Developing novel medicines to treat cancer and autoimmune diseases

Sareum Holdings plc
Annual Report and Accounts
2023

Sareum

CONTENTS

HIGHLIGHTS

Operational highlights

SDC-1801 (autoimmune disease)

- 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.
- A Phase 1a clinical trial evaluating SDC-1801 in healthy subjects was initiated in May 2023, and is progressing well at a specialist clinical unit in Melbourne, Australia.
- In September, after the period end, Sareum commenced dosing in the multiple ascending dose (MAD) escalation phase of the Phase 1a trial. This followed approval by the safety review committee granted upon review of preliminary data generated from the initial three cohorts in the single ascending dose (SAD) part of the study.
- Full safety data from the Phase 1a trial are expected to be available during the first half of 2024. Provided satisfactory results are obtained and subject to financing, and regulatory and recruitment preparations, the Company plans to initiate a Phase 1b clinical study, aiming to recruit up to 24 psoriasis patients. This study is expected to be completed before the end of 2024.
- First patent relating to SDC-1801 was granted by the China National Intellectual Property Administration, safeguarding the use of SDC-1801 for medical applications treating inflammatory or immune disorders.

"We are increasingly optimistic about the potential of TYK2/JAK1 inhibitors to address autoimmune disease and we remain fully focused on progressing our lead programme, SDC-1801, through the ongoing Phase 1 study underway in Australia.

SDC-1802 (cancer immunotherapy)

- Sareum continues to work on the translational studies needed to support its cancer immunotherapy candidate, SDC-1802, defining the optimal cancer application prior to completing toxicology and manufacturing studies.
- New patent granted by the United States Patent and Trademark Office (USPTO) covering the treatment of autoimmune diseases with SDC-1802 and several analogues and extending protection for this compound beyond immuno-oncology.

SRA737 (cancer)

- Sierra Oncology, Inc, a subsidiary of GSK plc, completed the return of the Clinical Study Reports and other associated documents and data related to SRA737 to Sareum's co-development partner, the CRT Pioneer Fund LP ("CPF").
- CPF is taking the lead in evaluating potential further development opportunities for SRA737 and further updates will be provided as soon as possible.

Financial highlights

- The loss for the year to 30 June 2023 was £3.2 million after tax (2022: £2.2 million), in line with market expectations and reflecting the increased costs associated with setting up and commencing clinical studies with SDC-1801.
- Sareum had a cash position of £1.0 million as at 30 June 2023 (cash of £4.3 million as at 30 June 2022).
- As announced on 3 August 2023, after the period end, Sareum agreed terms on an Equity Prepayment Facility (the "Facility") of up to £5.0 million with RiverFort Global Opportunities PCC Ltd ("RiverFort"). The Company received an initial deposit of £2.0 million, net of associated costs, on 4 August 2023.
- The Company intends to use the Facility, if fully drawn, together with the receipt of anticipated tax incentives to the amount of £1.6 million (of which £0.4 million was received in Australia post period end), to complete the Phase 1a/b clinical development of the Company's lead candidate SDC-1801, which is expected to be a primary catalyst for driving shareholder value, and for general working capital to Q4 2024.

AT A GLANCE

Sareum is making good progress on its lead programme, SDC-1801, with a Phase 1a trial now underway in Australia. The management team is convinced of the potential benefits that dual inhibition of both TYK2 and JAK1 can offer to patients with autoimmune diseases in terms of superior efficacy in comparison to other small molecule approaches.

What we do

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.

Our approach is to discover and develop programmes to late preclinical or early clinical stages before licensing or partnering. The Company maintains a lean cost base with a small, experienced, and specialised team using trusted third-party providers, to maximise its return on investment.

Proprietary programmes

SDC-1801 – targeting autoimmune diseases

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. A Phase 1a clinical trial is currently underway in Australia.

SDC-1802 – targeting cancers

SDC-1802 is a TYK2/JAK1 inhibitor being developed for cancer and cancer-immunotherapy applications. Translational studies continue in order define the optimal cancer application prior to completing toxicology and manufacturing studies.

Partnered programmes

Chk1 kinase inhibitor SRA737 – targeting solid cancers

SRA737 is a clinical-stage Chk1 inhibitor 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. Sareum's co-development partner, CPF, is taking the lead in evaluating potential further development opportunities.

Drug development progress this year

Progress with TYK2/JAK1 inhibitors SDC-1801 and SDC-1802

July 2022

Sareum announced that it has submitted an application for a CTA to the MHRA for the development of SDC-1801 as a potential new therapeutic for a range of autoimmune diseases with a focus on psoriasis.

September 2022

The Company noted the announcement from Bristol Myers Squibb ("BMS") that the US Food and Drug Administration ("FDA") has approved Sotyktu™(deucravacitinib), a first-in-class, oral, selective, allosteric TYK2 inhibitor, for the treatment of adults with moderate-to-severe plaque psoriasis. This was the first approval by the FDA of a medicine based on TYK2 and notable because, unlike some other medicines in the JAK inhibitor class, the FDA is not requiring boxed warnings for deucravacitinib around the heightened risk of serious side effects.

November 2022

Sareum was notified by the MHRA that it had not been able to approve the CTA application for SDC-1801 as it required a review by the UK Good Laboratory Practice (GLP) Monitoring Authority of some of the preclinical data submitted as part of the CTA application.

December 2022

At the Company's AGM, it was announced that, in parallel with seeking clarity from the MHRA, the management team were also assessing regulatory opportunities in other countries.

The commercial potential of the TYK2 inhibitor class was underscored by the US$4 billion acquisition of Nimbus Lakshmi, inc. by Takeda, for their clinical-stage TYK2 inhibitor.

March 2023

Sareum announced that the MHRA had not provided any further clarity regarding the requested data review by UK GLP. The Company submitted an application to an Australian Human Research Ethics Committee (HREC) to undertake the Phase 1 clinical studies on SDC-1801 in Australia.

AT A GLANCE (CONTINUED)

May 2023
Sareum announced that its application to conduct Phase 1 studies in Australia had been approved.

Later in the month, the Company announced that recruitment had begun for participants in the Phase 1a part of the clinical trial in a specialist clinical unit in Melbourne, Australia.

June 2023
It was announced that first subjects in the SDC-1801 clinical trial had been successfully dosed in Part 1, the single ascending dose (SAD) stage of the trial.

Also in June, the Company announced that the first patent specifically relating to SDC-1801 had been granted in China, and that a patent had been granted for SDC-1802 and several analogues in the USA, extending the scope of protection beyond immuno-oncology.

August 2023
Sareum announced that a funding facility of up to £5 million with RiverFort Global Opportunities PCC Ltd had been agreed that would, if drawn down in full, be expected to fund the completion of the Phase 1a/b clinical development of SDC-1801.

September 2023
It was announced that, following approval by the safety review committee of preliminary data generated by the first three cohorts of Part 1, the SAD stage, of the SDC-1801 clinical trial, Part 2, the multiple ascending dose (MAD) stage could commence, alongside continued dose escalation in the SAD part.

Progress with Chk1 kinase inhibitor SRA737

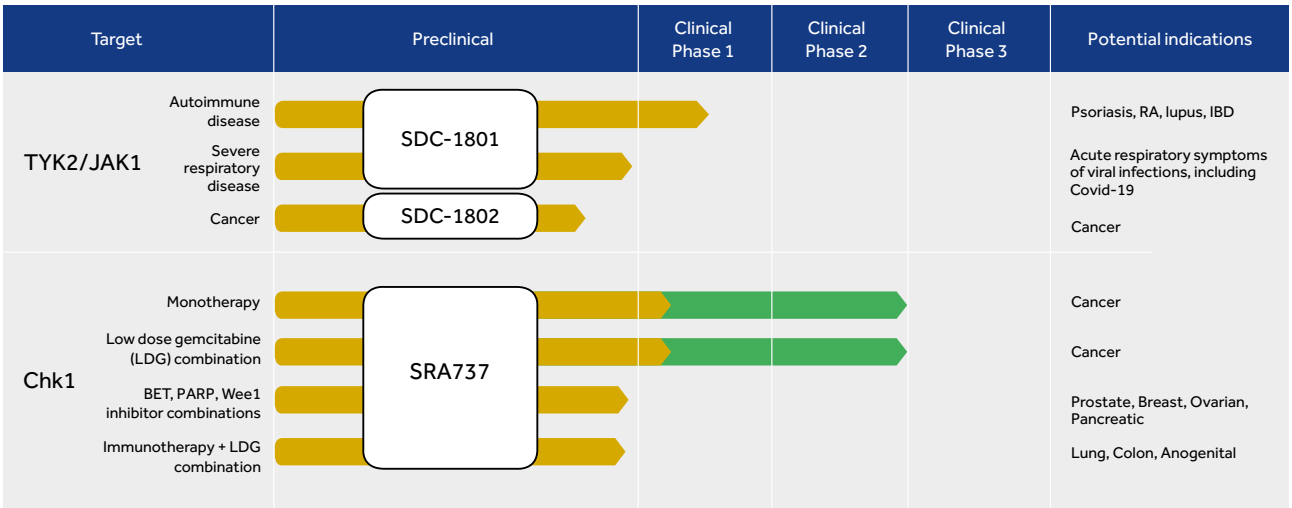
July 2022
GSK completes the acquisition of former SRA737 licence holder, Sierra Oncology, primarily for its momelotinib asset for the treatment of myelofibrosis. As part of the acquisition, GSK also owns the rights to SRA737.

October 2022
Sareum announced that its co-development partner, CPF, had been informed by Sierra that it intends to return the rights for SRA737 to CPF.

November 2022
Sareum noted that data from the Phase 1/2 clinical trial of SRA737 in combination with low-dose gemcitabine had been published in the peer reviewed journal, Clinical Cancer Research.

March 2023
Sareum announced that GSK had completed the return of the SRA737 Clinical Study Reports and other data to CPF.
In the Company's half-year report, it was noted that the SRA737 patent estate had been further expanded by the granting in the US of patent 11596637 "CHK1 (SRA737)/PARPi combination methods of inhibiting tumor growth".

August 2023
In its August business update, Sareum noted that its co-development partner, CPF, was taking the lead in evaluating the next steps for SRA737.



Gold bars indicate work done by Sareum, the Institute of Cancer Research and others; Green represents work done by former licence partner Sierra Oncology

RA: Rheumatoid Arthritis
IBD: Inflammatory Bowel Disease
BET: Bromodomain and Extra-Terminal Motif
PARP: Poly ADP Ribose Polymerase
ADP: Adenosine Di-Phosphate

CHAIRMAN'S AND CEO'S STATEMENT

Stephen Parker DPhil
Chairman

Tim Mitchell PhD
Founder and CEO

Sareum is making good progress with its lead programme, SDC-1801, with a Phase 1a trial now underway in Australia.

The management team is convinced of the potential benefits that dual inhibition of both TYK2 and JAK1 can offer to patients with autoimmune diseases in terms of superior efficacy in comparison to other small molecule approaches. For the duration of this financial year, the team has been focused on advancing the clinical development of SDC-1801. Despite an initial setback with respect to Sareum's application to the UK's MHRA, management rapidly pivoted and adapted its strategy, fulfilling the necessary steps to enable the Phase 1a trial to be conducted in Australia.

Australia offers state-of-the-art research facilities, an efficient approval process and generous tax incentives for companies undertaking research and development, making it an attractive location for conducting clinical trials. The Phase 1a trial of SDC-1801 started in May 2023 and is progressing well. Following a review of the safety and pharmacokinetics data from the first three cohorts in the SAD part of the study, MAD studies were initiated in September after the period end. Sareum is on track to receive full safety data from the Phase 1a trial during the first half of 2024. Subject to satisfactory safety data, as well as financing, regulatory and recruitment considerations, Sareum aims to move SDC-1801 into the Phase 1b part of the trial in psoriasis patients as soon as possible thereafter.

Our second dual TYK2/JAK1 inhibitor, SDC-1802, holds significant potential in cancer and autoimmune disease. Translational studies continue, in order to define the optimal application prior to completing the necessary toxicology and manufacturing preparatory work. We have been encouraged by the award of a patent, in June 2023, by the United States Patent and Trademark Office (USPTO), which extends the potential scope of this compound beyond immuno-oncology.

We continue to be optimistic about the potential for SRA737, which has demonstrated promising clinical and preclinical efficacy, particularly in combination settings, in earlier studies conducted by Sierra Oncology. CPF is taking the lead in evaluating the opportunity and next steps for this asset, and we await further developments.

For now, the Company is focused on the encouraging clinical progress of our lead programme, SDC-1801. The financing agreement with RiverFort, announced in August 2023, provides us with a runway to complete the Phase 1 element of the trial and we are excited to see this move forward.

PROGRAMME UPDATES

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 restoring a healthy immune system and has strong clinical validation in psoriasis and psoriatic arthritis. Psoriasis is an autoimmune dermatological condition affecting more than 125 million adults worldwide, with a market size for potential treatments estimated to be worth US$27.0 billion. Sareum believes that TYK2/JAK1 inhibition offers the potential for increased efficacy in psoriasis, compared with existing approved therapies.

Scientific and commercial interest in the application of TYK2/JAK1 inhibition has been building recently. This momentum was underscored by the approval in September 2022 of Sotyktu™ (deucravacitinib), from Bristol Myers Squibb, a first-in-class, oral, selective, allosteric TYK2 inhibitor for the treatment of adults with moderate-to-severe plaque psoriasis.

SDC-1801 is undergoing a Phase 1a 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 is a randomised, placebo-controlled trial, with single and multiple ascending oral dose studies, and a food effect study, which is taking place at a clinical unit in Melbourne, Australia.

The single ascending dose (SAD) part of the trial was initiated in May and, in September, Sareum confirmed after the period end that it had commenced dosing the first subjects in the multiple ascending dose (MAD) part of the trial. Dosing in the MAD part of the study followed approval by the safety review committee based on preliminary data generated from the initial three cohorts in the SAD part of the study. These were deemed satisfactory for the MAD part of the study to commence, alongside continued dose escalation in the SAD part of the study.

A food effect study, which will examine how the pharmacokinetic profile of SDC-1801 changes when capsules are dosed with food, or following a fasting period, is planned to commence in Q423 and is expected to report in early 2024. Provided satisfactory safety data are obtained from the Phase 1a study and subject to financing, regulatory and recruitment considerations, Sareum aims to move SDC-1801 into the Phase 1b part of the trial in psoriasis patients as soon as possible.

CHAIRMAN'S AND CEO'S STATEMENT (CONTINUED)

PROGRAMME UPDATES (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.

In June 2023, a patent was granted by the United States Patent and Trademark Office (USPTO) covering the treatment of autoimmune diseases with SDC-1802 and several analogues and extending protection for this compound beyond immuno-oncology.

This strengthens the intellectual property protection around this molecule: in April 2022, the Company was granted a patent protecting the SDC-1802 molecule and pharmaceutical preparations thereof as a therapeutic to treat T-cell acute lymphoblastic leukaemia (T-ALL, a cancer of a particular type of white blood cell called a T lymphocyte) and other cancers that are dependent on TYK2 kinase for survival.

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 CPF, with whom the Company entered a co-development agreement in 2013. Under the terms of the agreement, Sareum is entitled to a 27.5% share of any commercialisation revenues.

As announced in March 2023, Sierra Oncology, Inc, now a subsidiary of GSK plc, has completed the return of the Clinical Study Reports and other associated documents and data related to SRA737 to Sareum's co-development partner, the CPF.

As the major partner, CPF is taking the lead in evaluating potential further development opportunities for SRA737 and further updates will be provided as and when appropriate. Sierra reported positive preliminary efficacy and safety data in two clinical trials evaluating it as a monotherapy and in combination with chemotherapy in 2019, and preclinical data have been reported that support the potential for SRA737 in combination against hard-to-treat cancers.

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 for the year to 30 June 2023 was £3.2 million after tax (2022: £2.2 million), in line with market expectations and reflecting the increased costs associated with setting up and commencing clinical studies with SDC-1801. Sareum had a cash position of £1.0 million as at 30 June 2023 (cash of £2.9 million as at 31 December 2022 and £4.3 million as at 30 June 2022).

In August 2023, after the period end, Sareum agreed terms on an Equity Prepayment Facility of up to £5.0 million with RiverFort. The Company received an initial deposit of £2.0 million, net of associated costs, on 4 August 2023.

The Company intends to use the Facility, if fully drawn, together with the receipt of anticipated tax credits to the amount of £1.6 million (of which £0.4 million was received from the Australian government post period end), to complete the Phase 1a/b clinical development of the Company's lead candidate SDC-1801, which is expected to be a primary catalyst for driving shareholder value, and for general working capital to Q4 2024.

OUTLOOK

Sareum is focused on progressing the Phase 1 trial of its lead clinical programme, SDC-1801. This trial moved into the MAD part of the Phase 1a trial in August 2023 and dose escalation continues in the SAD.

Initial safety data from the Phase 1a trial are expected to be available in 1H 2024. Subject to satisfactory safety, additional funding and relevant regulatory and recruitment preparations, we plan to commence a Phase 1b trial of SDC-1801 in psoriasis patients shortly thereafter, with a readout from this part of the study expected by the end of 2024. The continued good progress of the Phase 1a trial and our supporting preclinical work, combined with 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.

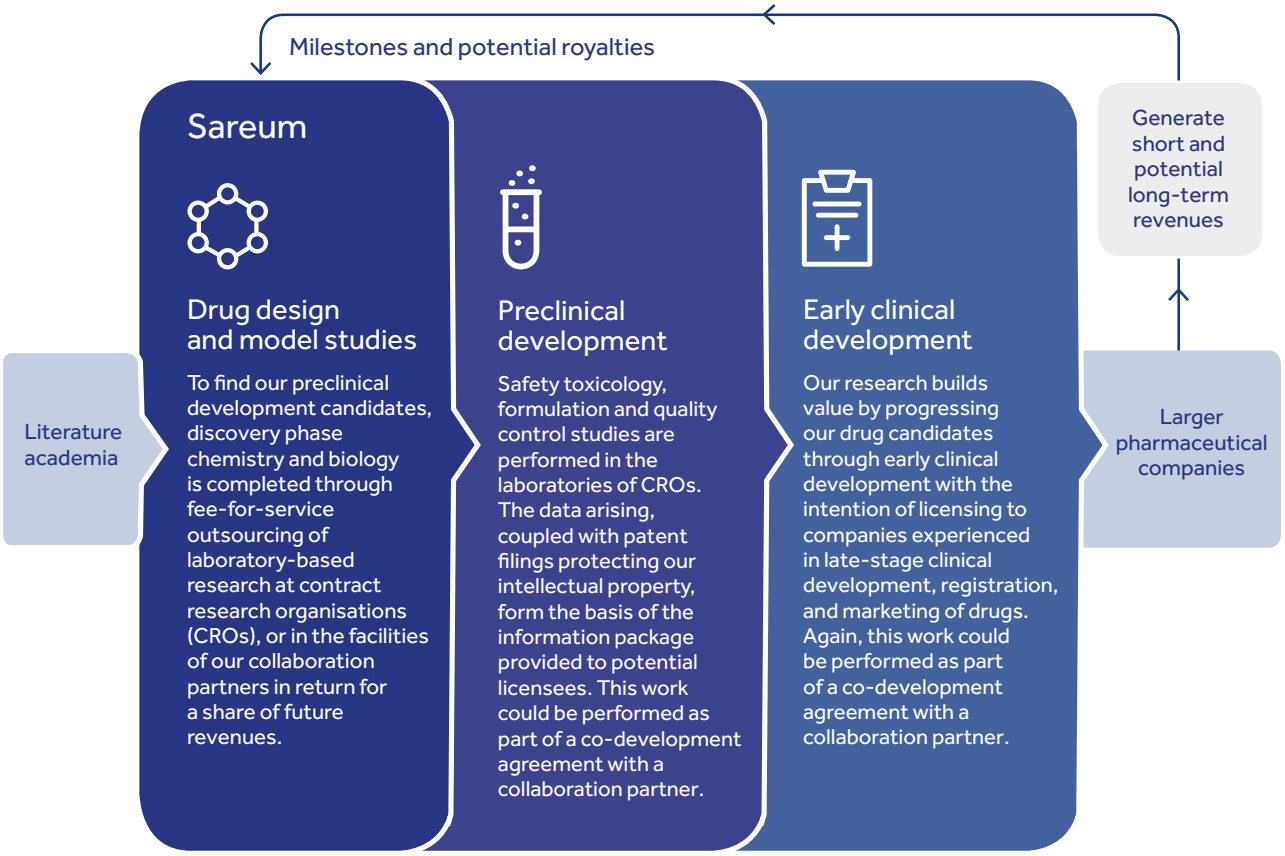
The Board and management of Sareum continue to apply a rigorous approach to capital allocation to the development of our assets, particularly in the current challenging economic environment, and maintain a clear focus on bringing these medicines to patients as efficiently as possible, while maximising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

SB Parker DPhil
Non-Executive Chairman
6 October 2023

TJ Mitchell PhD
Chief Executive Officer
6 October 2023

BUSINESS MODEL

Sareum operates a lean business model to deliver the most productive return for our research spend. Our research builds value by progressing our drug candidates through early clinical development and generates revenues by licensing them to pharmaceutical company partners.



Our key strengths

Drug development expertise
The Executive Directors, Dr Tim Mitchell (CEO) and Dr John Reader (CSO), have over 50 years' drug development experience between them. This has been key in the development of potentially best-in-class drug candidates SRA737, SDC-1801 and SDC-1802. Sareum's drug discovery platform, SKIL® ("Sareum Kinase Inhibitor Library"), has the ability to identify new compounds targeting kinases for use against cancer, autoimmune diseases, and other therapeutic areas.

Outsourced research model
Sareum operates an outsourced research model. Its laboratory-based research is undertaken via a worldwide network of collaborators and research providers. This reduces the high capital cost of running in-house laboratories, minimises ongoing development risks and provides access to best-in-class expertise for its programmes.

Intellectual property
Intellectual property, in the form of patents, is crucial to Sareum's business and forms a key part of any licence package we present to licence and collaboration partners. Sareum and its collaborators have filed patents to protect the substance of matter (the chemical structures) and their therapeutic uses, in major commercial territories. Many of these patents have now been granted by the relevant authorities. A full list of these patents is available on the Company's website at http://www.sareum.com/patents.

OUR STRATEGY

Sareum's strategy is to develop novel, targeted drug candidates to late preclinical or early clinical stages before licensing these products to pharmaceutical or biotechnology company partners to continue their development towards and onto the market.

1 Develop programmes to preclinical/early clinical development

- Minimise ongoing development risk
- Move up the value chain
- Potential for higher deal values

2023 updates
Clinical development activities for SDC-1801 are progressing well. First subjects were dosed in Part 1, the SAD stage, in June 2023. Following review of the preliminary SAD data by the safety review committee, approval was given to progress to Part 2, the MAD stage, in September 2023.

We continue to believe that SRA737 has great potential in several oncology applications . Our co-development partner, CPF, has been taking the lead in evaluating potential options for its further development.

2024 objectives
Subject to successful progress, patient recruitment and financing, we plan to evaluate SDC-1801 in psoriasis patients in the Phase 1b part of the trial to investigate its safety and efficacy. Once this trial is completed, expected by end of calendar year 2024, we believe we will have a comprehensive clinical data package that should be attractive to potential licence partners.

We will continue our dialogue with CPF regarding the potential options for future development opportunities for SRA737 and evaluate its next steps accordingly.

2 Seek collaboration partners

- Spread financial cost and risk
- Access specialist development and commercialisation expertise

2023 updates
SRA737 co-development partner, CPF, is taking the lead in evaluating potential options for its further development.

2024 objectives
Sareum will continue to discuss with CPF the potential options for future development opportunities for SRA737 and evaluate its next steps accordingly. 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.

KEY PERFORMANCE INDICATORS (KPIs)

The Directors use the following KPIs as a measure of the Group's performance:

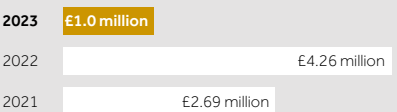
R&D spend
£2.9 million

R&D increased in 2023 due to the cost of the Phase 1a clinical trial.

Loss on ordinary activities
£(3.19) million

Increased loss reflects the investment in clinical R&D in 2023.

Cash at bank
£1.0 million



Cash is required to advance Sareum's pipeline and for working capital purposes.

3 License drug candidates to pharmaceutical company partners

- Generate short and potential long-term revenues through upfront and milestone payments and royalties
- Validate research and define value of assets
- Progress drug candidates through clinical development and commercialisation

2023 updates

Through our ongoing business development activities, potential partners continue to be kept informed of our progress with a view to securing commercial licences for our TYK2/JAK1 programmes that balance cost and risk with maximising shareholder value.

The first approval by the FDA of a TYK2 inhibitor (BMS' Sotyktu) in September 2022 highlighted their therapeutic potential. The commercial potential of the TYK2 inhibitor class was underscored by the US$4 billion acquisition of Nimbus Lakshmi, Inc. by Takeda, for their clinical-stage TYK2 inhibitor, in December 2022.

2024 objectives

Once the planned Phase 1b clinical trial of SDC-1801 is completed, expected by end of calendar year 2024, we believe we will have a comprehensive clinical data package that should be attractive to potential licence partners. However, we will maintain our dialogues with potential partners and, should the opportunity for an attractive licence deal arise before the completion of this Phase 1b, we would give it serious consideration.

4 Pursue multiple programmes

- Increase potential success rate
- Mitigate development risk

2023 updates

We have been very encouraged by the good progress with our TYK2/JAK1 inhibitors SDC-1801 (targeting autoimmune diseases) in its Phase 1a clinical development. Working alongside a specialist contract drug development organisation and a specialist clinical unit in Melbourne, Australia, a Phase 1a clinical trial with SDC-1801 is ongoing in healthy subjects.

The first patent specifically relating to SDC-1801 was granted in China and a patent covering SDC-1802 and analogues was granted in the US to cover autoimmune disorders, protecting its scope beyond immune-oncology.

2024 objectives

We plan to complete the Phase 1a clinical trial of SDC-1801 to investigate the safety and tolerability of an oral formulation of SDC-1801 in ascending doses administered to healthy volunteers. Subject to successful progress, patient recruitment and financing, we plan to evaluate SDC-1801 in psoriasis patients in the Phase 1b part of the trial.

We will continue to work on the translational studies for SDC-1802 needed to define the optimal cancer applications and, if the results are positive, advance into toxicology and manufacturing studies.

LICENSING OUR PRODUCTS

Once we have established the efficacy and safety of our drug candidates in preclinical or early clinical studies, we seek to license the products to larger pharmaceutical and biotechnology companies. These organisations are ideally suited to conduct the later-stage clinical trials and marketing activities required to successfully commercialise a drug. The licence deals typically include an upfront payment and milestone payments for successful achievement of specific clinical, regulatory and sales milestones, plus royalty payments on drug sales. Increasingly larger licence deal payments are achieved when drug candidates are licensed at later stages of their development.

Larger pharmaceutical companies seek in-licensing deals to strengthen their existing product portfolios. In-licensing can accelerate development timelines, fill gaps in development pipelines and enable access to novel products. Over half of the late-stage clinical pipeline compounds of pharmaceutical companies are now externally sourced.*

* Deloitte LLP, 2020.

RISK MANAGEMENT AND PRINCIPAL RISKS

Principal risks and uncertainties

The Board has primary responsibility for ensuring the Group's risks are properly understood, quantified, and appropriately managed, though it looks to the Audit and Risk Committee to provide recommendations on risk management processes and controls. The Audit and Risk Committee and the Board review the Group's risk register. The actions proposed and taken by management to mitigate risk and to reduce the likelihood and impact of the risks faced by the business are considered regularly and are deemed satisfactory.

The Audit and Risk Committee is chaired by Non-executive Director Clive Birch, who joined the Board in November 2018. Clive is a retired partner of PricewaterhouseCoopers where his role was that of an auditor and reporting accountant with an industry specialism in early-stage technology and healthcare companies.

The principal risks and uncertainties of the business and how they are managed are set out in the table below.

Risk management framework

Risk management

The Board has established a risk register relating to the Group's business. At least twice a year, it 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.

Key: Risk has decreased | Risk has increased | No change in risk

Risk	Description and mitigation	Risk change	Link to strategy
Financial	The principal financial risks are the ability to raise sufficient funds to support the Company through to profitability and failure to secure licensing agreements. The Group's low cost base ensures that funds are used in the most efficient way. Sareum has historically raised the majority of its funds from private client broker and wealth management networks.	We believe that the RiverFort finance facility will provide adequate funding for the Company.	**1, 2, 3, 4**
Research and development	There are a number of risks in developing drug candidates due to a long and complex development process. Any programme must undergo extensive research to get to preclinical or clinical stage. This process takes several years and is very costly. R&D programmes can fail at any point. We undertake extensive early research and create a dossier of information that enables us and our advisers to evaluate the potential of a candidate before we seek to progress to preclinical or clinical phases. We also seek collaboration partners whose own due diligence reaffirms our assessment of a candidate's potential.	We believe the approval for SDC-1801 clinical trials by the Australian regulators and the approval by the clinical unit's Safety Review Committee to progress to the multiple ascending dose stage, decreases our R&D risk.	**1, 2, 3, 4**

Risk	Description and mitigation	Risk change	Link to strategy
Intellectual property	Our ability to stop others exploiting our intellectual property, without first obtaining a licence, is critical to our long-term success. Therefore, we file patent applications in the patent offices of the major commercial territories. To obtain patent protection, our inventions must be considered novel, inventive and useful. However, some, or all, of the patent offices may reject or seek to modify our patent applications. Intellectual property protection is fundamental to our strategy of developing novel drug candidates and underpins our R&D programmes and we invest appropriately in this area.	Reduced risk due to the recent SDC-1801 patent grants in China and the SDC-1802 extended use patent grant in the USA.	**1, 3, 4**
Collaboration	Working with third parties carries a risk of loss of control on progress and can lead to research delays. This can increase Sareum's own financial commitment as a result of continued spend on fixed costs during a delay and potential additional financial contributions required in order to progress a programme. We collaborate closely with our partners to anticipate and plan around any likely delays. Collaboration contracts clearly outline responsibilities and key milestones as well as cost, licensing, and revenue sharing.	We have not seen any particular issues affecting our CROs.	**1, 2**
Competition	There always remains the possibility that a similar drug is being developed by a competitor that demonstrates greater efficacy or a better safety profile. Alternatively, a similar drug in development may conclude a licensing deal or reach a later stage of development before we are able to, thus reducing the likelihood of Sareum securing a licensing agreement. The management and advisory boards gather as much information as possible on competitive products and programmes. Progress and key milestones are monitored to understand how these may affect our own programmes. Sareum also pursues more than one development programme in order to mitigate the overall risk to the Group.	We believe the increased preclinical and clinical activity in the TYK2 and TYK2/ JAK1 space increases the competition in this area and hence also increases our risk.	**1, 3, 4**

DIRECTORS

Stephen Parker DPhil
Non-executive Chairman

Biography
Dr Stephen Parker, aged 65, has a career in the healthcare and pharma sector that spans over 35 years, including 10 years in the City in advisory roles. He has sector corporate finance experience having been an investment banker focusing on pharma and biotechnology with Barings, Warburg and Apax Partners and has previously held roles as a partner at Celtic Pharma and chief financial officer of Oxford GlycoSciences.

Committee responsibilities
Audit and Risk, Remuneration, Nominations (Chair)

Other appointments
Stephen is chairman of BioDexa Pharmaceuticals plc and Drishti Discoveries Limited, and a director of sp2 Consulting Limited and sp2 Asset Management Limited.

Tim Mitchell PhD
Founder and CEO

Biography
Dr Tim Mitchell, aged 63, has over 35 years' experience in the industry with key management and business expertise gained from his positions at Cambridge Discovery Chemistry Ltd and his roles at Millennium Pharmaceuticals Research and Development Ltd as a member of the management team and in forming the integrated Structure-Based Discovery department. As director of the Millennium Structure-Based Discovery department, Tim was responsible for global provision of protein structure and high throughput chemical synthesis for Millennium as well as for local computational chemistry, informatics, and automation capabilities. Prior to that, he was director of computational chemistry at Cambridge Discovery Chemistry Ltd and a team leader in the Computational and Structural Sciences department at SmithKline Beecham Pharmaceuticals. Tim has a PhD in computational chemistry and a BSc in chemistry.

Committee responsibilities
None

Other appointments
None

John Reader PhD
Founder and CSO

Biography
Dr John Reader, aged 56, has over 25 years' experience within the industry and was formerly associate director, chemical technologies at Millennium Pharmaceuticals Research and Development Ltd, prior to which he worked with Pharmacopeia Inc. and Cambridge Discovery Chemistry Ltd in the provision of high throughput chemistry services to external and internal clients. John has extensive experience of leading large research teams and in the invention and application of new technologies to the drug discovery process, with an excellent track record of delivering successful projects to clients and has authored or co-authored many patents and publications. The majority of patents granted to John cover composition of matter discovered in the multiple projects in which he has worked, with further patents covering technological innovations in the field. John is a member of the EPSRC Peer Review College and has a PhD in chemistry and a BSc in applied chemistry.

Committee responsibilities
None

Other appointments
None

Michael Owen PhD
Non-executive Director

Biography
Dr Michael Owen, aged 72, has worked in biomedical research, and in the pharmaceutical and biotechnology industries for over 40 years. He was the co-founder and first CSO of Kymab Ltd, a biopharmaceutical company based in Cambridge, UK, which was acquired by Sanofi for up to £1.45 billion in 2021. Prior to Kymab, he worked for GSK where he was SVP and head of research for biopharmaceuticals R&D. In addition to the board roles listed below, Mike is a member of Apollo Therapeutics' R&D Investment Advisory Board. Mike received an MA from Oxford University and a PhD from Cambridge University, and is an elected member of the European Molecular Biology Organisation and a Fellow of the Academy of Medical Sciences.

Committee responsibilities
Remuneration (Chair), Audit and Risk, Nominations

Other appointments
Michael is a non-executive director of ReNeuron plc, Zealand Pharma A/S, NovalGen Ltd and The Club Cricket Organisation Ltd, and the chairman of Ossianix Inc.

Clive Birch FCA
Non-executive Director

Biography
Clive Birch is 70 and a Chartered Accountant. He is a retired partner of PricewaterhouseCoopers where his role was that of an auditor and reporting accountant with an industry specialism in early-stage technology and healthcare companies. He was also part of the teams involved in fundraising and listing those clients on various markets. Clive was also partner in charge of PwC's Cambridge office for 15 years up to 2010, during which time he was responsible for all aspects of that stand-alone business.

Committee responsibilities
Audit and Risk (Chair), Remuneration, Nominations, Senior Independent Director

Other appointments
Clive is a director of Pigeon Land Limited, Pigeon Land 2 Limited, Pigeon (Shelford) Limited, Pigeon (Uplands & Heigham) Limited and Chrib Ltd and a non-executive director of Cambridge Innovation Capital Ltd.

GROUP STRATEGIC REPORT

for the year ended 30 June 2023

The Directors present their Strategic Report for the Company and the Group for the year ended 30 June 2023.

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 125 million adults worldwide, with a market size for potential treatments estimated to be worth more than US$27.0 billion. Sareum believes that TYK2/JAK1 inhibition offers potential for increased efficacy in psoriasis, compared with existing approved therapies.

SDC-1801 is undergoing a Phase 1a 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 is a randomised, placebo-controlled trial, with single and multiple ascending oral dose studies, and a food effect study, which is taking place at a clinical unit in Melbourne, Australia. The single ascending dose (SAD) part of the trial was initiated in May, and in September Sareum confirmed after the period end that it had commenced dosing the first subjects in the multiple ascending dose (MAD) part of the trial. Dosing in the MAD part of the study followed approval by the safety review committee based on preliminary data generated from the initial three cohorts in the SAD part of the study. These were deemed as satisfactory for the MAD part of the study to commence, alongside continued dose escalation in the SAD part of the study.

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.

In June 2023, a patent was granted by the United States Patent and Trademark Office (USPTO) covering the treatment of autoimmune diseases with SDC-1802 and several analogues and extending protection for this compound beyond immuno-oncology.

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. Under the terms of the agreement, Sareum is entitled to a 27.5% share of any commercialisation revenues.

As announced in March 2023, Sierra Oncology Inc, now a subsidiary of GSK plc, has completed the return of the Clinical Study Reports and other associated documents and data related to SRA737 to Sareum's co-development partner, CPF. As the major partner, CPF is taking the lead in evaluating potential further development opportunities for SRA737 and further updates will be provided as appropriate.

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.

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 developments by regular communication via RNS documents, in line with the requirements of the AIM listing.

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.

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.

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 Phase 1 trial of its lead clinical programme, SDC-1801. This trial moved into the MAD part of the Phase 1a trial in August 2023 and dose escalation continues in the SAD.

Initial safety data from the Phase 1a trial are expected to be available in 1H 2024. Subject to satisfactory safety, additional funding, and relevant regulatory and recruitment preparations, we plan to commence a Phase 1b trial of SDC-1801 in psoriasis patients shortly thereafter, with a readout from this part of the study expected by the end of 2024.

The continued good progress of the Phase 1a trial and our supporting preclinical work, combined with 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, particularly in combination settings and are confident in the potential of this molecule.

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.

On behalf of the Board:

CHW Birch FCA
Secretary
6 October 2023

REPORT OF THE DIRECTORS

for the year ended 30 June 2023

The Directors present their report together with the financial statements of the Company and the Group for the year ended 30 June 2023.

Directors

The Directors shown below have held office during the whole of the period from 1 July 2022 to the date of this report.

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

Dividends

No dividends will be distributed for the year ended 30 June 2023 (2022: £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 £2.9 million (2022: £1.8 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 14.

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.

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.

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.

On behalf of the Board:

CHW Birch FCA
Secretary
6 October 2023

CORPORATE GOVERNANCE REPORT

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 Stephen Parker, Non-executive Chairman, 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, whilst against the provisions of the QCA Code, is common for companies with shares quoted on AIM. Stephen, 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
Non-Executive Chairman
6 October 2023

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 is declared at all general meetings and subsequently announced.

The CEO is primarily responsible for updating the market with developments. Meetings via the Company's brokers 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 brokers and provided to the Board to ensure the Directors have a balanced understanding of the issues and concerns of current and potential future shareholders.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 X (formerly Twitter) account, @sareumplc, to share non-price-sensitive information related to its research and other activities to interested parties.

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, 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 Chairman

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.

All Board members attended all Board meetings during the last year.

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 56 to 72 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

Board performance effectiveness process

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 performs an annual evaluation of 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.

Succession planning and Board appointments

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. Dr Tim Mitchell and Dr John Reader 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.

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, 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 https://sareum.com/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.

REMUNERATION COMMITTEE REPORT

The Company recognises and follows the QCA Code.

Key responsibilities
The Remuneration Committee of the Board is responsible for considering staff and directors' remuneration packages and makes its recommendations to the Board.

Members
MJ Owen PhD
CHW Birch FCA
SB Parker PhD

Introduction
The Company recognises and seeks to follow the QCA Code and, in line with the recommendations of the QCA Code, this report provides information to enable a greater level of understanding as to how remuneration is determined by the Board. The Remuneration Committee is responsible for considering staff and directors' remuneration packages and makes its recommendations to the Chair. The Committee currently comprises Dr Michael Owen, Clive Birch, and Dr Stephen Parker. It meets at least twice a year to review salaries, benefits and share option schemes for the Directors.

Remuneration policy
Remuneration packages are designed to be competitive and to reward above average performance. At present, executive directors receive salary, death-in-service benefit, critical illness and medical cover and a pension contribution.

Executive directors' service contracts
The two executive directors have executive service agreements with the Company dated 7 July 2004. The service agreements are subject to termination upon six months' notice being given by either party and are subject to standard terms in the event of termination. For the year from 1 July 2022 a directors' bonus scheme was in effect to reward the Directors based on performance targets that build shareholder value but no payments under this scheme were made. A similar scheme is in place for the year from 1 July 2023.

Pensions
The Group does not have a pension scheme but makes contributions to executive directors' personal pension schemes amounting to 6.375% of annual salary. In addition, the executive directors contribute to their pension schemes via salary sacrifice, and the National Insurance savings made by the Group as a result of this arrangement are added to their contributions.

Share option schemes
In setting up the current share option schemes for employees, the Committee took into account the recommendations of shareholder bodies, such as insurance companies, on the number of options to issue and the criteria for vesting. It approved the following share incentive arrangements for employees:

- an Inland Revenue approved (EMI) share option scheme (approved scheme); and
- an unapproved share option scheme (unapproved scheme), identical to the approved scheme.

Non-executive directors
The Non-Executive Chairman entered into a letter of engagement dated 13 May 2016. Members may request copies of the letter by sending a stamped addressed envelope to the Company Secretary. The appointment can be terminated by either party giving six months' notice. The two other non-executive directors entered into letters of engagement dated 12 November 2018.

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

	Salary	Benefits	**Emoluments**	Pension	**Total 2023**	Total 2022
	£	£	**£**	£	**£**	£
Executive Directors						
TJ Mitchell PhD	**191,100**	1,688	**192,788**	15,059	**207,847**	189,414
JC Reader PhD	**191,100**	1,203	**192,303**	13,501	**205,804**	187,009
Non-executive Directors						
SC Parker DPhil	**92,868**	–	**92,868**	–	**92,868**	59,535
CHW Birch FCA	**25,000**	–	**25,000**	–	**25,000**	20,000
MJ Owen PhD	**20,000**	–	**20,000**	–	**20,000**	20,000
Total	**520,068**	2,891	**522,959**	28,560	**551,519**	475,958

Share option table

The interests in the share option schemes at 30 June 2023, of the directors who served during the year, were as follows:

Director	Option scheme	Date granted	Exercise price (pence)	Number of shares under option	Percentage of issued share capital
TJ Mitchell PhD	EMI	18 December 2013	30.000	95,040	0.14%
	EMI	25 November 2014	21.250	143,967	0.21%
	EMI	11 March 2016	29.500	106,817	0.16%
	EMI	22 December 2016	40.000	125,000	0.18%
	EMI	22 December 2016	60.000	62,500	0,09%
	Unapproved	22 December 2016	80.000	62,500	0,09%
	Unapproved	19 December 2017	41.250	190,976	0.28%
	Unapproved	19 December 2017	61.875	95.488	0.14%
	Unapproved	19 December 2017	82.500	95,488	0.14%
	Unapproved	08 March 2019	35.000	236,333	0,35%
	Unapproved	08 March 2019	52.500	118,166	0.17%
	Unapproved	08 March 2019	70.000	118,166	0.17%
JC Reader PhD	EMI	18 December 2013	30.000	95,040	0.14%
	EMI	25 November 2014	21.250	143,967	0.21%
	EMI	11 March 2016	29.500	106,817	0.16%
	EMI	22 December 2016	40.000	125,000	0.18%
	EMI	22 December 2016	60.000	62,500	0,09%
	Unapproved	22 December 2016	80.000	62,500	0,09%
	Unapproved	19 December 2017	41.250	190,976	0.28%
	Unapproved	19 December 2017	61.875	95.488	0.14%
	Unapproved	19 December 2017	82.500	95,488	0.14%
	Unapproved	08 March 2019	35.000	236,333	0,35%
	Unapproved	08 March 2019	52.500	118,166	0.17%
	Unapproved	08 March 2019	70.000	118,166	0.17%
SB Parker DPhil	Unapproved	22 December 2016	40.000	100,000	0.15%
	Unapproved	22 December 2016	60.000	50,000	0.07%
	Unapproved	22 December 2016	80.000	50,000	0,07%
	Unapproved	19 December 2017	41.250	65,454	0.10%
	Unapproved	19 December 2017	61.875	32,727	0.05%
	Unapproved	19 December 2017	82.500	32,727	0.05%
	Unapproved	08 March 2019	35.000	81,000	0.12%
	Unapproved	08 March 2019	52.500	40,500	0.06%
	Unapproved	08 March 2019	70.000	40,500	0.06%
CHW Birch FCA	Unapproved	08 March 2019	35.000	28,571	0.04%
	Unapproved	08 March 2019	52.500	14,285	0.02%
	Unapproved	08 March 2019	70.000	714,285	0.02%
MJ Owen PhD	Unapproved	08 March 2019	35.000	28,571	0.04%
	Unapproved	08 March 2019	52.500	14,285	0.02%
	Unapproved	08 March 2019	70.000	714,285	0.02%
				3,508,072	

The market price of the shares at 30 June 2023 was 125 pence and the range during the year was 70 pence to 217.5 pence.

REPORT OF THE INDEPENDENT AUDITOR

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 2023 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 2023 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.

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
Management override of controls 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.
Going concern 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.
Fraud in revenue recognition 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.
Accounting estimates 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.
Risk of material misstatement within related party transactions 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.
Disclosures 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.

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 £70,000 and a separate performance materiality to be £52,500. 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 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..

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

to the members of Sareum Holdings plc

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and its environment obtained during the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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 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 of bank letters, 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.

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.

Joseph Kinton (Senior Statutory Auditor)
for and on behalf of Shipleys LLP
Chartered Accountants and Statutory Auditor
10 Orange Street
Haymarket
London
WC2H 7DQ
6 October 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

	Note	2023 £000	2022 £000
CONTINUING OPERATIONS			
Revenue		–	–
Administrative expenses		**(4,048)**	(2,577)
Share of loss of associates		**(18)**	(3)
OPERATING LOSS		**(4,066)**	(2,580)
Finance income	5	**41**	1
LOSS BEFORE TAXATION	6	**(4,025)**	(2,579)
Taxation	7	**833**	407
LOSS FOR THE YEAR		**(3,192)**	(2,172)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(3,192)**	(2,172)
LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(3,192)**	(2,172)
TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO:			
Owners of the parent		**(3,192)**	(2,172)
LOSS PER SHARE EXPRESSED IN PENCE PER SHARE:			
Basic and diluted loss per share expressed in pence per share	9	**(4.7)p**	(3.2)p

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 30 June 2023

	Note	2023 £000	2022 £000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1**	2
Investment in associate	11	**46**	23
		47	25
CURRENT ASSETS			
Trade and other receivables	12	**979**	500
Cash and cash equivalents	13	**994**	4,261
		1,973	4,761
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	**(867)**	(455)
NET CURRENT ASSETS		**1,106**	4,306
NET ASSETS		**1,153**	4,331
SHAREHOLDERS' EQUITY			
Called up share capital	17	**851**	851
Share premium	18	**20,925**	20,925
Share-based compensation reserve	18	**325**	325
Foreign exchange reserve	18	**14**	–
Retained earnings	18	**(20,962)**	(17,770)
TOTAL EQUITY		**1,153**	4,331

The financial statements were approved by the Board of Directors and authorised for issue on 6 October 2023 and were signed on its behalf by:

TJ Mitchell PhD
Director

The accompanying notes form part of these financial statements.

COMPANY BALANCE SHEET

as at 30 June 2023

	Note	2023 £000	2022 £000
ASSETS			
NON-CURRENT ASSETS			
Investments	11	**339**	30
NET ASSETS		**339**	30
SHAREHOLDERS' EQUITY			
Called up share capital	17	**851**	851
Share premium	18	**20,925**	20,925
Share-based compensation reserve	18	**325**	325
Retained earnings	18	**(21,762)**	(22,071)
TOTAL EQUITY		**339**	30

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 profit for the financial year was £0.3 million (2022: loss of £3.7 million).

The financial statements were approved by the Board of Directors and authorised for issue on 6 October 2023 and were signed on its behalf by:

TJ Mitchell PhD
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

	Called up share capital £000	Share premium £000	Share-based compensation reserve £000
BALANCE AT 1 JULY 2021	833	17,235	362
Issue of share capital	18	3,690	–
Transfer in respect of options exercised / expired	–	–	(37)
Total comprehensive income	–	–	-
BALANCE AT 30 JUNE 2022	851	20,925	325
Issue of share capital	–	-	–
Total comprehensive income	–	–	–
Transfer in respect of options exercised / expired	–	–	–
BALANCE AT 30 JUNE 2023	**851**	**20,925**	**325**

	Foreign exchange reserve £000	Retained earnings £000	**Total equity £000**
BALANCE AT 1 JULY 2021	–	(15,635)	**2,795**
Issue of share capital	–	–	**3,708**
Transfer in respect of options exercised / expired	–	37	**–**
Total comprehensive income	–	(2,172)	**(2,172)**
BALANCE AT 30 JUNE 2022	–	(17,770)	**4,331**
Issue of share capital	–	–	**–**
Transfer in respect of 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**

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

	Called up share capital £000	Share premium £000	Share-based compensation reserve £000
BALANCE AT 1 JULY 2021	833	17,235	362
Issue of share capital	18	3,690	–
Transfer in respect of options exercised / expired	–	–	(37)
Total comprehensive income	–	–	–
BALANCE AT 30 JUNE 2022	851	20,925	325
Issue of share capital	–	–	–
Total comprehensive income	–	–	–
Transfer in respect of options exercised / expired	–	–	–
BALANCE AT 30 JUNE 2023	**851**	**20,925**	**325**

	Retained profits £000	**Total equity £000**
BALANCE AT 1 JULY 2021	(18,400)	**30**
Issue of share capital	–	**3,708**
Transfer for options exercised / expired	37	**–**
Total comprehensive income	(3,708)	**(3,708)**
BALANCE AT 30 JUNE 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**

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2023

	Note	2023 £000	2022 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	25	**(3,676)**	(2,349)
Tax received		**409**	218
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(3,267)**	(2,131)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		**–**	(3)
Investment in associate		**(41)**	–
Interest received		**41**	1
NET CASH INFLOW FROM INVESTING ACTIVITIES		**–**	(2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue		**–**	3,708
NET CASH INFLOW FROM FINANCING ACTIVITIES		**–**	3,708
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3,267)**	1,575
Cash and cash equivalents at beginning of year		**4,261**	2,686
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	**994**	4,261

The accompanying notes form part of these financial statements.

COMPANY CASH FLOW STATEMENT

for the year ended 30 June 2023

	Note	2023 £000	2022 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	25	**(431)**	(366)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(431)**	(366)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in subsidiary		**(813)**	–
Received from/(advanced to) subsidiary		**1,244**	(3,342)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**431**	(3,342)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue		**–**	3,708
NET CASH INFLOW FROM FINANCING ACTIVITIES		**–**	3,708
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**–**	–
Cash and cash equivalents at beginning of year		**–**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	**–**	–

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2023

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. On 1 January 2022, the UK-adopted IAS and EU-adopted IFRS were identical. Since this date timing differences in endorsement have arisen, however no amendments would be required to these financial statements if they were prepared in accordance with EU-adopted IFRS as at 30 June 2023.

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

Going concern

The Company made a profit after tax of £0.3 million (2022: loss of £3.7 million) and the Group made losses after tax of £3.2 million (2022: £2.2 million), 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 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 41.

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.

Employee share schemes

The Group has in place share option schemes 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, considering the terms and conditions upon which the options were granted.

Research and development

Research expenditure is written off in the period in which it is incurred.

Development expenditure is capitalised as an intangible asset only when all 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 written off 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.

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 2023 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

	2023 £000	2022 £000
DIRECTORS' REMUNERATION		
Directors' emoluments	**523**	450
Directors' pension contributions to money purchase schemes	**29**	26
Remuneration of the highest paid Director		
	£000	£000
Directors' emoluments	**193**	175
Directors' pension contributions to money purchase schemes	**15**	14

There are 2 (2022: 2) Directors who are members of third party held money purchase retirement benefits schemes.

	Number	Number
GROUP		
AVERAGE MONTHLY NUMBER OF PERSONS EMPLOYED		
Office and management	**4**	4
Research	**1**	1
	5	5
	£000	£000
STAFF COSTS DURING THE YEAR		
Wages and salaries	**523**	450
Social security costs	**71**	48
Pension costs	**29**	26
	623	524

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

5. Net finance income

	2023 £000	2022 £000
Deposit account interest	**41**	1

6. Loss before income tax

	2023 £000	2022 £000
The loss before income tax is stated after charging:		
Depreciation – owned assets	**1**	2
Research and development	**2,909**	1,780
Other operating leases	**21**	19
Foreign exchange differences	**24**	6
Auditor's remuneration	**16**	13
Auditor's remuneration for non-audit work:		
– taxation services	**–**	1
– other work	**–**	–

7. Income tax

	2023 £000	2022 £000
CURRENT TAX		
Adjustment to prior years	**–**	(1)
Overseas taxation credit	**395**	–
UK corporation tax credit on losses for the period	**438**	408
	833	407

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

	2023 £000	2022 £000
Loss before tax	**(3,192)**	(2,579)
Notional tax credit at average rate of 20.5%	**825**	490
Effects of:		
Capital allowances more than depreciation	**–**	7
Other timing differences	**(234)**	(1)
Unutilised tax losses	**(293)**	(258)
Losses surrendered for research and development tax credits	**(298)**	(239)
Research and development tax credits claimed	**833**	408
Actual current tax credit in the year	**833**	407

The tax rate of 20.5% used above is the average corporation tax rate applicable in the United Kingdom.

A potential deferred tax asset as at 30 June 2023 of £2.8 million (2022: £2.8 million) calculated using the expected corporation tax rate of 25% (2022: 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.

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 profit for the financial year was £0.3 million (2022: loss of £3.7 million).

The profit represents costs of £0.4 million (2022: £0.3 million) associated with the Company's operating costs and obligations to maintain its AIM listing, and a reduction in the provision for impairment of £0.7 million (2022: increase of £3.4 million) in respect of amounts invested in and owed by Group undertakings.

9. Earnings per share

	2023	2022
The calculation of loss per share is based on the following data:		
Loss on ordinary activities after tax	**£3,192,000**	£2,172,000
Weighted average number of shares in issue	**68,069,416**	67,679,329
Basic and diluted loss per share (pence)	**(4.7)**	(3.2)

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

10. Property, plant and equipment

	Fixtures and computers £000
COST	
At 1 July 2022 and 30 June 2023	**13**
DEPRECIATION	
At 1 July 2022	11
Charge for the year	1
At 30 June 2023	**12**
CARRYING AMOUNT	
At 30 June 2022	1
At 30 June 2023	**2**

11. Investments

GROUP

	Interest in associate £000
COST	
At 1 July 2022	1,176
Additions	41
At 30 June 2023	**1,217**
PROVISION FOR IMPAIRMENT	
At 1 July 2022	1,153
Impairment for the year	18
At 30 June 2023	**1,171**
NET BOOK VALUE	
At 30 June 2022	46
At 30 June 2023	**23**

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 2023 the partnership had net assets of £19,000 (2022: £83,000) and had incurred cumulative losses of £0.8 million (2022: £0.7 million).

COMPANY

	Interest in subsidiaries £000
COST	
At 1 July 2022	30
Additions (see (ii) overleaf)	813
At 30 June 2023	**843**
PROVISION FOR IMPAIRMENT	
At 1 July 2022	–
Impairment for the year	504
At 30 June 2023	**504**
NET BOOK VALUE	
At 30 June 2022	30
At 30 June 2023	**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, VIC 3006 (incorporated during the year)

12. Trade and other receivables

	GROUP	
	2023 £000	2022 £000
Amounts falling due within one year:		
Corporation tax	**823**	408
Other taxation receivable	**75**	47
Prepayments and accrued income	**81**	45
	979	500

	COMPANY	
	2023 £000	2022 £000
Amounts falling due within one year:		
Amounts owed by group undertakings	**17,786**	19,030
Provision for impairment	**(17,786)**	(19,030)
	–	–

The amount owed by the subsidiary 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 balance and have made provision for the full value of the debt.

13. Cash and cash equivalents

	GROUP	
	2023 £000	2022 £000
Bank deposit accounts	**994**	4,261

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

14. Trade and other payables

	GROUP 2023 £000	2022 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	**694**	387
Social security and other taxes	**22**	18
Other creditors	**5**	5
Accrued expenses	**146**	45
	867	455

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 lease on the office occupied by the Company is of low value, expiring in December 2023. 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 expose it to fluctuations in the exchange rate for the Euro and the US 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

	2023 £000	2022 £000
CALLED UP, ALLOTTED AND FULLY PAID		
68,069,416 (2022: 68,069,416) Ordinary Shares of 1.25p each	**850,867**	850,867

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.

Details of share options granted 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.
Share-based compensation reserve	Cumulative fair value of share options granted and recognised as an expense in the Income Statement.
Foreign exchange	Arising on consolidation of the overseas subsidiary

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

19. Post balance sheet events

In August 2023, after the period end, Sareum agreed terms on an Equity Prepayment Facility (the "Facility") of up to £5.0 million with RiverFort Global Opportunities PCC Ltd. The Company received an initial deposit of £2.0 million, net of associated costs, on 4 August 2023.

The Company intends to use the Facility, if fully drawn, to complete the Phase 1a/b clinical development of the Company's lead candidate SDC-1801.

20. Pension contributions

The Group makes contributions to its employees' own personal pension schemes. The contributions for the period of £29,000 (2022: £26,000) were charged to the profit and loss account. At the balance sheet date contributions of £5,000 (2022: £4,000) were owed and are included in creditors.

21. Contingent liabilities

There are no contingent liabilities (2022: £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 an interest-free loan to Sareum 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.

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 2023	**Weighted average exercise price (pence) 2023**	Number of share options 2022	Weighted average exercise price (pence) 2022
Outstanding at beginning of period	**3,508,072**	**47.37**	3,750,738	47.05
Expired during the period	**–**	**–**	(140,000)	30.00
Exercised during the period	**–**	**–**	(102,666)	60.00
Outstanding at 30 June	**3,508,072**	**47.37**	3,508,072	47.37
Exercisable at 30 June	**3,319,954**	**48.55**	3,319,954	48.55

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

The options outstanding at 30 June 2023 had a weighted average remaining contractual life of 4 years and 1 month (30 June 2022: 5 years and 1 month).

The options outstanding but not exercisable at 30 June 2023 and 30 June 2022 vest subject to pre-determined performance criteria.

Fair value calculation

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

Date of grant	Dec 2013 As restated	Nov 2014 As restated	Mar 2016 As restated	Dec 2016 As restated	Dec 2017 As restated	Mar 2019 As restated
Share price - pence	25.0	22.5	29.5	37.5	41.25	34.1
Exercise price - pence	30.0	21.25	29.5	*	*	*
Volatility	50%	50%	50%	50%	50%	50%
Time until maturity - years	three	three	three	three	three	three
Risk free rate of interest	1%	1%	1%	1%	1%	1%
Expected dividend yield	nil	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 2023 was 9.26 pence per share (2022: 9.26 pence per share). A fair value charge of £nil has been provided in the year (2022: £nil).

25. Reconciliation of loss before income tax to cash generated from operations

GROUP

	2023 £000	2022 £000
Operating loss from continuing operations	**(4,024)**	(2,580)
Adjustments for:		
– Depreciation	**1**	2
– Share of loss of associate	**18**	3
– Foreign exchange differences	**24**	–
– Finance income	**(41)**	(1)
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL	**(4,022)**	(2,576)
(Increase)/decrease in receivables	**(65)**	56
Increase in payables	**411**	171
CASH USED IN OPERATIONS	**(3,676)**	(2,349)

COMPANY

	2023 £000	2022 £000
Operating profit/(loss) from continuing operations	**309**	(3,708)
Adjustments for:		
Provision for amounts due from subsidiary	**(740)**	3,342
NET CASH USED IN OPERATIONS	**(431)**	(366)

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	
	2023 £000	2022 £000	2023 £000	2022 £000
Cash and cash equivalents	**994**	4,261	–	–

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.

COMPANY INFORMATION

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