

Sareum Holdings plc

**Group Strategic Report, Report of the Directors and Audited Consolidated
Financial Statements for the year ended 30 June 2024**

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SAREUM HOLDINGS PLC
COMPANY REGISTRATION NUMBER: 05147578

COMPANY INFORMATION

DIRECTORS

CHW Birch FCA
TJ Mitchell PhD
MJ Owen PhD
SB Parker DPhil
JC Reader PhD

SECRETARY

CHW Birch FCA

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2a, Langford Arch
London Road
Pampisford
Cambridge
Cambridgeshire
CB22 3FX

REGISTERED NUMBER

05147578 (England and Wales)

AUDITOR

Shipleys LLP
Chartered Accountants and Statutory Auditors
10 Orange Street
Haymarket
London
WC2H 7DQ

EXECUTIVE CHAIRMAN'S REPORT

COMPANY OVERVIEW

Sareum is a clinical-stage small molecule drug development company which is focused on advancing inhibitors of the JAK kinase family into clinical development for autoimmune disease and cancer. It is led by a highly experienced team with expertise in kinase inhibition and decades of experience in R&D and public company management.

Sareum's pipeline is focused on TYK2/JAK1 inhibitors, which are involved in signalling pathways that are deregulated in multiple autoimmune diseases. Inhibition of TYK2 and JAK1 has the potential to yield a superior efficacy compared with agents that block just one of these two kinases and with a superior safety profile than "first generation" JAK family inhibitors that also modulate JAK2 and JAK3.

Sareum also has an economic interest in SRA737, a clinical-stage Chk1 inhibitor which it originally developed in collaboration with several Cancer Research UK-related organisations. SRA737 has shown promising safety and efficacy in two Phase 1/2 clinical trials.

Our approach is to discover and develop programmes to late preclinical or early clinical stages before licensing or partnering. We maintain a lean cost base with a small, highly specialised team and use trusted third-party providers to maximise return on investment.

CURRENT UPDATE

The management team is convinced of the potential benefits that dual inhibition of both TYK2 and JAK1 can offer to patients with autoimmune disease in terms of superior efficacy in comparison to other small molecule approaches. With this goal in mind, the Group has been primarily focused on the clinical development of its lead TYK2/JAK1 inhibitor, SDC-1801.

Sareum has now completed a Phase 1 clinical trial designed to investigate the safety, tolerability, pharmacokinetics and pharmacodynamics of an oral formulation of SDC-1801 in healthy subjects, conducted at a clinical unit in Melbourne, Australia. Analysis of the data set generated in the trial has revealed that SDC-1801 is safe and well-tolerated, showing no severe adverse events ("SAEs") attributed to the drug and mild to moderate adverse events ("AEs"), none of which gave the safety committee overseeing the trial any concerns. Particularly pleasing was the fact the SDC-1801 showed none of the dose-limiting side effects which were seen in *brepocitinib*, the competing drug from Pfizer/Roivant.

Although SDC-1801 is the Group's primary focus, translational studies are also continuing on SDC-1802, an immunomodulating molecule that has demonstrated good efficacy in preclinical models of cancer.

During the period, the CRT Pioneer Fund LP ("CPF"), Sareum's the major partner for SRA737, secured a new out-licence with a private US biotechnology company. Sareum continues to believe that, based on preclinical and early clinical data, SRA737 holds strong promise for the treatment of cancer, particularly in combination settings and we are hopeful of clinical trials recommencing during the current period.

FINANCIAL REVIEW

The loss on ordinary activities after taxation for the year ended 30 June 2024 was £3.4m (2023: loss of £3.2m), which reflects the increased R&D investment required for late preclinical development and the commencement of the clinical trial. Sareum ended the year to 30 June 2024 with cash at bank of £1.4m (30 June 2023: £1.0m). The Group received R&D tax credits of £0.8m in the year.

During the year Sareum made use of a funding facility provided by RiverFort Global Opportunities PCC Ltd ("Riverfort") which was fully settled in April 2024. The Company also raised net funds of £4.4m via share issues and, in October 2024, raised a further £3.4m via share issues and received an A\$1.9 million R&D tax credit in Australia. These funds will enable the Company to conduct further development of SDC-1801, including longer-term toxicology studies, to prepare the asset for Phase 2 clinical trials thereby enhancing its potential value.



SB Parker DPhil
Executive Chairman
25 October 2024

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

The Directors present their Strategic Report for the Company and the Group for the year ended 30 June 2024.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the year under review were those of a holding company. The principal activity of the Group is the discovery and development of new therapeutic drugs by a combination of skills in biology, computational chemistry and medicinal chemistry.

FAIR REVIEW OF THE BUSINESS

Throughout the period under review the Group continued to develop its drug discovery programmes using outsourced biology, chemistry and clinical resources as well as exploring commercial opportunities with potential partners. In the future the Group will continue to build value from its in-house research and development by seeking to advance and commercialise its drug discovery programmes. These are as follows:

SDC-1801

SDC-1801 is a TYK2/JAK1 inhibitor being developed as a potential new therapeutic for a range of autoimmune diseases with an initial focus on psoriasis, an autoimmune condition affecting the skin. TYK2/JAK1 inhibition has demonstrated benefits in maintaining a healthy immune system and has strong clinical validation in psoriasis and psoriatic arthritis. Psoriasis is an autoimmune dermatological condition affecting more than 60 million adults worldwide, with a market size for potential treatments estimated to be worth more than US\$30.0 billion. Sareum believes that TYK2/JAK1 inhibition offers potential for increased efficacy in psoriasis, compared with existing approved therapies.

SDC-1801 has completed a Phase I clinical trial designed to investigate the safety, tolerability, pharmacokinetics and pharmacodynamics of an oral formulation of SDC-1801 in healthy subjects (trial ID ACTRN12623000416695p). This was a randomised, placebo-controlled trial, with single and multiple ascending oral dose studies, and a food effect study, conducted at a clinical unit in Melbourne, Australia.

The trial concluded in July 2024 and demonstrated a favourable safety profile and achieved blood plasma levels significantly exceeding the predicted therapeutic exposure, with a long half-life of up to 20 hours. No serious adverse events attributable to SDC-1801 were observed.

Based on the unblinded data, the frequency of adverse events (all mild or moderate) was similar in the active and placebo groups. No clinically significant effects were observed on any component of blood (including red blood cells, haemoglobin, reticulocytes, platelets or neutrophils) which have been affected by earlier generation JAK inhibitors. Analysis of blood samples from subjects who received SDC-1801 for 10 days in the multiple ascending dose cohorts demonstrated clear, dose responsive, reductions in three biomarkers of JAK1 and/or TYK2 activity. This provides strong evidence that safe blood levels of SDC-1801 were able to significantly inhibit major inflammatory pathways.

The planned toxicology studies are designed to further validate the safety and tolerability of SDC-1801 over an extended period, providing essential data for regulatory submissions to conduct future clinical studies. The Company anticipates that these studies will substantially enhance the compound's attractiveness to potential out-licensing partners, should it choose to pursue this strategic option for Phase 2 development.

Through this additional development work, Sareum intends to position SDC-1801 as a best-in-class TYK2/JAK1 inhibitor for autoimmune diseases, with an initial focus on psoriasis—a condition affecting over 60 million adults worldwide, representing a market opportunity exceeding US\$30 billion.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

SDC-1802

SDC-1802 is a TYK2/JAK1 inhibitor being developed for cancer and cancer immunotherapy applications. Sareum continues to work on the translational studies needed to define the optimal cancer application prior to completing toxicology and manufacturing studies.

SRA737

SRA737 is a clinical-stage oral, selective Chk1 inhibitor that targets cancer cell replication and DNA damage repair mechanisms. The asset was originally developed by Sareum in collaboration with several Cancer Research UK-related organisations, including the CRT Pioneer Fund LP ("CPF"), with whom the Company entered a co-development agreement in 2013.

During the period, the CRT Pioneer Fund LP ("CPF"), Sareum's co-development partner for SRA737, secured a new out-licence with a private US biotechnology company, which triggered a signature payment of US\$500,000. Under the terms of the agreements between Sareum, CPT and Cancer Research Technology (CRT), Sareum is entitled to 27.5% of SRA737 licence income, resulting in Sareum receiving a total of US\$137,000. There is a further milestone due in November 2024, with a further payment due to the collaborators.

We continue to believe that, based on preclinical and early clinical data, SRA737 holds strong promise for the treatment of cancer, particularly in combination settings and are confident in the potential of this molecule.

FINANCIAL REVIEW

The loss on ordinary activities after taxation for the year ended 30 June 2024 was £3.4m (2023: loss of £3.2m), which reflects the increased R&D investment required for the conduct of the clinical trial.

Sareum ended the year to 30 June 2024 with cash at bank of £1.4m (30 June 2023: £1.0m). The Group received R&D tax credits of £0.8m in the year and a further A\$1.9m was received in October 2024 in Australia.

During the year Sareum made use of a funding facility provided by RiverFort Global Opportunities PCC Ltd ("Riverfort") which was fully settled in April 2024. The Company also raised net funds of £4.4m via share issues.

Subsequent to the year end, in October 2024, the Company completed fundraises as follows:

- (i) £2.4 million (before expenses), from certain high net worth individuals, corporates and an institution, via a subscription for a total of 11,820,000 new ordinary shares of 1.25 pence each in the capital of the Company at a price of 20 pence per new Ordinary Share; and
- (ii) £1.0 million (before expenses), from certain investors including the institution that participated in the above fundraise, via a subscription for a total of 4,444,444 new ordinary shares of 1.25 pence each in the capital of the Company at a price of 22.5 pence per new Ordinary Share.

This funding, alongside the tax credit received in October in Australia for running the Phase 1 clinical development of the Company's lead candidate SDC-1801, will enable the Group to conduct further development of SDC-1801, including longer-term toxicology studies, to prepare the asset for Phase 2 clinical trials thereby enhancing its potential value.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

SECTION 172(1) STATEMENT

The Directors have had regard for the matters set out in section 172(1)(a) -(f) of the Companies Act 2006s172(1)) when performing their duty under section 172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Group for the benefit of its members as a whole, while also having regard to the s172(1) matters referred to below:

- Likely consequences of any decision in the long term;
- Interests of the Group's employees;
- Need to foster the Group's business relationships with suppliers and other partners;
- Impact of the Group's operations on the community and environment;
- The Group's reputation for high standards of business conduct;
- Need to act fairly between members of the Group;
- Culture is consistent with the Company's objectives, strategy and business model; and
- The need for the Directors to keep their skill set up to date.

Engagement with stakeholders, and consideration of their respective interests in the Group's decision-making process, took place during the year as described below:

Board

Our Board consists of five Directors who hold monthly board meetings, remote where required, to ensure strategies are aligned. The Board is comprised of individuals with an appropriate mix of technical, financial, industry and corporate governance experience commensurate with the activities of the Group.

Shareholders

The Board keeps shareholders abreast of any developments and regular communication via RNS documents in line with the requirements of the AIM listing is maintained to ensure interests are aligned.

Employees

Our employees, consisting of Directors, continue to be kept abreast of any developments via board meetings. A number of employees are offered share options via our Company share option scheme, which keep them vested in the future success of the business.

Suppliers and other partners

Our suppliers and other partners are central to the continuation of our business. We work closely with our professional advisors, research and development service providers and other key suppliers promoting transparency and clear, on-going communication in order to continue building on our working relationships with them.

Community and the environment

We value the importance of our impact on the environment and wider community and seek to operate as a Group in a way that minimises our carbon emissions. The Company's landlord provides reputable agents to recycle waste as appropriate.

Government and regulators

As a Group, we recognize the importance of continuous and open communication with regulatory bodies that govern our business. All our employees have been trained on anti-bribery, corruption and whistle blowing procedures to mitigate breaches in laws and regulations. We have regular communication throughout the year with HMRC to ensure compliance. We also seek support from our professional advisors to ensure that any key transactions of the business are compliant with necessary laws and regulations.

Key decisions

Key decisions are made by Directors via monthly Board meetings and communicated to relevant stakeholders in a timely manner.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Group are the following:

- the drug discovery programmes undertaken may fail due to fundamental scientific uncertainty;
- the Group may not complete sufficient commercial partnerships to create a sustainable business; and
- it may not be possible to raise sufficient funding to support the Group through to sustained profitability.

The Directors address these uncertainties by reviewing reports on scientific progress, business development and financial status at the monthly Board meetings and implementing alternative plans to reduce the risks if these are considered necessary.

The Board and management of Sareum continue to apply a rigorous approach to capital allocation to the development of our assets, particularly in the current challenging economic environment, and maintain a clear focus on bringing these medicines to patients as efficiently as possible, while maximising value for shareholders.

KEY PERFORMANCE INDICATORS

The Directors consider cash and spending on research and development to be the Group's key performance indicators. A budget is approved by the Board at the beginning of each financial year and performance is regularly monitored against budget with significant variances investigated.

FUTURE OUTLOOK

Sareum is focused on progressing the development of its lead clinical programme, SDC-1801. The Clinical Study Report from the Phase 1 trial is expected to be available later in 2024. We plan to conduct the preparatory work, which includes longer-term toxicology studies, required to obtain regulatory approval for a Phase 2 clinical trial.

The positive outcome of the Phase 1 trial and our supporting preclinical work, combined with our robust intellectual property position around SDC-1801 and the growing commercial and scientific momentum building around the TYK2/JAK1 class, underpins our continued confidence around the commercial potential for this molecule.

We continue to advance translational studies for SDC-1802, which we believe has attractive potential in cancer immunotherapy.

In addition, we believe that, based on preclinical and early clinical data, SRA737 holds strong promise for the treatment of cancer, and remain confident in the potential of this molecule.

ON BEHALF OF THE BOARD:



CHW Birch FCA
Secretary

25 October 2024

**CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

Introduction

The Quoted Companies Alliance Corporate Governance Code (the “QCA Code”) makes clear it is the prime responsibility of the Chairman to ensure the Company applies the QCA Code to the best advantage of all stakeholders.

The Group is an established operation with a clear business model and growth strategy. Our objective is to deliver targeted small molecule therapeutics to treat cancer and autoimmune diseases. We seek to build value through licensing the Group’s candidates to international pharmaceutical and biotechnology companies at the preclinical or early clinical trials stage. Applying the appropriate corporate governance practices can only help achieve our goals.

A requirement of the QCA Code is to highlight any areas where we are not in compliance and to provide our reasons why not.

An area of non-compliance is that Dr Michael Owen, Non-executive Director, and Mr Clive Birch, Non-executive Director, are beneficiaries under the Company’s share option scheme.

Participation by Non-executive Directors in share-based incentive arrangements, while against the provisions of the QCA Code, is common for companies with shares quoted on AIM. Michael and Clive provide the Company with a wealth of industry and corporate finance experience. Their participation in the share option scheme provides them with upside at no cash cost to the Company as the value of the Company increases. The arrangement suits the Company and Non-executive Directors and we do not currently intend to amend this arrangement.

We trust that the result of our efforts to date provides stakeholders with access to the information they need and the confidence that the Board holds corporate governance compliance in the highest regard.



SB Parker DPhil
Executive Chairman

25 October 2024

CORPORATE GOVERNANCE REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024

The key corporate governance principles adopted by the Group are set out below.

Principle 1 – Establish a strategy and business model which promote long term value for shareholders

Our goals: As a public company we are focused on delivering value for our shareholders as well as new medicines to treat patients with unmet medical needs. Our goals are to build value by progressing our research programmes through early clinical development and generate revenues by licensing them to pharmaceutical company partners.

Vision: The Group's vision is, over the longer term, to build a rich pipeline of clinical-stage medicines with licence deals that produce self-sustaining revenues. Such medicines could have been discovered in house or be in licensed.

Purpose: The Group exists to discover and develop innovative drug candidates as new therapies for cancers and autoimmune diseases. Our drug development programmes aim to improve outcomes for patients with serious medical conditions and where current therapies are inadequate.

Strategy: Our strategy is to develop programmes to the early clinical stages to take advantage of the higher asset values associated with licensing programmes at these stages, but without us incurring the cost and risk of conducting late-stage clinical trials.

Principle 2 – Seek to understand and meet shareholder needs and expectations

Sareum is committed to open communication with all its shareholders. Copies of the Annual Report and Accounts are issued to all shareholders who have requested them, and copies are available on Sareum's website (www.sareum.com). Our interim results are also made available on the Company's website. We make full use of our website to provide information to shareholders and other interested parties.

Shareholders are given the opportunity to raise questions at the Annual General Meeting and the Directors are available after the meeting for further discussion with shareholders. In compliance with best practice, the numbers of proxy votes (for, against and vote withheld) logged on each resolution will be declared at all future general meetings and subsequently announced.

The CEO is primarily responsible for updating the market with developments. Meetings via the Company's broker are offered to investment institutions and private client brokers to discuss progress and financial performance immediately after the full year and interim results announcements. All the Directors are available for these meetings if requested. Feedback from these meetings is requested by the broker and provided to the Board to ensure the Directors have a balanced understanding of the issues and concerns of current and potential future shareholders.

This feedback is discussed at subsequent Board meetings and actions are taken as appropriate. Trading updates and press releases are issued as appropriate. Sareum also uses its Twitter account, [@sareumplc](https://twitter.com/sareumplc), to share non-price-sensitive information related to its research and other activities to interested parties.

CORPORATE GOVERNANCE REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long term success

The Company regards its shareholders, employees, collaborators, potential licence partners, suppliers and advisers as its key stakeholders.

Management prioritises its relationships with collaborators and suppliers and effort is directed to ensuring they are managed appropriately. Regular reviews are undertaken to ensure any issues are addressed promptly.

The Executive Directors are in regular dialogue with collaborators and potential licence partners regarding the data requirements for a drug licence package. Feedback from these discussions is fed into future development plans as part of an ongoing process.

The Group's internal stakeholders are its employees. The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, gender reassignment, race, disability, sexual orientation, pregnancy and/or maternity, marital or civil partner status, religion or belief or age.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has established a risk register relating to the Group's business. At least twice a year, the Audit and Risk Committee meets to consider the appropriateness of the risks identified and the mitigating action taken by management on a risk-by-risk basis focusing on those deemed most critical.

Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chair

The Board, chaired by Dr Stephen Parker, comprises two Executive and three Non-executive Directors. It oversees and implements the Company's corporate governance programme. As Chairman, Stephen is responsible for the Company's approach to corporate governance and the application of the principles of the QCA Code. Further details pertaining to the Board and the roles carried out by each member are set out in the Governance section of the Annual Report and Accounts.

Each Board member commits sufficient time to fulfil their duties and obligations to the Board and the Company. They attend monthly Board meetings, join ad hoc Board calls and offer availability for consultation when needed

Detailed Board packs include information on business, technical and financial performance and are circulated ahead of Board meetings. Key issues are highlighted and explained, providing Board members with sufficient information to enable a relevant discussion in the Board meeting. The Board is supported by its Audit and Risk, Remuneration and Nominations Committees. Links to the terms of reference for each of the Board Committees can be found in the corporate governance section of the Company's website, www.sareum.com.

Other than Michael Owen, who was unavailable for one meeting, all Board members attended all Board meetings during the last year.

CORPORATE GOVERNANCE REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024

Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Chairman believes that, as a whole, the Board has a suitable mix of skills and competencies covering all essential disciplines bringing a balanced perspective that is beneficial both strategically and operationally and will enable the Company to deliver its strategy. The Company is, however, looking to build on those skills through selective appointments. The Board consists of two Executive Directors and three Non-executive Directors, ranging in age from 57 to 73 years old.

The nature of the Group's business requires the Directors to keep their skillset up to date. The Directors attend training courses and conferences as appropriate in order to do this.

In addition to the support provided by the Company's retained professional advisers (nomad, broker, investor relations, lawyers and auditor), external consultants have been engaged to advise on a number of matters including clinical trials planning and intellectual property management.

Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The assessment of the Board's performance has to date been largely focused on the achievement of the Group's strategic and financial objectives. Each Executive Board member is subject to an annual review by the Remuneration Committee based on the performance of the Group as a whole and their personal contribution. The outcome of these reviews feeds directly into the award of salary increases, bonuses and share options.

The Company also adopts annually an evaluation for Non-executive Director performance, although there is no current intention that such Non-executive Directors receive regular bonus payments. The performance of the Board as a whole may be judged in part by the attainment of financial measures including profit/loss for the year, research and development expenditure and cash at bank.

Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement (continued)

The Board meets as and when necessary to consider the appointment of new Executive and Non-executive Directors and the Board takes responsibility for succession planning. Board members all have appropriate notice periods so that if a Board member indicates his/her intention to step down, there is sufficient time to appoint a replacement, whether internal or external.

Each Director is required to offer themselves for re-election at least once every three years as per the Company's Articles of Association. The COO and CSO are currently the longest serving Board members, having been appointed in 2004. Board appointments are made after having completed due diligence and consultation with advisers.

CORPORATE GOVERNANCE REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2024

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

Sareum is a small, motivated team of professional people, which operates to high standards. These standards include a commitment to best practice in meeting the Company's social responsibilities.

The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, gender reassignment, race, disability, sexual orientation, pregnancy and/or maternity, marital or civil partner status, religion or belief or age. In line with best practice, health and safety matters are discussed at each Board meeting.

The Group's environment and health and safety policies are as follows:

Environment

Sareum disposes of its waste products using reputable agents. The Group's landlord provides these agents to enable it to recycle its waste as appropriate.

Health and safety

The Group is proactive in considering the safety of staff, visitors and the public. It has had no notifiable safety incidents during the year and no working days were lost due to accidents

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Executive members of the Board have overall responsibility for managing the day-to-day operations of the Group and the Board as a whole is responsible for monitoring performance against the Group's goals and objectives. The Chairman chairs the meeting and business, operational, technical and financial reports are provided by the CEO, CSO and Company Secretary respectively and discussed by the Board and actions, as appropriate, are minuted and taken. Decisions concerning the day-to-day running of the Group are taken by the Executive team (and reported to the Board as appropriate), whilst decisions regarding strategic matters are taken at Board level.

The roles of the Audit and Risk Committee and the Remuneration and Nominations Committees are set out in the corporate governance section of the Company's website at www.sareum.com/investors/corporate-governance as well as in this report. The appropriateness of the Group's governance structures are continually reviewed as the Company evolves.

Principle 10 – Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company maintains a regular dialogue with stakeholders including shareholders to enable interested parties to make informed decisions about the Group and its performance. The Board believes that transparency in its dealings offers a level of comfort to stakeholders and an understanding that their views will be listened to.

The Board discloses the results of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. In future, in the event that a significant portion of voters have voted against a resolution, an explanation of what actions it intends to take to understand the reasons behind the vote will be included.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2024

The Directors present their report together with the financial statements of the Company and the Group for the year ended 30 June 2024.

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 July 2023 to the date of this report.

CHW Birch FCA
TJ Mitchell PhD
MJ Owen PhD
SB Parker DPhil
JC Reader PhD

MANAGEMENT CHANGES POST YEAR END

With effect from 10 July 2024 Tim Mitchell, co-founder and Chief Executive Officer (CEO), transitioned to the part-time role of Chief Operating Officer (COO). Stephen Parker, previously Non-Executive Chairman, assumed the position of Executive Chairman. The Board intends to seek to appoint a new CEO, at the appropriate time, as the Company and its future strategy develops. Additionally at that time, Clive Birch was appointed as Senior Independent Director.

DIVIDENDS

No dividends will be distributed for the year ended 30 June 2024 (2023: £nil).

RESEARCH AND DEVELOPMENT

The principal activity of the Group is innovative research and development. It does this in its own right and in collaboration with other organisations. The costs relating to this, which have been written off during the year, amounted to £3.6 million (2023: £3.1 million).

FINANCIAL INSTRUMENTS

Details regarding the Group's use of financial instruments and their associated risks are given in note 16 to the consolidated financial statements.

MATTERS OF STRATEGIC IMPORTANCE

The future outlook of the group is considered to be a matter of strategic importance and included in the strategic report on page 5.

STREAMLINED ENERGY AND CARBON REPORTING

The Directors confirm that Sareum Holdings plc and its subsidiary are exempt from the Streamlined Energy and Carbon Reporting requirements by virtue of being a low energy user and have consumed less than 40MwH during the year.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

DIRECTORS' REMUNERATION

The remuneration of the Directors for the year is summarised below:

	Salary £	Benefits £	Emoluments £	Pension £	Total 2024 £	Total 2023 £
Executive Directors						
TJ Mitchell PhD	191,100	2,065	193,165	14,106	207,271	207,847
JC Reader PhD	191,100	1,461	192,561	13,501	206,062	205,804
Non-executive Directors						
SC Parker DPhil	99,535	-	99,535	-	99,535	92,968
CHW Birch FCA	25,000	-	25,000	-	25,000	25,000
MJ Owen PhD	20,000	-	20,000	-	20,000	20,000
Total	526,735	3,526	530,261	27,607	557,868	551,619

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2024 (CONTINUED)**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITOR

A resolution to re-appoint the auditor will be proposed at the forthcoming Annual General Meeting. In accordance with normal practice the Directors will be authorised to determine the auditor's remuneration.

ON BEHALF OF THE BOARD:



CHW Birch FCA
Secretary

25 October 2024

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SAREUM HOLDINGS PLC

Opinion

We have audited the financial statements of Sareum Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2024 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2024 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs, in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the Parent Company financial statements have been properly prepared in accordance with IFRSs, in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the going concern disclosure note made to the financial statements concerning the company's ability to continue as a going concern.

The Company and the Group rely on continued financial support from funding on the stock market. The approval of a full-scale clinical trial will require significant funding to finance. The Group does not currently have the funds to enable them to fund this. As such, the Company and the Group may not have sufficient funds for the full-scale clinical trial, which would also impact the ability of the Company to meet its liabilities as they fall due. These conditions, along with the other matters explained in the Going Concern disclosure note made to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SAREUM HOLDINGS PLC (CONTINUED)

Our approach to the audit

Our audit approach is to determine whether the financial statements contain any material misstatement or omission. A material misstatement or omission would be one that would lead the financial statements to present a view other than one that is true and fair.

We plan and conduct our audit specifically to detect such misstatement and omission. We begin by determining which areas of the financial statements carry the greatest risk of this and direct our testing towards these. We also review the draft financial statements for reasonableness, taking into account past results, industry norms and recent developments in the business. Areas that do not meet our expectations are given closer attention in the course of our testing in order to explain the variance.

The balances in the financial statements are tested on a sample basis. We do not inspect every transaction but rather select a sample designed to give a representative view of the population, biased towards items that look large or unusual. Those areas that we consider to carry a high risk of misstatement are assigned a higher sample size than those we consider low risk. By adopting this approach, we seek to reduce the likelihood of failing to detect material misstatement or omission to as low a level as possible.

Key audit matters

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

Risk	How the scope of our audit responded to the risk
<i>Management override of controls</i> Journals can be posted that significantly alter the Financial Statements	We examined journals posted around the year end, specifically focused on areas which are more easily manipulated such as accruals, prepayments, bank reconciliations and tax.
<i>Going concern</i> There is a risk that the Company is not a going concern.	We made enquiries with the Directors regarding how they have assessed going concern. We have reviewed projections and disclosed accordingly.
<i>Fraud in revenue recognition</i> There is a risk that revenue is materially understated due to fraud.	Revenue sources were reviewed and expected revenues vouched to those presented in the financial statements. We concluded that no evidence of fraud or other understatement was identified.
<i>Accounting estimates</i> Potential risk of inappropriate accounting estimates giving rise to misstatement in the accounts.	Accruals were agreed to expected costs and supporting documentation, and other areas were examined to identify any potential accounting estimates.
<i>Risk of material misstatement within related party transactions</i> There is the risk that related party transactions are potentially incomplete or materially misstated.	Correspondence, including Board minutes, and accounting records were reviewed for evidence of material related party transactions, and it is considered that all relevant items have been disclosed.
<i>Disclosures</i> There is a risk of incorrect or incomplete disclosures in the financial statements.	The financial statements have been reviewed and checks have been undertaken to ensure all material disclosure requirements have been met.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SAREUM HOLDINGS PLC (CONTINUED)

Key audit matters (continued)

Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the Financial Statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning and in the scope of our audit work and in evaluating the results of our work.

We determine base materiality for the Group to be £372,724 and a separate performance materiality to be £279,543. These financial benchmarks, which are used throughout the audit, have been determined by way of a standard formula being applied to key financial results and balances presented in the Financial Statements. Where considered relevant the materiality is further adjusted to suit the specific area risk profile of the Group.

Other information

The Directors are responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SAREUM HOLDINGS PLC (CONTINUED)

Matters on which we are required to report by exception continued)

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- We obtained an understanding of the Company's business, controls, legal and regulatory frameworks, laws and regulations and assessed the susceptibility of the Company's financial statements to material misstatement from irregularities, including fraud, are instances of non-compliance with laws and regulations.
- Based on this understanding we designed our audit procedures to detecting irregularities, including fraud. Testing undertaken included making enquiries on the management; including enquiring to management as to any actual or potential litigations, claims, fraud or suspected fraud; review board minutes and any correspondence received from regulatory bodies; reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- We addressed the risk of fraud through management override of controls, by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SAREUM HOLDINGS PLC (CONTINUED)

An auditor conducting an audit in accordance with ISAs (UK) is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error and in our audit procedures described above. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a Report of the Auditor and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Richardson

**Mark Richardson (Senior Statutory Auditor)
for and on behalf of Shipleys LLP
Chartered Accountants and Statutory Auditor
10 Orange Street
Haymarket
London WC2H 7DQ**

Date: 25 October 2024
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 £'000	2023 £'000
CONTINUING OPERATIONS			
Revenue		-	-
Administrative expenses		(4,596)	(4,048)
Share of loss of associate		(60)	(18)
Other operating income		22	-
OPERATING LOSS		(4,634)	(4,066)
Finance income	5	32	41
LOSS BEFORE TAXATION	6	(4,602)	(4,025)
Taxation	7	1,182	833
LOSS FOR THE YEAR		(3,420)	(3,192)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		(3,420)	(3,192)
Loss attributable to owners of the parent		(3,420)	(3,192)
Total comprehensive income attributable to owners of the parent		(3,420)	(3,192)
Basic and diluted loss per share expressed in pence per share	9,28	(4.2)	(4.7)

The accompanying notes form part of these financial statements.

SAREUM HOLDINGS PLC
COMPANY REGISTRATION NUMBER: 05147578

CONSOLIDATED BALANCE SHEET
30 JUNE 2024

	Note	2024 £'000	2023 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	-	1
Investment in associate	11	9	46
		<u>9</u>	<u>47</u>
CURRENT ASSETS			
Trade and other receivables	12	1,299	979
Cash and cash equivalents	13	1,459	994
		<u>2,758</u>	<u>1,973</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	(653)	(867)
		<u>2,105</u>	<u>1,106</u>
NET CURRENT ASSETS			
		<u>2,114</u>	<u>1,153</u>
NET ASSETS			
SHAREHOLDERS' EQUITY			
Called up share capital	17	1,349	851
Share premium	18	24,802	20,925
Share-based compensation reserve	18	312	325
Foreign exchange reserve	18	20	14
Retained earnings	18	(24,369)	(20,962)
		<u>2,114</u>	<u>1,153</u>
TOTAL EQUITY			

The financial statements were approved by the Board of Directors on 25 October 2024 and were signed on its behalf by:



.....
SB Parker DPhil

The accompanying notes form part of these financial statements.

COMPANY BALANCE SHEET
30 JUNE 2024

	Note	2024 £'000	2023 £'000
ASSETS			
NON-CURRENT ASSETS			
Investments	11	339	339
NET ASSETS			
SHAREHOLDERS' EQUITY			
Called up share capital	17	1,349	851
Share premium	18	24,802	20,925
Share-based compensation reserve	18	312	325
Retained earnings	18	(26,124)	(21,762)
TOTAL EQUITY			
		339	339

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The Company's loss for the financial year was £4.4m (2023: profit of £0.3m).

The financial statements were approved by the Board of Directors on 25 October 2024 and were signed on its behalf by:



.....
 SB Parker DPhil

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024**

	Called up share capital £'000	Share premium £'000	Share-based compensation reserve £'000
Balance at 1 July 2022	851	20,925	325
Issue of share capital	-	-	-
Transfer for options exercised / expired	-	-	-
Total comprehensive income	-	-	-
Balance at 30 June 2023	851	20,925	325
Issue of share capital	498	3,877	-
Total comprehensive income	-	-	-
Transfer for options exercised / expired	-	-	(13)
Balance at 30 June 2024	1,349	24,802	312

	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2022	-	(17,770)	4,331
Issue of share capital	-	-	-
Transfer for options exercised / expired	-	-	-
Arising on consolidation	14	-	14
Total comprehensive income	-	(3,192)	(3,192)
Balance at 30 June 2023	14	(20,962)	1,153
Issue of share capital	-	-	4,375
Transfer for options exercised / expired	-	13	-
Arising on consolidation	6	-	6
Total comprehensive income	-	(3,420)	(3,420)
Balance at 30 June 2024	20	(24,369)	2,114

The accompanying notes form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024**

	Called up share capital £'000	Share premium £'000	Share-based compensation reserve £'000
Balance at 1 July 2022	851	20,925	325
Issue of share capital	-	-	-
Transfer for options exercised / expired	-	-	-
Total comprehensive income	-	-	-
Balance at 30 June 2023	851	20,925	325
Issue of share capital	498	3,877	-
Transfer for options exercised / expired	-	-	(13)
Total comprehensive income	-	-	-
Balance at 30 June 2024	1,349	24,802	312

	Retained profits £'000	Total equity £'000
Balance at 1 July 2022	(22,071)	30
Issue of share capital	-	-
Transfer for options exercised / expired	-	-
Total comprehensive income	309	309
Balance at 30 June 2023	(21,762)	339
Issue of share capital	-	4,375
Transfer for options exercised/expired	13	-
Total comprehensive income	(4,375)	(4,375)
Balance at 30 June 2024	(26,124)	339

The accompanying notes form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2024**

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Cash used in operations	25	(4,739)	(3,676)
Tax received		820	409
Net cash outflow from operating activities		(3,919)	(3,267)
Cash flows from investing activities			
Purchase of tangible fixed assets		-	-
Investment in associate		(23)	(41)
Interest received		32	41
Net cash inflow from investing activities		9	-
Cash flows from financing activities			
Share issue		4,375	-
Net cash inflow from financing activities		4,375	-
Increase/(decrease) in cash and cash equivalents		465	(3,267)
Cash and cash equivalents at beginning of year		994	4,261
Cash and cash equivalents at end of year		1,459	994

The accompanying notes form part of these financial statements.

SAREUM HOLDINGS PLC
COMPANY REGISTRATION NUMBER: 05147578

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Cash used in operations	25	(408)	(431)
Net cash outflow from operating activities		<u>(408)</u>	<u>(431)</u>
Cash flows from investing activities			
Investment in subsidiary		-	(813)
(Advanced to)/received from subsidiary		(3,967)	1,244
Net cash (outflow)/inflow from investing activities		<u>(3,967)</u>	<u>431</u>
Cash flows from financing activities			
Share issue		4,375	-
Net cash inflow from financing activities		<u>4,375</u>	<u>-</u>
Increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

SAREUM HOLDINGS PLC
COMPANY REGISTRATION NUMBER: 05147578
NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial statements of Sareum Holdings plc ("the Company") have been prepared in accordance with UK-adopted international accounting standards, and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, with IFRIC interpretations.

The financial statements have been prepared under the historical cost convention.

Going concern

The Company made a loss after tax of £4.4m (2023: profit of £0.3m) and the Group made a loss after tax of £3.4m (2023: loss of £3.2m), as they continued to progress their research and development activities. These activities, and the related expenditure, are in line with the budgets previously set and are funded by regular cash investments.

The Directors consider that the cash held at the year-end, together with that received after the year end and projected to be received, will be sufficient for the Company and Group to meet its forecast expenditure for at least one year from the date of signing the financial statements. If there is a shortfall the Directors will implement cost savings to ensure that the cash resources last for this period of time.

For these reasons the financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries and an associate, together, "the Group") made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of another entity or business, so as to obtain benefits from its activities. The consolidated financial statements present the results of the Company and its subsidiary as if they formed a single entity. Inter-company transactions and balances between group companies are eliminated on consolidation.

2. STATUTORY INFORMATION

Sareum Holdings plc is a public limited company, registered in England and Wales. The Company's registered number, registered office address and principal place of business, can be found on the Company Information on page 3.

3. ACCOUNTING POLICIES

The principal accounting policies applied are set out below.

Property, plant and equipment

Depreciation is provided on a straight-line basis over three years in order to write off each asset over its estimated useful life.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of change in value.

Pension contributions

The Group does not operate a pension scheme for the benefit of its employees but instead makes contributions to their personal pension plans. The contributions due for the period are charged to the profit and loss account.

3. ACCOUNTING POLICIES (CONTINUED)

Employee share schemes

The Group has in place a share option scheme for employees, which allows them to acquire shares in the Company. Equity settled share-based payments are measured at fair value at the date of grant. The fair value of options granted is recognised as an expense spread over the estimated vesting period of the options granted. Fair value is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Research expenditure is written off in the period in which it is incurred. Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits;
- There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable in the normal course of business, net of discounts, VAT and other sales related taxes and is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group. Revenues from licensing agreements are recognised in line with the performance obligations being met, as outlined in the terms of the agreement. Grant income is recognised as earned based on contractual conditions, generally as expenses are incurred. Such income is recognised as Other Operating Income.

Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have the most significant effects on the carrying amounts of the assets and liabilities in the financial information are considered to be research and development costs and equity settled share-based payments.

Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the Investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the associate's net assets with recognition in the profit and loss of the share of the associate's profit or loss.

3. ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

At the date of the statement of financial position, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

New or revised accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2024 reporting periods and have not been early adopted by the Company or the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. EMPLOYEES AND DIRECTORS

	2024 £'000	2023 £'000
Directors' remuneration		
Emoluments	530	523
Pension contributions to money purchase schemes	28	29
	<u>£'000</u>	<u>£'000</u>
Remuneration of the highest paid Director		
Emoluments	193	193
Pension contributions to money purchase schemes	14	15
	<u>£'000</u>	<u>£'000</u>

There are 2 (2023: 2) Directors who are members of third party held money purchase retirement benefits schemes.

Group

Average monthly number of persons employed

	Number	Number
Office and management	4	4
Research	1	1
	<u>5</u>	<u>5</u>
	<u>£'000</u>	<u>£'000</u>

Staff costs during the year

Wages and salaries	530	523
Social security costs	59	58
Pension costs	28	29
	<u>617</u>	<u>610</u>

The Directors comprise the management personnel of the Company. All Directors and staff are employed and paid by the subsidiary, Sareum Limited.

SAREUM HOLDINGS PLC
COMPANY REGISTRATION NUMBER: 05147578
NOTES TO THE FINANCIAL STATEMENTS

5. NET FINANCE INCOME

	2024 £'000	2023 £'000
Deposit account interest	32	41

6. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):	2024 £'000	2023 £'000
Depreciation – owned assets	1	1
Research and development	3,591	2,909
Other operating leases	21	21
Foreign exchange differences	(37)	24
Auditor's remuneration	17	16
Auditor's remuneration for non-audit work		
- taxation services	-	-
- other work	-	-

7. INCOME TAX

	2024 £'000	2023 £'000
Current tax		
Adjustment to prior years	(3)	-
Overseas taxation credit	1,031	395
UK corporation tax credit on losses for the period	154	438
	1,182	833

The credit for the year can be reconciled to the accounting loss as follows:

	2024 £'000	2023 £'000
Loss before tax	(4,602)	(4,025)
Notional tax credit at average rate of 25% (2023: 20.5%)	1,150	825
Effects of:		
Expenses not deductible for tax purposes	(44)	
Adjustments to tax charge in respect of previous periods	(3)	-
Other timing differences	(629)	(234)
Unutilised tax losses	(271)	(293)
Losses surrendered for research and development tax credits	(206)	(298)
Research and development tax credits claimed	1,185	833
Actual current tax credit in the year	1,182	833

The tax rate of 25% used above is the main corporation tax rate applicable in the United Kingdom.

A potential deferred tax asset as at 30 June 2024 of £3.2 million (2023: £2.8 million) calculated using the expected corporation tax rate of 25% (2023: 25%), has not been recognised, as there remains a significant degree of uncertainty that the Group will make sufficient profits in the foreseeable future to justify recognition.

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NOTES TO THE FINANCIAL STATEMENTS**8. LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The Company's loss for the financial year was £4.4 million (2023: profit of £0.3 million).

The loss represents costs of £0.4 million (2023: £0.4 million) associated with the Company's operating costs and obligations to maintain its AIM listing, and an increase of £4 million (2023: reduction of £0.7 million) in respect of impairments of amounts invested in and owed by Group undertakings.

9. EARNINGS PER SHARE

The calculation of loss per share is based on the following data:

	2024	2023
Loss on ordinary activities after tax	£3,420,000	£3,192,000
Weighted average number of shares in issue	80,992,566	68,069,416
Basic and diluted loss per share (pence)	(4.2)	(4.7)

As the Group has generated a loss for the period, there is no dilutive effect in respect of share options.

10. PROPERTY PLANT & EQUIPMENT

	Fixtures and computers £'000
Cost	
At 1 July 2023 and 30 June 2024	13
Depreciation	
At 1 July 2023	12
Charge for the year	1
At 30 June 2024	13
Carrying amount	
At 30 June 2023	1
At 30 June 2024	-

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11. INVESTMENTS

Group	Interest in associate £'000
Cost	
At 1 July 2023	1,217
Additions	23
At 30 June 2024	1,240
Provision for impairment	
At 1 July 2023	1,171
Impairment for year	60
At 30 June 2024	1,231
Net book value	
At 30 June 2023	46
At 30 June 2024	9

The investment in associate represents the investment by the Group in the partnership with the Cancer Research Technology Pioneer Fund to advance the SRA737 programme and has been accounted for using the equity method. Sareum's interest in the associate partnership is 27.5%. As at 30 June 2024 the partnership had net assets of £34,000 (2023: £83,000) and had incurred cumulative losses of £0.8 million (2023: £0.7 million).

Company	Interest in subsidiaries £'000
Cost	
At 1 July 2023	843
Additions	-
At 30 June 2024	843
Provision for impairment	
At 1 July 2023	504
Impairment for year	-
At 30 June 2024	504
Net book value	
At 30 June 2023	339
At 30 June 2024	339

At the balance sheet date the Company owned 100% of the issued ordinary share capital of:

- (i) Sareum Limited: incorporated in England and Wales, its registered office and principal place of business is Unit 2a, Langford Arch, London Road, Pampisford, Cambridge, Cambridgeshire, CB22 3FX.
- (ii) Sareum Australia Pty Limited: incorporated in Australia, its registered office and principal place of business is Level 17, HWT Tower, 40 City Road, Southbank.

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12. TRADE AND OTHER RECEIVABLES

	2024	Group
	£'000	2023
		£'000
Amounts falling due within one year:		
Corporation tax receivable	1,180	823
Other taxation receivable	41	75
Prepayments and accrued income	78	81
	<u>1,299</u>	<u>979</u>
	Company	
	2024	2023
	£'000	£'000
Amount owed by subsidiaries	21,734	17,786
Provision for impairment	<u>(21,734)</u>	<u>(17,786)</u>
	<u>-</u>	<u>-</u>

The amount owed by subsidiaries is considered a short term recoverable as it attracts no interest and has no contractual repayment terms. The Directors have considered the recoverability of the amounts and have made provision for the full value of the debt.

13. CASH AND CASH EQUIVALENTS

	Group
	2024
	£'000
	2023
	£'000
Bank deposit accounts	<u>1,459</u>
	<u>994</u>

The Company had no cash and cash equivalents at the year end date.

14. TRADE AND OTHER PAYABLES

	Group
	2024
	£'000
	2023
	£'000
Amounts falling due within one year:	
Trade creditors	542
Social security and other taxes	19
Other creditors	35
Accrued expenses	57
	<u>146</u>
	<u>653</u>
	<u>867</u>

The Company had no creditors outstanding at the year end date.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit term agreed with suppliers is 30 days and payment is generally made within the agreed terms.

15. LEASING AGREEMENTS

The Company has not applied IFRS 16 as the lease on the office occupied by the company is of low value, expiring in December 2026 and the rent payments in the year are also not material to the financial statements.

16. FINANCIAL INSTRUMENTS

The Group's principal financial instruments are trade and other receivables, trade and other payables and cash. The main purpose of these financial instruments is to finance the Group's ongoing operational requirements. The Group does not trade in derivative financial instruments.

The major financial risks faced by the Group, which remained unchanged throughout the year, are interest rate risk, foreign exchange risk and liquidity risk. Policies for the management of these risks are shown below and have been consistently applied.

MARKET RISKS

Interest rate risk

The Group is exposed to interest rate risk as cash balances in excess of immediate needs are placed on short term deposit. The Group seeks to optimise the interest rates received by continuously monitoring those available. The value of the Group's financial instruments is not considered to be materially sensitive to these risks and therefore no sensitivity analysis has been provided.

Foreign exchange risk

The Group's activities principally expose it to fluctuations in the exchange rate for the Australian dollar. Funds are maintained in sterling and foreign currency is acquired on the basis of committed expenditure. The value of the Group's financial instruments is not considered to be materially sensitive to these risks and therefore no sensitivity analysis has been provided.

NON-MARKET RISKS

Liquidity risk

The Board has responsibility for reducing exposure to liquidity risk and ensures that adequate funds are available to meet anticipated requirements from existing operations by a process of continual monitoring. The value of the Group's financial instruments is not considered to be materially sensitive to these risks and therefore no sensitivity analysis has been provided.

17. SHARE CAPITAL

	2024	2023
	£'000	£'000
Called up, allotted and fully paid		
107,945,783 (2023: 68,069,416) Ordinary Shares of 1.25p each	<u>1,349</u>	<u>851</u>

The Ordinary Shares carry equal rights in respect of voting at a general meeting of shareholders, payment of dividends and return of assets in the event of a winding up.

During the year the following share issues took place

On 8 August 2023, 1,953,543 Ordinary Shares were issued at 9.98 pence per shares in respect of a financing arrangement with Riverfort. A further 48,839 Ordinary Shares were issued at £1.02 per share to Riverfort at the same time. Together these raised £2 million before expenses.

On 30 October 2023, 190,080 Ordinary Shares were issued at 30 pence in respect of the exercise of share options by certain Directors that raised, in aggregate, £57,024 before expenses.

12,660,488 Ordinary Shares were issued to Riverfort on various dates between 12 March 2024 and 26 April 2024 which in aggregate raised £300,000.

On 5 April 2024 23,339,733 Ordinary Shares were issued at 10 pence to individual investors as part of a placing and WRAP exercise, which in aggregate raised £2,333,973 before expenses.

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17. SHARE CAPITAL (CONTINUED)

On 5 April 2024 576,698 Ordinary Shares were issued at 10 pence to certain Directors in lieu of salary payments owed to them, which in aggregate raised £57,670 before expenses.

On 13 May 2024, 1,106,986 Ordinary Shares were issued at 10 pence to Riverfort in respect of their exercise of certain warrants, which in aggregate raised £110,699.

Details of share options can be found in note 24 to the financial statements, Share-Based Payment Transactions.

18. RESERVES

Reserve	Description and purpose
Share capital	Amount of the contributions made by shareholders in return for the issue of shares.
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained earnings	Cumulative net gains and losses recognised in the consolidated and the Company Balance Sheet.
Foreign exchange reserve	Arising on consolidation of the overseas subsidiary
Share-based compensation reserve	Cumulative fair value of share options granted and recognised as an expense in the Income Statement.

Details of movements in each reserve are set out in the Consolidated Statement of Changes in Equity.

19. POST BALANCE SHEET EVENTS

With effect from 10 July 2024 Tim Mitchell, co-founder and Chief Executive Officer (CEO), transitioned to the part-time role of Chief Operating Officer (COO) and Stephen Parker, previously Non-Executive Chairman, assumed the position of Executive Chairman. Additionally at that time, Clive Birch was appointed as Senior Independent Director.

In October 2024, the Company completed fundraises as follows:

- (i) £2.4 million (before expenses), from certain high net worth individuals, corporates and an institution, via a subscription for a total of 11,820,000 new Ordinary Shares of 1.25 pence each in the capital of the Company at a price of 20 pence per new Ordinary Share; and
- (ii) £1.0 million (before expenses), from certain investors including the institution that participated in the above fundraising, via a subscription for a total of 4,444,444 new ordinary shares of 1.25 pence each in the capital of the at a price of 22.5 pence per new Ordinary Share.

20. PENSION COMMITMENTS

The Group makes contributions to its employees' own personal pension schemes. The contributions for the period of £28,000 (2023: £29,000) were charged to the profit and loss account. At the balance sheet date contributions of £4,000 (2023: £5,000) were owed and are included in creditors.

21. CONTINGENT LIABILITIES

There are no contingent liabilities (2023: £nil).

22. RELATED PARTY DISCLOSURES

Disclosure regarding the remuneration of key management personnel is given in note 4, Employees and Directors.

Transactions between the Company and its subsidiaries, Sareum Limited and Sareum Australia Pty Limited, which are related parties, have been eliminated on consolidation. The ultimate holding company of the Group is Sareum Holdings plc. During the year the Company continued to provide interest free loans to Sareum Limited and Sareum Australia Pty Limited, further details of which can be found in note 12 to the financial statements.

23. CONTROLLING PARTY

The Company does not currently have an ultimate controlling party and did not have one in this reporting year or the preceding one.

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NOTES TO THE FINANCIAL STATEMENTS**24. SHARE-BASED PAYMENT TRANSACTIONS**

The Group operates a share option scheme under the Enterprise Management Incentive Scheme (EMI) for employees of the Group and it also operates an unapproved share option scheme. If the options under either scheme remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
	2024	2024	2023	2023
Outstanding at 1 July	3,508,072	47.37	3,508,072	47.37
Expired during the period	-	-	-	-
Exercised during the period	(190,080)	30.00	-	-
Outstanding at 30 June	3,317,992	48.36	3,508,072	47.37
Exercisable at 30 June	3,192,601	49.29	3,319,954	48.55

No options were forfeited during the periods covered by the tables above.

The options outstanding at 30 June 2024 had a weighted average remaining contractual life of 3 years and 4 months (30 June 2023: 4 years and 1 month).

The options outstanding but not exercisable at 30 June 2024 and 30 June 2023 vest subject to pre-determined performance criteria.

Fair value calculation

The fair value was estimated using the Black-Scholes model. The key data and assumptions used were:

Date of grant	Nov 2014	Mar 2016	Dec 2016	Dec 2017	Mar 2019
Share price - pence	22.5	29.5	37.5	41.25	34.1
Exercise price - pence	21.25	29.5	*	*	*
Volatility	50%	50%	50%	50%	50%
Time until maturity - years	three	three	three	three	three
Risk free rate of interest	1%	1%	1%	1%	1%
Expected dividend yield	nil	nil	nil	nil	nil

* the share options that were granted in December 2016 were issued with exercise prices of 40 pence, 60 pence and 80 pence; those granted in December 2017 were issued with exercise prices of 41.25 pence, 61.875 pence and 82.5 pence; and those granted in March 2019 were issued with exercise prices of 35 pence, 52.5 pence and 70 pence.

Volatility for the options granted is based on share price performance for companies operating in a similar field.

The weighted average fair value of the share options outstanding at 30 June 2024 was 9.39 pence per share (2023: 9.26 pence per share). A fair value charge of £nil has been provided in the year (2023: £nil).

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NOTES TO THE FINANCIAL STATEMENTS

25. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

Group	2024 £'000	2023 £'000
Operating loss from continuing operations	(4,602)	(4,024)
Adjustments for:		
Depreciation	1	1
Share of loss of associate	60	18
Foreign exchange differences	5	24
Finance income	(32)	(41)
Operating cash flows before movements in working capital	(4,568)	(4,022)
Decrease/(increase) in receivables	42	(65)
(Decrease)/ increase in payables	(213)	411
Cash used in operations	(4,739)	(3,676)
Company	2024 £'000	2023 £'000
Operating profit/(loss)from continuing operations	(4,375)	309
Adjustments for:		
Provision for amounts invested in or due from subsidiary	3,948	(740)
Foreign exchange differences	19	-
Net cash generated used in operations	(408)	(431)

26. RECONCILIATION CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statements in respect of cash and cash equivalents are in respect of these Balance Sheet amounts which comprise bank balances only:

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Cash and cash equivalents	1,459	994	-	-

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group and its subsidiary company will be able to continue as going concerns. The capital structure of the Group consists of equity, comprising issued share capital and reserves as disclosed in notes 17 and 18, and cash and cash equivalents.