meetings as follows: (1) a meeting of the Committee, which took place prior to the Board's meeting, and thoroughly discussed the material issues and formulated its recommendations on the financial statement approval process to the Board; (2) the Board's meeting which discussed the recommendations of the Committee and the financial statements and approved them.

10.7 The Committee's meeting of March 26, 2015 which discussed and provided recommendations regarding the approval of the financial statements for the reporting year was also attended, in addition to all the Committee members, by the Company's external auditors, officers and other holders of positions in the Company. In its meeting, the Committee reviewed, among others, the evaluations and estimates used in connection with the financial statements for the reporting year, the need for the continued adoption of "small corporation exemptions", the integrity and adequacy of disclosures in the financial statements for the reporting year, the accounting policies adopted and the accounting treatment of the Company's material affairs, including in connection with subsidiaries and related companies, the lack of need to attach the financial statements of associates and any valuations (and their underlying assumptions and estimates) which served as a basis for data in the financial statements for the reporting year. The Committee also examined various aspects of control and risk management, both those reflected in the financial statements for the reporting year and those that affect the reliability of the financial statements through the detailed presentation of these issues by officers and other holders of positions in the Company, including the CFO, and the external auditors addressed those issues. A discussion was held by the Committee regarding the accounting policies and the method of presentation and disclosure in the financial statements. The Committee's recommendations were produced to the Board members on March 29, 2015, including its recommendation to approve the financial statements, subject to making certain adjustments and implementing certain comments made during the Committee's meeting.

In its meeting of March 29, 2015, the Board discussed the Committee's recommendations, reviewed the Company's financial position, operating results and cash flows and received information of the Company's activities compared to previous periods. The Board estimates that the Committee's recommendations were delivered to the Board within a reasonable timeframe before the Board's meeting. The Company's Management was asked to deliver the related materials to the meetings of the Committee and the Board in advance. The Board meeting was attended by: Dr. Ascher Shmulewitz, Mr. Avraham Meizler, Mr. Amit Berger, Mr. Zohar Heiblum and Mrs. Tamar Kfir. In this meeting, the Company's CEO analyzed the Company's business operations and the CFO reviewed the financial statements, including the balance sheets, operating results, cash flows and financial position, the scope and balances of available cash and addressed material events in the reporting period, the going concern notice included in the financial statements and the auditors' drawing of attention, as used in the financial statements. Following said discussion and the examination of the Committee's comments, after making additional adjustments to the financial statements as required in the course of the meeting, and after having been reassured that the financial statements properly reflect the Company's business position and operating results, the Board unanimously adopted the Committee's recommendation and approved the financial statements for the reporting year.

c. **Disclosure of the Company's financial reporting framework**

11. Disclosure of events after the date of the statement of financial position

11.1 To the best of the Company's knowledge, there have been no material events after the date of the statement of financial position as mentioned in the periodic report and in the financial statements other than as detailed below:

11.1.1 On January 12, 2015, the Company entered into a binding MOU under a new outline (to replace the former outline for the acquisition of Dekel which expired) for obtaining a license for Dekel's technology and granting an option for investing in the Company.

11.1.2 On February 1, 2015, the Company's warrants (series 2) expired.

11.1.3 On March 4, 2015, the Company received the Chief Scientist's approval for the outline of the transaction for returning the BBS technology license to Ramot.

11.1.4 On March 15, 2014, the Company completed a private placement to several investors of 500,000 Ordinary shares of the Company at a price of NIS 0.5 per share in return for approximately NIS 250 thousand and also granted them 1,000,000 options.

11.1.5 On March 15, 2015, the Company reported that to the best of its knowledge, the ISA is conducting an administrative inquiry regarding the Company's reports on the BBS technology and its then intention to cancel Ramot's license.

11.1.6 On March 15, 2015, the Company's Board approved the employment terms of the Company's CEO effective from September 2014 (which had not been approved as of the report date).

11.1.7 On March 29, 2015, the Company entered into a private placement agreement with an unrelated private investor according to which the private investor will invest an amount of NIS 2.2 million in return for 4,400,000 Ordinary shares of the Company at a price of NIS 0.5 per share, which will represent about 18.87% of the Company's issued and outstanding share capital immediately following and subject to the completion of the investment (about 13.16% on a fully diluted basis). The completion of the agreement is subject to the fulfillment of several suspending conditions within 45 days from the date of signing, including the receipt of the stock exchange's approval for listing the allocated securities for trade.

12. Critical accounting estimates

As of the report date, there are no critical accounting estimates.

13. Significant gaps in estimates and forecasts underlying valuations

As of the report date, there are no significant gaps between the critical assumptions, estimates and forecasts underlying valuations, including professional opinions (as this term is defined in the Securities Regulations (Private Placement of Securities in a Listed Company), 2000 or in the Securities Regulations (Transaction between a Company and the Controlling Shareholder therein), 2001) which were attached to the Company's reports in the three years that precede the report date, and their actual realization.

d. **Repurchases**

14. In the reporting period and as of the report date, the Company has no plans to repurchase its securities nor has it reported any such repurchase plans, based on the definition of the term "purchase" in Regulation 10(b)(2)(i) to the Regulations.

The Company's Board wishes to thank the Company's employees and managers for their contribution to promoting the Company.

Dr. Ascher Shmulewitz Chairman of the Board	Jan Turek CEO[67]

Date: March 29, 2015

[67] Signed in the English version.

THERAPIX BIOSCIENCES LTD.
(Formerly: NasVax Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014

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AUDITORS' REPORT

To the Shareholders of

THERAPIX BIOSCIENCES LTD.
(Formerly: NasVax Ltd.)

We have audited the accompanying consolidated balance sheets of Therapix Biosciences Ltd. (formerly: NasVax Ltd.) ("the Company") as of December 31, 2014 and 2013, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations, changes in their equity and cash flows for each of the three years in the period ended December 31, 2014, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Without qualifying our above opinion, we draw attention to the matter discussed in Note 1c to the financial statements. For the year ended December 31, 2014, the Company incurred losses totaling NIS 7,292 thousand and negative cash flows from operating activities totaling NIS 7,358 thousand for the year then ended. These factors, along with other factors detailed in that Note, raise substantial doubt as to the Company's ability to continue as a going concern. Management's plans with respect to these matters are discussed in Note 1c. The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

Haifa, Israel
March 29, 2015

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2014	December 31, 2013
		NIS in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5	614	5,122
Restricted cash	16e	44	*) 327
Accounts receivable	6	102	*) 122
		760	5,571
NON-CURRENT ASSETS:			
Investment in company accounted for at equity	8	187	-
Property, plant and equipment	7	70	318
		257	318
		1,017	5,889

*) Reclassified.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2014	2014
		NIS in thousands	
LIABILITIES AND EQUITY (DEFICIT)			
CURRENT LIABILITIES:			
Trade payables	9	1,182	1,556
Other accounts payable	10	132	343
Share options	11	-	396
		1,314	2,295
NON-CURRENT LIABILITIES:			
Liabilities for Government grants	12	156	128
		156	128
EQUITY (DEFICIT):	15		
Share capital		1,841	1,410
Share premium		80,460	78,276
Share options		4,981	4,377
Reserve from share-based payment transactions		15,215	15,071
Capital reserve from financial statements of foreign operation		10	-
Capital reserve from transactions with non-controlling interests		941	941
Accumulated deficit		(103,591)	(96,384)
		(143)	3,691
Non-controlling interests		(310)	(225)
Total equity (deficit)		(453)	3,466
		1,017	5,889

The accompanying notes are an integral part of the consolidated financial statements.

March 29, 2015			
Date of approval of the financial statements	Uri Ben-Or CFO	Jan Turek CEO	Asher Shmulevitz Chairman of the Board

CONSOLIDATED STATEMENTS PROFIT OR LOSS

	Note	Year ended December 31, 2014	2013	2012
		NIS in thousands (except per share data)		
Research and development expenses, net	19a	(1,800)	(4,649)	(8,626)
General and administrative expenses	19b	(5,238)	(3,919)	(4,734)
		(7,038)	(8,568)	(13,360)
Other income, net	19d	115	7,246	336
Operating loss		(6,923)	(1,322)	(13,024)
Finance income	19c	401	1,603	235
Finance expenses	19c	(427)	(72)	(454)
Group's share of losses of company accounted for at equity		(343)	-	-
Net income (loss)		(7,292)	209	(13,243)
Attributable to:				
Equity holders of the Company		(7,207)	207	(13,243)
Non-controlling interests		(85)	2	-
		(7,292)	209	(13,243)
Basic and diluted net earnings (loss) per share attributable to equity holders of the Company (in NIS)	20	(0.45)	0.02	(3.11)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS COMPREHENSIVE INCOME

	Year ended December 31,		
	2014	**2013**	**2012**
	NIS in thousands		
Net income (loss)	(7,292)	209	(13,243)
Amounts that will be reclassified or that are reclassified to profit or loss when specific conditions are met:			
Adjustments arising from translating financial statements of foreign operations	10	-	-
Total other comprehensive income	10	-	-
Total comprehensive income (loss)	(7,282)	209	(13,243)
Attributable to:			
Equity holders of the Company	(7,197)	207	(13,243)
Non-controlling interests	(85)	2	-
	(7,282)	209	(13,243)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve from share-based payment transactions	Adjustments arising from translating financial statements of foreign operations	Share options	Capital reserve from transactions with non-controlling interests	Accumulated deficit	Total	Non-controlling interests	Total equity
	NIS in thousands									
Balance at January 1, 2012	404	68,464	14,378	-	3,414	-	(83,348)	3,312	-	3,312
Total comprehensive loss	-	-	-	-	-	-	(13,243)	(13,243)	-	(13,243)
Allocation of shares (1)	74	1,483	-	-	-	-	-	1,557	-	1,557
Allocation of share options (2)	-	-	-	-	202	-	-	202	-	202
Cost of share-based payment	-	-	763	-	-	-	-	763	-	763
Balance at December 31, 2012	478	69,947	15,141		3,616	-	(96,591)	(7,409)	-	(7,409)
Total comprehensive income	-	-	-	-	-	-	207	207	2	209
Allocation of shares (3)	904	7,817	84	-	963	-	-	9,768	-	9,768
Exercise of options into shares	28	512	-	-	(202)	-	-	338	-	338
Issue of shares to non-controlling interests	-	-	-	-	-	941	-	941	(227)	714
Cost of share-based payment	-	-	(154)	-	-	-	-	(154)	-	(154)
Balance at December 31, 2013	1,410	78,276	15,071	-	4,377	941	(96,384)	3,691	(225)	3,466
Loss	-	-	-	-	-	-	(7,207)	(7,207)	(85)	(7,292)
Total other comprehensive loss	-	-	-	10	-	-	-	10	-	10
Total comprehensive loss	-	-	-	10	-	-	(7,207)	(7,197)	(85)	(7,282)
Issue of shares and share options (4)	431	2,184	-	-	604	-	-	3,219	-	3,219
Cost of share-based payment	-	-	144	-	-	-	-	144	-	144
Balance at December 31, 2014	1,841	80,460	15,215	10	4,981	941	(103,591)	(143)	(310)	(453)

(1) Less issuance expenses of NIS 296 thousand.
(2) Less issuance expenses of NIS 79 thousand.
(3) Less issuance expenses of NIS 775 thousand.
(3) Less issuance expenses of NIS 290 thousand.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2014	**2013**	**2012**
	NIS in thousands		
Cash flows from operating activities:			
Net income (loss)	(7,292)	209	(13,243)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	146	170	285
Gain from sale of property, plant and equipment	(116)	(40)	(22)
Impairment of intangible asset	-	-	465
Change in employee benefit liabilities, net	-	(20)	(7)
Cost of share-based payment	144	(154)	763
Write down of liability to the Chief Scientist	-	(7,206)	-
Decrease (increase) in outstanding liability to the Chief Scientist (including amounts recorded in research and development expenses)	28	(1,805)	(1,713)
Finance income, net	(5)	(20)	(107)
Company's share of losses of company accounted for at equity	343	-	-
Impairment of contingent consideration	-	-	(779)
Revaluation of liability for contingent consideration in a business combination	-	-	191
Decrease in value of share options	(396)	(47)	-
Change in fair value of financial derivatives	350	-	-
	494	(9,122)	(924)
Changes in operating asset and liability items:			
Decrease in accounts receivable	20	53	256
Decrease in trade payable	(374)	(612)	(595)
Decrease in other accounts payable	(211)	(91)	(371)
	(565)	(650)	(710)
Cash received during the year for:			
Interest received	5	20	107
Net cash used in operating activities	(7,358)	(9,543)	(14,770)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2014	**2013**	**2012**
	NIS in thousands		
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	220	45	25
Movement in restricted cash, net	283	-	-
Purchase of property, plant and equipment	(2)	(4)	(70)
Investment in financial derivatives	(350)	-	-
Investment in company accounted for at equity	(520)	-	-
Net cash provided by (used in) investing activities	(369)	41	(45)
Cash flows from financing activities:			
Issue of share capital and share options (less issuance expenses)	3,219	10,211	1,759
Issue of shares to non-controlling interests	-	714	-
Exercise of options into shares	-	338	-
Receipts from the Chief Scientist	-	486	3,361
Net cash provided by financing activities	3,219	11,749	5,120
Increase (decrease) in cash and cash equivalents	(4,508)	2,247	(9,695)
Cash and cash equivalents at the beginning of the year	5,122	2,875	12,570
Cash and cash equivalents at the end of the year	614	5,122	2,875

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:- GENERAL

a. On November 14, 2013, the Company's name was changed from NasVax Ltd. to Therapix Biosciences Ltd.

Therapix Biosciences Ltd. (formerly: NasVax Ltd.) was incorporated in Israel and commenced its operations on August 23, 2004. Until March 2014, the Company acted mainly in developing several innovative immunotherapy products and it owns patents in the immunotherapy field.

In late March 2014, the Company revised its business strategy according to which it will focus on identifying and investing in promising bio-pharma technologies while emphasizing technologies based on a known biological mechanism that are in the post-proof of concept stage and provide responses for major medical needs in the market and involve investing up to US$ 2 million for achieving a significant milestone. The Company's objective is to use its capabilities and experience in developing immunotherapy technologies in order to help these technologies in achieving a significant milestone within a relative short periods of time (within few years) in a manner that will allow their commercialization and/or the introduction of strategic partners all while continuing to promote the Company's existing technologies.

b. Definitions:

In these financial statements:

The Company	-	Therapix Biosciences Ltd.
The Group	-	the Company and its subsidiaries.
Subsidiaries	-	companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company: Ormaion Bio Ltd. (formerly: Protea Vaccine Technologies Ltd.) ("Protea") and NasVax Inc. (inactive).
Related parties	-	as defined in IAS 24.
Interested parties and controlling shareholders	-	as defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Dollar		U.S. dollar.

c. For the year ended December 31, 2014, the Company incurred losses totaling NIS 7,292 thousand, negative cash flows from operating activities totaling NIS 7,358 thousand for the year then ended and working capital deficit of NIS 554 thousand as of that date. Also, the Company had accumulated deficit totaling NIS 103,591 thousand and recurring operating losses. The balance of cash at the Company's hands may not be sufficient to finance its operating activities in the period beyond 12 months after the date of the approval of the financial statements.

NOTE 1:- GENERAL (Cont.)

These factors raise substantial doubt as to the Company's ability to continue as a "going concern".

The Company finances its operations by raising capital from private and institutional sources and by collaborating with leading multinational corporations in the industry. The Company's management is focusing on securing the Company's financial stability, among others, by exploring one or more of the above alternatives.

The financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

d. Based on the Company Board's decision of May 2014, the Company completed the process of registering its Level 1 American Depository Receipts ("ADRs") for over-the-counter (OTC) trade in the United States, as detailed above. The ADRs are aimed at exposing the Company's securities to US and other foreign investors. Each ADR consists of 20 Ordinary shares of the Company. The trade of the ADRs in the US began in October 2014.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

The Company's financial statements have been prepared on a cost basis, except for: financial assets which are presented at fair value through profit or loss.

The Company has elected to present the profit or loss items using the function of expense method.

b. The operating cycle:

The operating cycle of the Company is one year.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company 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. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

d. Functional currency and foreign currency:

1. Functional currency and presentation currency:

The financial statements are presented in NIS since the Company believes that financial statements in NIS provide more relevant information to the investors and users of the financial statements who are located in Israel.

The Group determines the functional currency of each Group entity, including companies accounted for at equity.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency (other than the functional currency) are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Investments in associate:

The Group's investment in associate is accounted for using the equity method.

Under the equity method, the investment in the associate is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income of the associate. Gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Goodwill relating to the acquisition of an associate is presented as part of the investment in the associate, measured at cost and not systematically amortized. Goodwill is evaluated for impairment as part of the investment in the associate as a whole.

The financial statements of the Company and of the associate are prepared as of the same dates and periods.

f. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

g. Financial instruments:

1. Financial assets:

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs.

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

Receivables:

The Group has receivables that are financial assets (non-derivative) with fixed or determinable payments that are not quoted in an active market. After initial recognition, receivables are measured at amortized cost using the effective interest method taking into account directly attributable transaction costs, if any. Gains and losses are recognized in the statement of comprehensive income when the receivables are derecognized or impaired as well as through the systematic amortization process.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Financial liabilities:

Financial liabilities are initially recognized at fair value. Loans and other liabilities measured at amortized cost are presented less direct transaction costs.

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

a) Financial liabilities at amortized cost:

After initial recognition, loans and other liabilities are measured based on their terms at amortized cost less directly attributable transaction costs using the effective interest method.

b) Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

3. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

4. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issuance expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

5. Derecognition of financial instruments:

   a) Financial assets:

   A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

   b) Financial liabilities:

   A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

6. Impairment of financial assets:

   The Group assesses at each reporting date whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows:

   Financial assets carried at amortized cost:

   Objective evidence of impairment exists when one or more events that have occurred after initial recognition of the asset have a negative impact on the estimated future cash flows. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, up to the amount of any previous impairment, is recorded in profit or loss.

h. Leases:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group as lessee - operating lease:

Leases in which substantially all the risks and rewards of ownership of the leased asset are not transferred to the Group are classified as operating leases. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

i. Property, plant and equipment:

Property, plant and equipment are measured at cost, including direct acquisition costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

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

	%
Lab equipment	15
Computers	33
Office furniture and equipment	6

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. As for testing the impairment of property, plant and equipment, see k below.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

j. Research and development expenditures:

Research expenditures are recognized in profit or loss when incurred.

The conditions enabling capitalization of development costs as an asset have not yet been met and, therefore, all expenditures are recognized in profit or loss when incurred.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets (property, plant and equipment, goodwill and knowhow) whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use.

l. Government grants:

Government grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with the attached conditions.

Government grants received from the Office of the Chief Scientist in Israel are recognized upon receipt as a liability if future economic benefits are expected from the research project that will result in royalty-bearing sales.

A liability for the loan is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a Government grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Royalty payments are treated as a reduction of the liability. If no economic benefits are expected from the research activity, the grant receipts are recognized as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability in accordance with IAS 37.

In each reporting date, the Company evaluates whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid (since the Company will not be required to pay royalties) based on the best estimate of future sales and using the original effective interest method and, if so, the appropriate amount of the liability is derecognized against a corresponding reduction in research and development expenses.

Amounts paid as royalties are recognized as settlement of the liability.

m. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1. Current taxes:

   The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

   Since there is no expectation that the Company will generate taxable income in the future, no deferred tax assets were recognized in the financial statements in respect of carryforward tax losses and other temporary differences. In each reporting date, temporary differences (such as carryforward tax losses) for which deferred tax assets had not been recognized are reviewed and a respective deferred tax asset is recognized to the extent that their utilization is probable. Such recognition is carried to the item taxes on income.

n. Share-based payment transactions:

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions ("equity-settled transactions").

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model, see additional information in Note 18. In estimating fair value, the vesting conditions (consisting of service conditions and performance conditions other than market conditions) are not taken into account. The only conditions taken into account in estimating fair value are market conditions and non-vesting conditions.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity, during the period which the performance or service conditions are to be satisfied, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period 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. No expense is recognized for awards that do not ultimately vest.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

Also, for an employee (who terminated employment at the end of 2013), the Company operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement.

p. Revenue recognition:

The Group has not yet generated any revenues from the sale of goods or from the rendering of services.

q. Finance income and expenses:

Finance income comprises interest income on amounts invested and exchange rate gains. Interest income is recognized as it accrues using the effective interest method.

Finance expenses comprise changes in the fair value of financial liabilities measured at fair value through profit or loss and exchange rate losses. Borrowing costs are recognized in profit or loss using the effective interest method.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Earnings (loss) per share:

Earnings (loss) per share is calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Basic loss per share only includes shares that were outstanding during the period.

Potential Ordinary shares are only included in the computation of diluted earnings per share when their conversion increases loss per share from continuing operations.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

- Classification of leases:

  In order to determine whether to classify a lease as a finance lease or an operating lease, the Company evaluates whether the lease transfers substantially all the risks and rewards incidental to ownership of the asset. In this respect, the Company evaluates such criteria as the existence of a bargain purchase option, the lease term in relation to the economic life of the asset and the present value of the minimum lease payments in relation to the fair value of the asset.

- Determining the fair value of share-based payment transactions:

  The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price and exercise price and assumptions regarding expected volatility, expected life of share option, expected dividend and risk-free interest rate.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Grants from the Chief Scientist:

  Government grants received from the Chief Scientist at the Ministry of Industry, Trade and Labor ("the Chief Scientist") are recognized as a liability if future economic benefits are expected from the research and development activity that will result in royalty-bearing sales. There is uncertainty regarding the estimated future cash flows and estimated discount rate used to measure the amount of the liability.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

IFRS 9, "Financial Instruments":

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39.

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other debt instruments and financial assets should be at fair value. IFRS 9 establishes a distinction between debt instruments to be measured at fair value through profit or loss and debt instruments to be measured at fair value through other comprehensive income.

Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognized in profit or loss or in other comprehensive income (loss), in accordance with the election by the Company on an instrument-by-instrument basis. If equity instruments are held for trading, they should be measured at fair value through profit or loss.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

According to IFRS 9, the provisions of IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected.

According to IFRS 9, changes in fair value s of financial liabilities which are attributable to the change in credit risk should be presented in other comprehensive income. All other changes in fair value should be presented in profit or loss.

IFRS 9 also prescribes new hedge accounting requirements.

IFRS 9 is to be applied for annual periods beginning on January 1, 2018. Early adoption is permitted.

The Company is evaluating the possible impact of IFRS 9 but is presently unable to assess its effect, if any, on the financial statements.

NOTE 5:- CASH AND CASH EQUIVALENTS

	December 31,	
	2014	**2013**
	NIS in thousands	
Cash for immediate withdrawal	614	3,665
Cash equivalents - short-term deposits	-	1,457
	614	5,122

NOTE 6:- ACCOUNTS RECEIVABLE

	December 31,	
	2014	**2013**
	NIS in thousands	
Prepaid expenses	27	35
Government authorities	73	74
Other receivables	2	13
	102	122

NOTE 7:- PROPERTY, PLANT AND EQUIPMENT

2014:

	Computers	Lab equipment	Office furniture and equipment	Leasehold improvements	Total
	NIS in thousands				
Cost:					
Balance at January 1, 2014	310	857	161	374	1,702
Additions during the year	-	-	2	-	2
Sales and disposals during the year	(98)	(585)	(97)	(374)	(1,154)
Balance at December 31, 2014	212	272	66	-	550
Accumulated depreciation:					
Balance at January 1, 2014	246	808	60	270	1,384
Additions during the year	19	34	8	85	146
Sales and disposals during the year	(78)	(580)	(37)	(355)	(1,050)
Balance at December 31, 2014	187	262	31	-	480
Depreciated cost at December 31, 2014	25	10	35	-	70

2013:

	Computers	Lab equipment	Office furniture and equipment	Leasehold improvements	Total
	NIS in thousands				
Cost:					
Balance at January 1, 2013	335	1,038	161	382	1,916
Additions during the year	2	-	-	2	4
Sales and disposals during the year	(27)	(181)	-	(10)	(218)
Balance at December 31, 2013	310	857	161	374	1,702
Accumulated depreciation:					
Balance at January 1, 2013	238	875	51	263	1,427
Additions during the year	33	111	9	17	170
Sales and disposals during the year	(25)	(178)	-	(10)	(213)
Balance at December 31, 2013	246	808	60	270	1,384
Depreciated cost at December 31, 2013	64	49	101	104	318

NOTE 8:- INVESTMENT IN ASSOCIATE

a. Movement in investment during the year:

	NIS in thousands
Cost of shares	520
Post-acquisition losses	(343)
Foreign currency translation reserve	10
Balance at December 31, 2014	187

b. Additional information:

On April 2, 2014, the Company entered into an investment agreement with LaraPharm Ltd. ("Lara"), an Israeli company that operates in the field of medical cannabis and is developing a synthesized formulation that is based on cannabinoids (active components found in the cannabis plant) to be administered through an inhaler. On June 15, 2014, a final investment agreement was signed between the parties which determines, among others, that the Company will invest in Lara up to a total of US$ 1.5 million, subject to the fulfillment of several prerequisites (completion of related agreements and the completion of various operating and monetary information and etc.). The Company will transfer to Lara an initial investment amount of US$ 800 thousand against shares that will represent about 48% of Lara's issued and outstanding share capital (26% on a fully diluted basis including options to employees and consultants). The agreement also stipulates that the percentage of the Company's holdings in Lara's shares (48% of the issued and outstanding share capital) will be reduced pro rata to the amounts that will be transferred if the Company fails to provide the remaining payments on the predetermined dates. The agreement further stipulates that the total amount that the Company will invest in Lara will be US$ 1.5 million (including the initial investment amount), subject to the fulfillment of certain milestones and according to predetermined timetables. Assuming that Lara successfully meets all the milestones determined in the agreement and the Company invests the entire investment amount, the Company will hold 49% of Lara's issued and outstanding share capital (on a fully diluted basis). On August 10, 2014, all the prerequisites for completing the initial stage were met. As of December 31, 2014, the Company holds 3,538 shares that represent about 48.21% of Lara's issued and outstanding share capital (26.13% on a fully diluted basis). The Company paid US$ 250 thousand and is committed to pay additional US$ 550 thousand. As aforementioned, as of the reporting date, only the first payment was made and the date for the second payment has arrived but not yet paid to Lara. According to the provisions of this agreement, Lara has the right to reduce the percentage of the Company's holdings in Lara's shares pro rata to the amounts that will be transferred in such a manner that at the date of these financial statements, if Lara realizes its right, the Company will be diluted and hold 15% of Lara's issued and outstanding share capital (8.1% on a fully diluted basis including options to employees and consultants).

NOTE 8:- INVESTMENT IN ASSOCIATE (Cont.)

The purchase consideration was determined by an external appraiser to be NIS 870 thousand and comprised cost of shares of NIS 520 thousand and cost of acquiring a financial instrument to increase the percentage of holdings of approximately NIS 350 thousand.

As of December 31, 2014, an emphasis of matter paragraph relating to going concern was included in the auditors' report in Lara's financial statements. The fair value of the financial instrument has been revalued at the end of the reporting period and its entire balance has been derecognized.

NOTE 9:- TRADE PAYABLES

	December 31,	
	2014	**2013**
	NIS in thousands	
Open accounts	296	474
Accrued expenses	886	1,082
	1,182	1,556

NOTE 10:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2014	**2013**
	NIS in thousands	
Employees and payroll accruals	101	289
Accrued vacation	31	54
	132	343

NOTE 11:- SHARE OPTIONS

	December 31,	
	2014	**2013**
	NIS in thousands	
Share options	-	396

NOTE 11:- SHARE OPTIONS (Cont.)

On December 25, 2013, in the framework of the investment agreement described in Note 17e(5), the Company issued Acebright 18,500,000 non-marketable options for a period of 12 months after closing that are exercisable into up to 18,500,000 additional shares of the Company in consideration of the exercise increment of US$ 0.0428 per share.

The fair value of the options was calculated using the B&S model. In September 2014, these options expired.

NOTE 12:- LIABILITIES FOR GOVERNMENT GRANTS

	December 31,	
	2014	2013
	NIS in thousands	
Balance at January 1,	128	8,862
Grants received in cash during the year	-	486
Amounts carried to financing in the statement of profit or loss	57	(1,527)
Amounts carried to research and development expenses in the statement of profit or loss	-	(278)
Write down of liability to the Chief Scientist	(29)	(7,206)
Change in accrued income	-	(209)
Balance at December 31,	156	128
Presented in the consolidated balance sheets in:		
Non-current liabilities	156	128

The Group received research and development participation grants from the Chief Scientist and, in return, undertook to pay the Chief Scientist royalties at the rates prescribed by law and the Regulations for Encouragement of Industrial Research and Development (Rate of Royalties and Tools for their Implementation), 1996 and the procedures of the Industrial Research and Development Administration (at a rate of 3% in the first three years and 3.5% from the fourth year on sales of products resulting from the sponsored research and development as above), all until the full repayment of the grant. The grant is linked to the dollar and bears interest according to the Chief Scientist's terms.

Total grants received from the Chief Scientist through December 31, 2014 amounted to NIS 15,394 thousand. No royalties have been paid yet. The amount comprises payment in respect of VaxiSome which have been refunded to Yissum.

In 2013, the Group wrote down the liability to the Chief Scientist in respect of the transfer of technology, as described in Note 16b.

NOTE 13:- FINANCIAL INSTRUMENTS

a. Classification of financial assets and financial liabilities:

The financial assets and financial liabilities in the balance sheet are classified by groups of financial instruments pursuant to IAS 39:

	December 31,	
	2014	2013
	NIS in thousands	
Financial assets:		
Cash and cash equivalents	614	5,122
Accounts receivable	102	87
Restricted cash	44	327
	760	5,536
Financial liabilities:		
Financial liabilities carried at amortized cost	1,314	1,899
Share options	-	396
	1,314	2,295

b. Financial risk factors:

The Group's activities expose it to various financial risks such as market risks (foreign currency risk and interest risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

Risk management is performed by management in accordance with the policies approved by the Board. The Board establishes written principles for the overall risk management activities as well as specific policies with respect to certain exposures to risks such as exchange rate risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investments of surplus funds.

1. Market risks:

Foreign currency risk:

The Group is exposed to exchange rate risk resulting from the exposure to different currencies, mainly the dollar. Exchange rate risk arises from recognized liabilities that are denominated in a foreign currency other than the functional currency.

NOTE 13:- FINANCIAL INSTRUMENTS (Cont.)

2. Credit risks:

All cash and cash equivalents are held in three banks in Israel which are considered financially solid.

3. Liquidity risk:

The Group monitors the risk of a shortage of funds on a regular basis and acts to raise funds to satisfy its liabilities.

The table below presents the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2014:

	Less than one year	Over four years	Total
	NIS in thousands		
Trade payables	1,182	-	1,182
Other accounts payable	132	-	132
Liability for Government grants	-	4,254	4,254
	1,314	4,254	5,568

December 31, 2013:

	Less than one year	Over four years	Total
	NIS in thousands		
Trade payables	1,556	-	1,556
Other accounts payable	343	-	343
Liability for Government grants	-	*) 4,338	*) 4,338
	1,899	4,338	6,237

*) Reclassified.

The carrying amounts of cash and cash equivalents, accounts receivable, trade payables, other accounts payable and the liability to the Chief Scientist approximate their fair value.

NOTE 13:- FINANCIAL INSTRUMENTS (Cont.)

4. Sensitivity tests and principal work assumptions:

The selected changes in the relevant risk variables were determined based on management's estimate as to reasonable possible changes in these risk variables.

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the profit or loss (before tax) in respect of each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant.

NOTE 14:- EMPLOYEE BENEFIT LIABILITIES

Employee benefits consist of short-term benefits and post-employment benefits.

Post-employment benefits:

According to the labor laws and Severance Pay Law in Israel, the Company is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to section 14 to the Severance Pay Law, as specified below. The Company's liability is accounted for as a post-employment benefit. The computation of the Company's employee benefit liability is made in accordance with a valid employment contract based on the employee's salary and employment term which establish the entitlement to receive the compensation.

The post-employment benefits are normally financed by contributions classified as defined benefit plans or as defined contribution plans as detailed below.

Defined contribution plans:

Section 14 to the Severance Pay Law, 1963 applies to a substantial part of the compensation payments, pursuant to which the fixed contributions paid by the Group into pension funds and/or policies of insurance companies release the Group from any additional liability to employees for whom said contributions were made. These contributions and contributions for compensation represent defined contribution plans.

	Year ended December 31,		
	2014	2013	2012
	NIS in thousands		
Expenses in respect of defined contribution plans	114	176	274

NOTE 15:- TAXES ON INCOME

b. Tax rates applicable to the Company:

The Israeli corporate tax rate was 26.5% in 2014 and 25% in 2012 and 2013.

A company is taxable on its real (non-inflationary) capital gains at the corporate tax rate in the year of sale.

On August 5, 2013, the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 ("the Budget Law") was issued, which consists, among others, of fiscal changes whose main aim is to enhance the collection of taxes in those years.

These changes include, among others, increasing the corporate tax rate from 25% to 26.5%, cancelling the reduction in the tax rates applicable to privileged enterprises (9% in development area A and 16% elsewhere) and, in certain cases, increasing the rate of dividend withholding tax within the scope of the Law for the Encouragement of Capital Investments to 20% effective from January 1, 2014. There are also other changes such as taxation of revaluation gains effective from August 1, 2013. The provisions regarding revaluation gains will become effective only after the publication of regulations defining what should be considered as "retained earnings not subject to corporate tax" and regulations that set forth provisions for avoiding double taxation of overseas assets. As of the date of approval of these financial statements, these regulations have not been issued.

b. Tax assessments:

The assessments of the Company are deemed final through the 2010 tax year.

c. Carryforward tax losses and other temporary differences:

The Company has carryforward tax losses totaling approximately NIS 76 million as of December 31, 2014.

No deferred tax asset relating to carryforward losses and to other temporary differences has been recognized because its utilization in the foreseeable future is not probable.

d. Theoretical tax:

The gap between the tax and other temporary differences calculated in respect of the pre-tax loss at the regular corporate tax rate applicable to the Company and the tax amount recorded in the statement of comprehensive income in all reporting periods (zero) mainly arises from losses for tax purposes for which no deferred taxes were recognized because their utilization in the foreseeable future is not probable.

NOTE 16:- CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES

a. Commitments - Anti-CD3 oral immunotherapy:

1. On March 26, 2010, the Company entered into a license agreement with Hadasit Medical Research Services and Development Ltd. ("Hadasit"), the technology transfer company of Hadassah University Hospital, for the research, development and commercialization of immunotherapy using the Anti-CD3 which is administered orally to treat inflammatory, autoimmune and other diseases relating to immune suppression. The Company has the right to return the license at any time before the drug is launched without incurring an additional liability.

2. In 2012 and 2011, the Company reported the success of the Phase 2a clinical trial of orally administered Anti-CD3 in subjects with NASH (fatty liver) who also have diabetes and Hepatitis C.

3. On November 19, 2012, the Company reported that it had applied for an orphan drug status for the Anti-CD3 treatment of patients with Primary Sclerosing Cholangitis (a chronic disease of the liver).

4. On September 2, 2013, the Company entered into a non-binding term sheet with Acebright which outlines the key conditions of a license agreement that the parties intend to sign. According to the term sheet, the Company will grant Acebright an exclusive license for developing a product and conducting clinical trials using the Company's Anti-CD3 technology for the NASH indication only in specific territories in the Far East. In return for the license, Acebright will pay royalties amounting to 10% of the net total sales of products based on the Company's Anti-CD3 technology in the first three years and 5% of sales thereafter.

   As of the reporting date, no progress was made in the negotiations between the parties.

5. In November 2013, the Company reported that it reached agreements in principle with Prof. Howard Weiner regarding the extended collaboration with his lab. In the extended collaboration, the Company and Prof. Wiener intend to explore a new method of delivery of the Anti-CD3 and collaborate on designing protocols for clinical trials for treating diabetes with the antibody. Intensifying the collaboration does not involve significant financial investments from the Company at this stage.

6. On May 18, 2014, the Company updated that the Phase IIA clinical trial for proving feasibility of oral Anti-CD3 technology for the treatment of ulcerative colitis patients was successful and met its primary endpoints - examining the safety of the treatment and testing changes in immunological markers that may form indication of treatment efficacy. Also, it was reported to the Company that the secondary endpoint of the trial was achieved - testing markers efficacy in patients with moderate to severe UC.

NOTE 16:- CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Cont.)

The trial was conducted on mice induced cells (OKT3). The Company developed an analogous antibody for OKT3 which underwent humanization and immunogenetic reduction and which is more suitable to give to human patients for a long period of time. The Company made it clear that as a condition for the continued development of the humanized antibody, as above, evidence is required that the above human therapy acts similarly to mice induced therapy.

b. Commitments - adjuvant technology for enhancing the immunogenicity of vaccines and immunotherapeutics:

On May 20, 2013, the Company entered into an agreement with Yissum Research Development Company of the Hebrew University of Jerusalem ("Yissum") and Bio-Lev ("Bio-Lev") the owners of the technology ("the technology owners") according to which, subject to the approval of the Chief Scientist, adjuvant technology (VaxiSome) will be transferred to the technology owners for no immediate consideration with the Company being entitled to 25% of future revenue from commercialization of the technology less expenses of the technology owners, up to a total of US$ 12,500 thousand (approximately NIS 45 million). It is further agreed that if the technology owners give a license to Novartis (in the past the Company had cooperated with it in this technology) or to its related company, the payment will be 50% (instead of 25%) and the ceiling of payments to the Company will be US$ 25,000 thousand (approximately NIS 90 million). According to the agreement, payments to be made to the Chief Scientist for grants the Company received in connection with the technology will be paid by the technology owners. The agreement contains a provision in which the parties release each other from claims and demands relating to the original license agreement between them from March 2005.

On May 29, 2013, the Company's Board decided that even if the Chief Scientist approval to transfer the VaxiSome technology is not obtained, the Company does not intend to continue to develop it and, accordingly, it will not generate royalty-bearing income. Accordingly, during 2013, the Company wrote down an amount of NIS 7,206 thousand relating its liability to the Chief Scientist in respect of this technology in the item other income net in the statement of comprehensive income.

On July 11, 2013, the Chief Scientist approval to transfer the rights and obligations to the technology was obtained.

c. Commitments - BBS technology:

In January 2014, the Company reported that it received a letter from Ramot at Tel-Aviv University Ltd. ("Ramot"), the Tel-Aviv University's technology transfer company, in which Ramot announces its intention to terminate the license and research agreement in connection with the BBS technology (the Alzheimer's drug). The Company's position was (and still is) that Ramot's announcement is illegitimate and groundless. The parties are negotiating the disputes between them in order to reach an agreed solution including in matters related to the Chief Scientist at the Ministry of Economics.

NOTE 16:- CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Cont.)

At the beginning of 2014, the parties reached agreements on an outline according to which the Company will return the license to Ramot, including the exclusive license to use and commercialize the assets and knowhow gained at the Company during the period of the license ("the Company's assets and knowhow") and, in return, if the Company's assets and knowhow are being commercialized, the Company will receive royalties in the future (in the scope, percentages and conditions as determined) ("the agreed outline"). After the agreed outline became effective, the parties agree that the license agreement will become null and void and that any monetary and/or another liability between the parties will become null and void including the Company's undertaking to bear the costs of registration and/or maintaining the patents effective from the cancellation date as above and thereafter in such a manner that Ramot will be responsible for such debts.

In furtherance to the in-principle approval of the Chief Scientist at the Ministry of Economics to the agreed outline at the beginning of December 2014, the Company and Ramot will act according to the agreed outline to transfer the Company's developments under the license agreement from the Company to Ramot (including the transfer of patents and all necessary to return the license to Ramot) and the license agreement will become null and void.

On March 15, 2015, the Company reported that to the best of its knowledge the Securities Authority is conducting an administrative clarification in connection with the Company reports regarding the BBS technology and the intention to cancel Ramot's license to the technology.

As a result of the above agreement, a liability to the Chief Scientist of NIS 29 thousand was written down from the Company's accounts.

d. Commitments - Dekel Pharmaceuticals Ltd.:

On September 30, 2014, the Company and Dekel Pharmaceuticals Ltd. ("Dekel") signed a non-binding term sheet for the acquisition of the entire share capital of Dekel (on a fully diluted basis) in return for the allocation of shares in the Company. Dekel is a privately-held company incorporated in Israel that is mainly engaged in the research and development of drug therapies based on synthetic cannabinoid substances for treating chronic pain and inflammation. In addition, to the best of the Company's knowledge, Dekel holds the rights to a disposable, patent-protected dose-controlled inhalation device, which can be used in the delivery of steroids and/or cannabinoids. Dekel's shareholders include Dr. Asher Shmulevitz, who, at the reporting date, serves as Chairman of the Company's Board and an interested party therein by the capacity of its holdings.

The Company's audit committee discussed and approved on January 7, 2015 and the Company's Board discussed and approved on January 11, 2015 a binding term sheet for the above license agreement with Dekel and its key elements have been agreed ("the approved outline"), as determined in the negotiations between the Company's representatives and Dekel's representatives and which will be brought before the Company's' relevant organs for approval.

NOTE 16:- CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES (Cont.)

The approved outline determines conditions for licensing Dekel's technology simultaneously with an equity investment in Dekel (by itself and/or others). The purpose of the commitment between the parties is to enable the Company to develop Dekel's technology using the license agreement and, simultaneously, raise the necessary funds.

The Company is of the opinion that the commitment with Dekel pursuant to the approved outline adheres to the business strategy of the Company and may have synergistic interaction (and even constitute a strengthening) with an additional activity that the Company has recently examined in this field.

e. Operating lease commitments:

1. The Company signed an agreement with a third party for the lease of offices in Azrieli towers with area of 100 sq.m. through July 31, 2015 for lease fees of approximately NIS 18 thousand per month, linked to the Israeli CPI.

   Future minimum lease fees for existing lease contracts as of December 31, 2014 are as follows:

	NIS in thousands
2015	128

2. Charges:

   To secure the Company's liabilities for the lease of the building, the Company received a bank guarantee of NIS 44 thousand. To secure the bank guarantee, a charge was recorded on this amount in the Company's bank account.

NOTE 17:- EQUITY

a. Composition of share capital:

	December 31, 2014		December 31, 2013	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares			
Ordinary shares of NIS 0.01 par value each	100,000,000	18,410,648	1,000,000,000	141,012,488

On August 19, 2013, the general meeting of the Company's shareholders approved to increase the authorized capital of the Company by 800,000,000 Ordinary shares of NIS 0.01 par value each such that the authorized capital of the Company comprises 1,000,000,000 Ordinary shares of NIS 0.01 par value each.

NOTE 17:- EQUITY (Cont.)

Capital consolidation:

On January 1, 2014, a special meeting approved to consolidate the authorized share capital and the issued and outstanding share capital such that any existing 10 Ordinary shares of NIS 0.01 par value each in the authorized share capital and the issued and outstanding share capital of the Company will be consolidated into one Ordinary share of the Company of NIS 0.1 par value. The number of the share options that exist in the Company's equity was adjusted accordingly.

b. Movement in share capital:

Issued and outstanding share capital:

	Number of shares	NIS par value
Balance at January 1, 2013	47,770,997	477,710
Issue of share capital	90,445,091	904,451
Exercise of options	2,796,400	27,964
Balance at December 31, 2013	141,012,488	1,410,125
Consolidation of share capital	(126,911,240)	-
Issue of share capital	4,309,400	430,940
Balance at December 31, 2014	18,410,648	1,841,065

c. Rights attached to shares:

1. Voting rights at the general meeting, right to dividends, rights upon liquidation of the Company and right to nominate the directors in the Company.

2. Quoted on the Tel-Aviv Stock Exchange.

d. Capital management in the Company:

- The Company's capital management objectives are to preserve the Group's ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.
-
- The Group is not under any minimal equity requirements nor is it required to attain a certain level of capital return.

NOTE 17:- EQUITY (Cont.)

e. Issue of shares:

1. On September 6, 2012, the Company completed a capital raising round of NIS 1,703 thousand from interested parties and the public pursuant to a shelf offering report based on the Company's shelf prospectus of August 8, 2012. In said capital raising round, the Company issued an aggregate number of 6,812,800 Ordinary shares of NIS 0.01 par value each for a price of NIS 0.25 per share. Issuance expenses amounted to approximately NIS 275 thousand.

   On October 17, 2012, 192,308 shares were issued to one of the shareholders in consideration of NIS 50 thousand and on November 18, 2012, 384,615 shares were issued to the other shareholder in consideration of NIS 100 thousand. Issuance expenses amounted to approximately NIS 21 thousand.

2. On February 10, 2013, the general meeting of the Company's shareholders approved the Company's engagement in private placement agreements according to which it allocated 40,000,000 Ordinary shares of NIS 0.01 par value each to Gillbood Trading SA and to Incumed SPV in consideration of NIS 4,000 thousand (NIS 3,768 thousand net).

3. On April 24, 2013, the Company issued in a private placement agreement 4,000,000 Ordinary shares of NIS 0.01 par value each in consideration of NIS 400 thousand (NIS 390 thousand net).

4. On July 17, 2013, the Company published a shelf offering report based on the Company's shelf prospectus of August 8, 2012 according to which the Company issued to the public 359,375 units each comprises 100 Ordinary shares of NIS 0.01 par value each and 250 marketable share options (series 2). The gross proceeds from the issuance amounted to NIS 4,600 thousand (NIS 4,067 thousand net). Also, according to the shelf offering report, on August 26, 2013, the Company allocated 5,660,156 marketable share options (series 2) to the issuance coordinator whose value at that date was estimated at approximately NIS 84 thousand.

5. On December 25, 2013, in furtherance to investment agreements signed between the Company and Acebright Holding Limited ("Acebright"), Acebright invested US$ 450 thousand (approximately NIS 1,569 thousand) in consideration of the allocation of 10,507,500 shares of the Company and non-marketable options for a period of 12 months after closing that are exercisable into up to 18,500,000 additional shares of the Company for the exercise increment of US$ 0.0428 per share (up to US$ 1,125 thousand). Moreover, Acebright invested US$ 300 thousand (approximately NIS 1,046 thousand) in the subsidiary to which the Anti-CD3 technology would be transferred in consideration of the allocation of 10% of the issued capital of the Company and non-marketable options for a period of 12 months after closing that are exercisable into up to 80,265 additional shares of the Company for the exercise increment of US$ 13.487 per share.

NOTE 17:- EQUITY (Cont.)

6. On May 8, 2014, the Company raised approximately NIS 2.9 million (gross) in the issuance of 3,009,400 Ordinary shares, 3,009,400 share options (series 3) and 3,009,400 share options (series 4) of the Company pursuant to a shelf offering report that the Company published on May 8, 2014 and a shelf prospectus of August 8, 2012. On May 15, 2014, the Company allocated 406,269 share options (series 4) to Clal Finance Underwriting Ltd. as part of raising costs.

7. On November 19, 2014, the Company entered into a private placement agreement according to which 1,300,000 Ordinary shares of NIS 0.1 par value each, 1,300,000 fully vested options and 1,300,000 conditional options were offered. The fully vested options are exercisable at 1 to 1 ratio for the exercise price of NIS 0.5 from the date of allocation over a period of three years. The conditional options are exercisable at 1 to 1 ratio subject to the exercise of the fully vested options. The fair value of the options was estimated at approximately NIS 3 thousand.

   The total gross proceeds from the offered securities were NIS 650 thousand (net proceeds - NIS 631 thousand).

f. Share options:

1. On May 1, 2011, in the framework of a private placement, the Company issued 2,553,956 non-marketable share options (series 4) that are exercisable into 2,553,956 Ordinary shares of NIS 0.01 par value each for an unlinked exercise increment of NIS 1.12. The share options were classified as equity. They are exercisable for a period of 30 months from the date of allocation. The options expired on October 31, 2013.

2. On December 23, 2012, in the framework of the Company's shelf prospectus of August 8, 2013, the Company issued 27,240,000 marketable share options (series 1) that are exercisable into 27,240,000 Ordinary shares of NIS 0.01 par value each for an unlinked exercise increment of NIS 0.13. The share options were classified as equity. They are exercisable until March 28, 2013. A total of NIS 202 thousand has been received (less issuance expenses of NIS 79 thousand).

   During the period, 2,796,491 share options (series 1) were exercised into 2,796,491 Ordinary shares of NIS 0.01 par value each in consideration of a net amount of approximately NIS 338 thousand.

3. On July 18, 2013, in the framework of the Company's shelf prospectus of August 8, 2012, the Company issued 89,843,750 marketable share options (series 2) that are exercisable into 89,843,750 Ordinary shares of NIS 0.01 par value each for an unlinked exercise increment of NIS 0.19 through June 30, 2013 and for an unlinked exercise increment of NIS 0.25 from July 1, 2013 to January 31, 2015. The gross proceeds from the issuance amounted to NIS 4,600 thousand (NIS 4,067 thousand net).

NOTE 17:- EQUITY (Cont.)

4. On August 26, 2013, based on a shelf offering, the Company allocated 5,660,156 marketable share options (series 2) that are exercisable into 5,660,156 Ordinary shares of NIS 0.01 par value for an unlinked exercise increment of NIS 0.19 through June 30, 2013 and for an unlinked exercise increment of NIS 0.25 from July 1, 2013 to January 31, 2015. The value of the options at that date was estimated at approximately NIS 84 thousand.

5. On November 9, 2014, the Company's share options (series 3) expired.

NOTE 18:- SHARE-BASED PAYMENT TRANSACTIONS

a. The expense recognized in the financial statements:

The expense (income) recognized in the Group's financial statements for services received from employees and consultants is shown in the following table:

	Year ended December 31,		
	2014	2013	2012
	NIS in thousands		
Equity-settled share-based payment plans	144	(154)	763

The share-based payment transactions that the Company granted to its employees and consultants are described below. There have been no modifications or cancellations to any of the employee benefit plans during 2012 to 2014.

b. Share-based payment transactions with the Company's employees:

1. In furtherance to Note 16a, on March 26, 2010, the Company entered into a license agreement with Hadasit. As part of the payment for the license, Hadasit and Prof. Howard Weiner were allocated 345,000 unlisted options of the Company that are exercisable into 345,000 Ordinary shares of the Company of NIS 0.1 par value each for an exercise price of NIS 0.1 per share. The options vest in three equal portions after the fulfillment of each of the following milestones: the beginning of Phase 2A, the beginning of Phase 2B and the beginning of Phase 3 for using the Anti-CD3.

   The options will expire at the end of 15 years from the grant date. Any options that are not exercised by the expiration date mentioned above will expire and not confer any rights whatsoever.

   As of the reporting date, the first portion of 1,150,000 has become vested and is exercisable for an exercise price of NIS 0.1 per share.

NOTE 18:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

2. On October 26, 2012, the Company's Board approved the allocation of options to the Company's management as follows: a company owned by the outgoing CEO was allocated 439,680 options, the CTO was allocated 408,000 options and the CFO was allocated 98,400 options. These options are exercisable into up to 946,080 Ordinary shares of NIS 0.01 par value each for an exercise price of NIS 0.25 per share. The options will vest over a period of six months from November 27, 2012. The CTO was also granted 200,000 options for the same exercise price which have become vested at the grant date.

   The fair value at the grant date was estimated at approximately NIS 126 thousand, calculated using the binomial model based on annual standard deviations of 68.97%-76.11% at the grant date, a price per share of NIS 0.219 at the grant date, annual discount rates of 1.9%-6.53% at the grant date and a forfeiture rate of 10%.

   The options will expire at the end of ten years from the grant date. Any options that are not exercised by the expiration date mentioned above will expire and not confer any rights whatsoever.

   As a result of termination of employment of the CEO in March 2014, 439,680 options granted to him expired.

3. On August 26, 2013, the Company granted to a company owned by the outgoing CEO, Mr. Ari Aminetzah, 1,500,000 options that are exercisable into 1,500,000 Ordinary shares of the Company for an exercise price of NIS 0.1 per option. The fair value of the options at the date of appointment was estimated at approximately NIS 79 thousand. The options vest over three years in two equal portions so that every three months an equal portion of options vests. If by May 31, 2013, the Company raises a total of NIS 7,500 thousand, the vesting period will be shorten by six months. The options were allocated on August 26, 2013.

4. During 2013, 2,267,879 employee options that may be exercised into 2,267,879 Ordinary shares expired.

5. On March 24, 2014, the general meeting of shareholders approved payment of compensation to the Company's Chairman: (1) for September-December 2013 - monthly payment of US$ 10 thousand (2) from January 8, 2014 - monthly payment of NIS 50 thousand (3) allocation of 423,037 unlisted share options of the Company at exercise price of not less than the share market price in the 30 days before the allocation plus 10%. The options vest over three years in equal portions on a quarterly basis. Also, the general meeting approved the Company's remuneration policy. The options were allocated on April 1, 2014.

NOTE 18:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

The fair value at the grant date was estimated at approximately NIS 181 thousand. The compensation was calculated using the binomial model based on expected share price volatility of 71.44% at the grant date, a price per share of NIS 0.791 at the grant date, exercise price of NIS 0.789 per share, risk free interest rates of 0.7%-5.74% per year computed at the grant date and a forfeiture rate of 0%.

6. On May 4, 2014, in furtherance to the decision of the Company's Board, the Company allocated to the VP of Strategic and Business Development 266,242 unlisted options that are exercisable into 266,242 Ordinary shares of the Company. The options vest over a period of four years from the date of allocation in equal portions on a quarterly basis. The fair value at the grant date was estimated at approximately NIS 149 thousand. The compensation was calculated using the binomial model based on expected share price volatility of 72.47% at the grant date, a price per share of NIS 0.978 at the grant date, exercise price of NIS 0.99 per share that represents the average share market price in the 30 days before the allocation plus 10%, risk free interest rates of 3.69% computed at the grant date and a forfeiture rate of 0%.

7. On February 16, 2014, the Company and the CEO, Mr. Ari Aminetzah, reached understandings regarding the termination of his tenure as the Company's CEO at the end of March 2014. During April-May 2014, Mr. Aminetzah rendered business development services to the Company.

   On May 14, 2014, following the termination of the role of Mr. Ari Aminetzah as the CEO, 112,500 options were forfeited.

c. Movement during the year:

The following table lists the number of share options, the weighted average exercise prices of share options and modifications in employee and supplier option plans during the current year:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		NIS		NIS
Share options outstanding at beginning of year	8,019,255	0.73	8,787,134	1.05
Consolidation of options as a result of capital consolidation	(7,217,329)	0.73	-	-
Share options granted during the year	689,279	0.86	1,500,000	0.1
Share options forfeited or expired during the year	(280,762)	13.62	(2,267,879)	1.55
Share options outstanding at end of year	1,210,443	4.39	8,019,255	0.73
Share options exercisable at end of year	377,914	5.45	3,547,936	0.79

NOTE 18:- SHARE-BASED PAYMENT TRANSACTIONS (Cont.)

d. The weighted average remaining contractual life of the share options outstanding as of December 31, 2014 was 8.64 years (December 31, 2013 - 8.72 years).

e. The weighted average fair value of the share options granted in 2014 was NIS 0.86 (2013 - NIS 0.10 before capital consolidation of 1 to 10).

f. The range of exercise prices of share options as of December 31, 2014 was NIS 0.1-NIS 44.58 (December 31, 2013 - NIS 0.01-NIS 4.46 before capital consolidation of 1 to 10).

NOTE 19:- ADDITIONAL INFORMATION TO THE ITEMS OF PROFIT OR LOSS

	Year ended December 31,		
	2014	2013	2012
	NIS in thousands		
a. Research and development expenses, net:			
Wages and related expenses	506	1,759	3,253
Materials	25	95	249
Cost of share-based payment	8	66	(52)
Consultants and subcontractors	582	1,594	5,506
Depreciation	49	131	239
Patents	284	598	723
Other expenses	375	684	516
Participation in research and development expenses	(29)	-	(74)
Chief Scientist income	-	(278)	(1,734)
	1,800	4,649	8,626
b. General and administrative expenses:			
Wages, salaries and related expenses	1,581	1,789	2,181
Share-based payment	136	(220)	815
Professional services including business development	2,562	1,247	721
Insurance and directors' fees	244	334	371
Depreciation	100	39	46
Office maintenance and rent and other	615	730	600
	5,238	3,919	4,734

NOTE 19:- ADDITIONAL INFORMATION TO THE ITEMS OF PROFIT OR LOSS (Cont.)

		Year ended December 31,		
		2014	2013	2012
		NIS in thousands		
c.	Finance income (expenses):			
	Finance income:			
	Interest income on bank deposits	5	20	107
	Change in fair value of share options	396	47	-
	Finance income from revaluation of liability to the Chief Scientist	-	1,527	-
	Exchange rate differences	-	9	128
		401	1,603	235
	Finance expenses:			
	Finance expenses from interest and commissions	13	28	94
	Finance expenses from revaluation of liability to the Chief Scientist	56	-	21
	Revaluation of contingent consideration in a business combination	-	-	191
	Exchange rate differences	8	44	148
	Impairment of financial instrument	350	-	-
		427	72	454
d.	Other income (expenses):			
	Adjustment of contingent consideration recorded in statement of comprehensive income	-	-	779
	Impairment of intangible asset	-	-	(465)
	Write down of liability to the Chief Scientist (Note 16b)	-	7,206	-
	Capital gain	115	40	22
		115	7,246	336

NOTE 20:- EARNINGS (LOSS) PER SHARE

a. Details of the number of shares and income (loss) used in the computation of earnings (loss) per share:

	Year ended December 31,					
	2014		2013		2012	
	Weighted number of shares	Loss	Weighted number of shares	Income	Weighted number of shares	Loss
	In thousands	NIS in thousands	In thousands	NIS in thousands	In thousands	NIS in thousands
Number of shares and income (loss) used in the computation of basic and diluted earnings (loss) per share	16,072	(7,292)	10,178	209	4,256	(13,243)

b. The computation of diluted earnings (loss) per share did not include the following convertible securities since their inclusion would decrease the diluted earnings (loss) per share compared to the basic net earnings (loss) per share (anti-dilutive effect):

1. 1,210,443 options to employees, officers and consultants.
2. 9,550,391 marketable share options (series 1).
3. 3,415,669 non-marketable share options (series 4).
3. 1,850,000 non-marketable share options to investor.

c. Earnings per share was adjusted retroactively for consolidation of shares that took effect in 2013 after the reporting date (see Note 17a).

NOTE 21:- OPERATING SEGMENTS

The Company applies the principles of IFRS 8 regarding operating segments. The segment reporting is based on internal management reports of the Company's management which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated and assess performance ("the management approach"). According to the principles of IFRS 8, management determined that the Company has one reportable segment in the field of Anti-CD3 which is administered orally to treat inflammatory diseases.

NOTE 22:- TRANSACTIONS AND BALANCES WITH INTERESTED AND RELATED PARTIES

a. Balances with interested and related parties:

December 31, 2014:

	Key management personnel	Interested and other related parties
	NIS in thousands	
Other accounts payable	120	84

December 31, 2013:

	Key management personnel	Interested and other related parties
	NIS in thousands	
Other accounts payable	83	77

b. Transactions with interested and related parties:

Year ended December 31, 2014:

	Key management personnel	Interested and other related parties
	NIS in thousands	
General and administrative expenses	2,323	-

Year ended December 31, 2013:

	Key management personnel	Interested and other related parties
	NIS in thousands	
Research and development expenses	1,043	-
General and administrative expenses	1,341	410

NOTE 22:- TRANSACTIONS AND BALANCES WITH INTERESTED AND RELATED PARTIES (Cont.)

c. Benefits to key management personnel (including directors) who are not employed by the Company:

	Year ended December 31,		
	2014	2013	2012
	NIS in thousands		
Short-term benefits	1,321	1,391	287
Share-based payment (see Note 18)	111	(239)	-
	1,462	1,152	287

d. Benefits to key management personnel who are employed by the Company:

	Year ended December 31,		
	2014	2013	2012
	NIS in thousands		
Short-term benefits	844	2,424	2,559
Share-based payment (see Note 18)	17	(201)	895
	861	2,223	3,454
Number of individuals to whom the salary and benefits relate:			
Related and interested parties who are employed by or on behalf of the Company	2	2	3
Interested parties and directors who are not employed by the Company	12	10	7
	14	12	10

e. Material agreements signed with interested and related parties:

1. On January 8, 2014, the Company's Board appointed Mr. Asher Shmulevitz as active Chairman of the Company's Board.

2. On February 16, 2014, the Company and the CEO, Mr. Ari Aminetzah, reached understandings regarding the termination of his tenure as the Company's CEO at the end of March 2014. During April-May 2014 Mr. Aminetzah rendered business development services to the Company.

NOTE 22:- TRANSACTIONS AND BALANCES WITH INTERESTED AND RELATED PARTIES (Cont.)

3. On March 24, 2014, the general meeting of shareholders approved payment of compensation to the Company's Chairman: (1) for September-December 2013 - monthly payment of US$ 10 thousand (2) from January 8, 2014 - monthly payment of NIS 50 thousand (3) allocation of 423,037 unlisted share options of the Company at exercise price of not less than the share market price in the 30 days before the allocation plus 10%. The options vest over three years in equal portions on a quarterly basis. Also, the general meeting approved the Company's remuneration policy. The options were allocated on April 1, 2014.

4. On September 22, 2014, the Company's Board named Mr. Jan Turek as the Company's CEO. On March 15, 2014, the Company's Board approved the conditions to which the Company's CEO is entitled to for his employment at the Company since September 2014 (to date, the conditions have not been approved).

NOTE 23:- EVENTS AFTER THE REPORTING DATE

a. As for entering into a binding term sheet with Dekel Pharmaceuticals Ltd., see Note 16d.

b. On February 1, 2015, the Company's share options (series 2) expired.

c. On March 15, 2015, the Company completed a private placement to several investors of about 500,000 shares at the price of NIS 0.5 per Ordinary share of the Company in consideration of NIS 250 thousand and also 1,000,000 options were granted to the investors.

d. On March 29, 2015, the Company entered into a private placement agreement with a private investor (who is unrelated to the Company) for an investment of NIS 2.2 million in consideration of 4,400,000 Ordinary shares of the Company at the price of NIS 0.5 per share which will represent about 18.87% of the Company's issued and outstanding share capital immediately after and subject to the completion of the investment (about 13.16% on a fully diluted basis). The closing of the above agreement is subject to the fulfillment of several prerequisites within 45 days after closing, including the approval of the stock exchange for listing the securities allocated as above.

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THERAPIX BIOSCIENCES LTD.

FINANCIAL DATA FROM THE CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTABLE TO THE COMPANY

AS OF DECEMBER 31, 2014

THERAPIX BIOSCIENCES LTD.

FINANCIAL DATA FROM THE CONSOLIDATED FINANCIAL STATEMENTS

ATTRIBUTABLE TO THE COMPANY

AS OF DECEMBER 31, 2014

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To
The Shareholders of Therapix Biosciences Ltd. (formerly: NasVax Ltd.)

Dear Sirs/ Mmes.,

Re: **Special auditors' report regarding separate financial information in accordance with Regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970**

We have audited the separate financial information presented pursuant to regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970 of Therapix Biosciences Ltd. (formerly: NasVax Ltd.) ("the Company") as of December 31, 2014 and 2013 and for each of the three years, the last of which ended December 31, 2014, which was included in the Company's periodic report. The Company's board of directors and management are responsible for the separate financial information. Our responsibility is to express an opinion on the separate financial information based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall separate financial information presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the separate financial information referred to above is prepared, in all material respects, in conformity with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our above opinion, we draw attention to the matter discussed in a to the additional information to the financial data and separate financial information attributable to the Company itself out of the Group's consolidated financial statements. For the year ended December 31, 2014, the Company incurred losses totaling NIS 7,207 thousand and negative cash flows from operating activities totaling NIS 5,747 thousand for the year then ended. These factors raise substantial doubt as to the Company's ability to continue as a going concern. Management's plans with respect to these matters are discussed in the above paragraph. The financial data and separate financial information attributable to the Company itself out of the Group's consolidated financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

Haifa, Israel
March 29, 2015

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Special Report in accordance with Regulation 9c

Financial Data and Financial Information from the

Consolidated Financial Statements Attributable to the Company

Below is financial data and separate financial information attributable to the Company itself from the Group's consolidated financial statements as of December 31, 2014, published as part of the periodic reports ("the consolidated financial statements"), presented in accordance with Regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies applied in presenting this financial information are elaborated in Note 2 to the consolidated financial statements.

Investees - as defined in Note 1 to the consolidated financial statements.

Financial Data from the Consolidated Statements of Financial Position Attributable to the Company

	December 31,	
	2014	2013
	NIS in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	594	3,510
Restricted cash	44	*) 327
Accounts receivable	98	*) 110
	736	3,947
NON-CURRENT ASSETS:		
Receivables from subsidiaries	4,680	4,720
Investment in associate	187	-
Property, plant and equipment	69	297
	4,936	5,017
	5,672	8,964
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Trade payables	973	1,216
Other accounts payable	132	343
Share options	-	81
	1,105	1,640
NON-CURRENT LIABILITIES:		
Government grants	156	128
Liabilities less assets attributable to subsidiaries	4,554	3,505
	4,710	3,633
EQUITY (DEFICIT) ATTRIBUTABLE TO THE COMPANY	(143)	3,691
	5,672	8,964

*) Reclassified.

The accompanying additional information is an integral part of the financial data and separate financial information.

Date of approval of the financial statements	Uri Ben-Or CFO	Jan Turek CEO	Asher Shmulevitz Chairman of the Board

Financial Data from the Consolidated Statements of Profit or Loss Attributable to the Company

	Year ended December 31,		
	2014	**2013**	**2012**
	NIS in thousands		
Research and development expenses	914	4,632	7,574
General and administrative expenses	4,910	3,903	4,552
	5,824	8,535	12,126
Other income	(109)	(7,240)	(487)
Operating income (loss)	(5,715)	(1,295)	(11,639)
Finance income	333	1,831	451
Finance expenses	(433)	(67)	(388)
Company's share of losses of investees (including impairment of goodwill), net	(1,392)	(262)	(1,667)
Income (loss) attributable to the Company	(7,207)	207	(13,243)

The accompanying additional information is an integral part of the financial data and separate financial information.

Financial Data from the Consolidated Statements of Cash Flows
Attributable to the Company

	Year ended December 31,		
	2014	**2013**	**2012**
	NIS in thousands		
Cash flows from the Company's operating activities:			
Income (loss) attributable to the Company	(7,207)	207	(13,243)
Adjustments to reconcile income (loss) to net cash used in the Company's operating activities:			
Adjustments to the Company's profit and loss items:			
Depreciation and amortization	67	160	255
Loss (gain) from sale of property, plant and equipment	(38)	(34)	(4)
Change in employee benefit liabilities, net	-	(20)	(7)
Cost of share-based payment	144	(154)	763
Decrease in value of share options	(81)	(30)	-
Decrease (increase) in outstanding liability to the Chief Scientist (including amounts recorded in research and development expenses)	28	(1,805)	(1,305)
Write down of liability to the Chief Scientist	-	(7,206)	-
Finance expenses (income), net	(5)	(20)	(107)
Impairment of contingent consideration	-	-	(779)
Impairment of intangible asset	-	-	296
Revaluation of liability for contingent consideration in a business combination	-	-	191
Company's share of losses of investees, net	1,392	262	1,667
Impairment of financial derivatives	350	-	-
	1,871	(8,847)	970
Changes in the Company's asset and liability items:			
Decrease (increase) in accounts receivable	52	(143)	(466)
Decrease in trade payable	(243)	(177)	(843)
Decrease in other accounts payable	(211)	(53)	(222)
	(402)	(373)	(1,531)
Cash received by the Company during the year for:			
Interest received	5	20	107
Net cash used in the Company's operating activities	(5,747)	(8,993)	(13,697)

The accompanying additional information is an integral part of the financial data and separate financial information.

Financial Data from the Consolidated Statements of Cash Flows
Attributable to the Company

	Year ended December 31,		
	2014	**2013**	**2012**
	NIS in thousands		
Cash flows from the Company's investing activities:			
Proceeds from sale of property, plant and equipment	201	34	5
Purchase of property, plant and equipment	(2)	(6)	(70)
Movement in restricted cash	283	-	-
Investment in company accounted for at equity	(870)	-	-
Net cash provided by (used in) the Company's investing activities	(388)	28	(65)
Cash flows from the Company's financing activities:			
Exercise of options into shares	-	338	-
Issue of share capital and share options (less issuance expenses)	3,219	9,879	1,759
Receipts from the Chief Scientist	-	486	2,612
Net cash provided by the Company's financing activities	3,219	10,703	4,371
Increase (decrease) in cash and cash equivalents	(2,916)	1,738	(9,391)
Cash and cash equivalents at the beginning of the year	3,510	1,772	11,163
Cash and cash equivalents at the end of the year	594	3,510	1,772

The accompanying additional information is an integral part of the financial data and separate financial information.

a. General

For the year ended December 31, 2014, the Company had negative cash flows from operating activities totaling NIS 5,747 thousand and accumulated deficit totaling NIS 103,380 thousand and recurring operating losses.

The balance of cash at the Company's hands may not be sufficient to finance its operating activities in the period beyond 12 months after the date of the approval of the financial statements.

These factors raise substantial doubt as to the Group's ability to continue as a "going concern".

The Company finances its operations by raising capital from private and institutional sources and by collaborating with leading multinational corporations in the industry. The Company's management is focusing on securing the Company's financial stability, among others, by exploring one or more of the above alternatives.

The financial data and separate financial information attributable to the Company itself out of the Group's consolidated financial statements do not include any adjustments to the carrying amounts and classifications of assets and liabilities that would result if the Company was unable to continue as a going concern.

b. Balance of cash and cash equivalents attributable to the Company (excluding amounts in respect of investees):

December 31, 2014:

	Unlinked	Total
	NIS in thousands	
Cash equivalents	594	594

December 31, 2013:

	Linked to US dollar	Unlinked	Total
	NIS in thousands		
Cash	-	2,053	2,053
Cash equivalents	1,457	-	1,457
	1,457	2,053	3,510

c. Disclosure of financial assets attributable to the Company (excluding amounts in respect of investees):

1. Details of material investments attributable to the Company by groups of financial assets pursuant to IAS 39:

	December 31,	
	2014	2013
	NIS in thousands	
Cash and cash equivalents	594	3,510
Restricted cash	44	327
Accounts receivable	98	110

The expected date of realization of accounts receivable is up to one year. Accounts receivable and cash are unlinked.

2. Liquidity risk attributable to the Company:

The table below presents the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2014:

	Less than one year	Over four years	Total
	NIS in thousands		
Trade payables	973	-	973
Other accounts payable	132	-	132
Government grants	-	4,254	4,254
	1,105	4,254	5,359

December 31, 2013:

	Less than one year	Over four years	Total
	NIS in thousands		
Trade payables	1,216	-	1,216
Other accounts payable	343	-	343
Share options	81	-	81
Government grants	-	4,338	*) 4,338
	1,640	4,338	5,978

*) Reclassified.

d. Disclosure of balances of deferred tax assets and liabilities attributable to the Company (excluding amounts in respect of investees) and disclosure of tax income or expense attributable to the Company (excluding amounts in respect of investees):

Taxes on income attributable to the Company:

1. Tax laws applicable to the Company:

   As for the tax laws applicable to the Company, see Note 13a to the consolidated financial statements.

2. Tax rates applicable to the Company:

   As for the tax rates applicable to the Company, see Note 13a to the consolidated financial statements.

3. Tax assessments attributable to the Company:

   The assessments of the Company are deemed final through the 2010 tax year.

4. Carryforward tax losses and other temporary differences attributable to the Company:

   The Company has tax losses in Israel that can be carried forward indefinitely totaling approximately NIS 76 million.

   No deferred tax assets relating to carryforward business losses and other temporary differences have been recognized because their utilization in the foreseeable future is not probable.

e. Material loans, balances and commitments with investees:

Balances and transactions with investees:

1. Balances with investees:

	December 31,	
	2014	2013
	NIS in thousands	
Receivables from subsidiaries	4,680	4,720

e. Material loans, balances and commitments with investees: (Cont.)

2. Transactions with investees:

	Year ended December 31,		
	2014	2013	2012
	NIS in thousands		
Participation in investees' expenses	133	262	261

3. Commitments:

a) On June 27, 2007, the Company founded NasVax Inc., a U.S. subsidiary whose main activity is to provide business and marketing consulting services to the parent company. Therapix Biosciences Ltd. (formerly: NasVax Ltd.) and the subsidiary, NasVax Inc., signed a service agreement which determines the following:

1) The subsidiary will provide Therapix Biosciences Ltd. (formerly: NasVax Ltd.) services as specified in the agreement.

2) NasVax Inc. has no authority to bind the Company by any contractual obligations to third parties.

3) All the rights and assets in the subsidiary or generated by it are exclusively owned by the Company.

b) Payment for services:

In consideration for the services, Therapix Biosciences Ltd. (formerly: NasVax Ltd.) will pay its subsidiary for the costs of rendering the services specified in the agreement plus a 5% margin of total costs (cost + 5%).

Shareholders' loan:

NasVax Inc. will pay the Company annual interest of 5.25% on shareholders' loan. As of the reporting date, the subsidiary has no employees.

c) On July 12, 2009, the Company acquired the entire issued share capital of Ormaion Bio Ltd. (formerly: Protea Vaccine Technologies Ltd.) ("Ormaion"). In September 2013, as part of the investment agreement, the Company allocated to the Chinese company, Acebright Holding Limited, 10% of the issued and outstanding capital of Ormaion.

e. Material loans, balances and commitments with investees: (Cont.)

d) On October 13, 2013, the Company founded Brain Bright Ltd. As of the reporting date, the subsidiary has no activity and it has no employees.

e) As for information regarding the investment agreement between the Company and LaraPharm Ltd., see Note 13d to the consolidated financial statements.

f) As for information regarding a binding term sheet between the Company and Dekel Pharmaceuticals Ltd., see Note 13e to the consolidated financial statements.

f. Events after the reporting date

See Note 23 to the consolidated financial statements.

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