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Sareum Holdings PLC
09 October 2023

Sareum Holdings PLC

("Sareum" or the "Company")

Final Results for the Year Ended 30 June 2023

Cambridge, UK, 9 October 2023- Sareum Holdings plc (AIM: SAR), a biotechnology company developing next generation kinase inhibitors for autoimmune disease and cancer, today announces its audited financial results for the year ended 30 June 2023.

Additionally, Sareum announces that the Annual Report detailing these financial results will be made available and posted in the coming weeks.

Sareum also provides a broader update on operational activities and pipeline progress.

OPERATIONAL HIGHLIGHTS - INCLUDING POST-PERIOD UPDATES

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 and, 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.

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 £2.9 million as at 31 December 2022 and £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 £0.4m 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. With the current and anticipated financing mechanisms in place, the Company is positioned to ensure the completion of the Phase 1a study and to support subsequent developments.

Dr Tim Mitchell, CEO of Sareum, commented:

"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.

"The funds raised as part of the RiverFort facility provide a clear runway allowing us to focus on advancing this promising asset through Phase 1 studies and we look forward to having full safety data in the first half of 2024, potentially allowing us to move towards an important Phase 1b study in psoriasis patients which will focus more on efficacy.

"With our secured financing and anticipated resources, we believe we're well positioned to complete the ongoing Phase 1a and subsequently advance into the Phase 1b study.

"This progress, alongside growing scientific and commercial validation in the TYK2/JAK1 space, supports our continued confidence in this asset.

"We're also optimistic about the opportunity for SDC-1802 in immuno-oncology and continue to believe that SRA737 has great potential for the treatment of cancer."

For further information, please contact:

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About Sareum

Sareum Holdings (AIM:SAR) is a clinical-stage biotechnology company developing next generation kinase inhibitors for autoimmune disease and cancer.

The Company is focused on developing next generation small molecules which modify the activity of the JAK kinase family and have best-in-class potential. Its lead candidate, SDC-1801, simultaneously inhibits TYK2 and JAK1. SDC-1801 is a potential treatment for a range of autoimmune diseases and has entered Phase 1a/b clinical development with an initial focus on psoriasis.

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

Sareum is also developing SDC-1802, a TYK2/JAK1 inhibitor with a potential application for cancer immunotherapy.

Sareum Holdings plc is based in Cambridge, UK, and is listed on the AIM market of the London Stock Exchange, trading under the ticker SAR. For further information, please visit the Company's website at www.sareum.com

CHAIRMAN'S STATEMENT

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.

COMPANY STRATEGY

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

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

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 and using trusted third-party providers, to maximise its return on investment.

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 studyfollowed 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.

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 plchas 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 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 (INCLUDING POST PERIOD END EVENTS)

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 £0.4m 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.

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	4	41	1
LOSS BEFORE TAXATION	5	(4,025)	(2,579)
Taxation	6	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 income attributable to owners of the parent		(3,192)	(2,172)
Basic and diluted loss per share expressed in pence per	7		

Basic and diluted loss per share expressed in pence per share	**(4.7)**	**(3.2)**

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
30 JUNE 2023

	Note	2023 £'000	2022 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	**1**	**2**
Investment in associate	9	**46**	**23**
		47	**25**
CURRENT ASSETS			
Trade and other receivables	10	**979**	**500**
Cash and cash equivalents	11	**994**	**4,261**
		1,973	**4,761**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**(867)**	**(455)**
NET CURRENT ASSETS		**1,106**	**4,306**
NET ASSETS		**1,153**	**4,331**
SHAREHOLDERS' EQUITY			
Called up share capital	15	**851**	**851**
Share premium	16	**20,925**	**20,925**
Share-based compensation reserve	16	**325**	**325**
Foreign exchange reserve	16	**14**	**-**
Retained earnings	16	**(20,962)**	**(17,770)**
TOTAL EQUITY		**1,153**	**4,331**

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 for options exercised / expired	-	-	-
Total comprehensive income	-	-	(37)

Balance at 30 June 2022	851	20,925	325
Issue of share capital	-	-	-
Total comprehensive income	-	-	-
Transfer for 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 for 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 for options exercised / expired	-	-	**-**
Arising on consolidation	14	-	**14**
Total comprehensive income	-	(3,192)	**(3,192)**
Balance at 30 June 2023	**14**	**(20,962)**	**1,153**

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	19	**(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		**994**	4,261

The accompanying notes form part of these financial statements.

1. BASIS OF PREPARATION

The financial statements of Sareum Holdings plc ("the Company") have been prepared in accordance with UK-adopted international accounting standards, and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, with IFRIC interpretations.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 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 subsequently received and projected to be received, will be sufficient for the 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. 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 a share option scheme for employees, which allows them to acquire shares in the Company. Equity settled share-based payments are measured at fair value at the date of grant. The fair value of options granted is recognised as an expense spread over the estimated vesting period of the options granted. Fair value is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

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

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

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

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

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

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

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

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

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

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.

3. EMPLOYEES AND DIRECTORS

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

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

Average monthly number of persons employed	**Number**	Number
Office and management	**4**	4
Research	**1**	1
	5	5
	£'000	£'000
Staff costs during the year		

Wages and salaries	**520**	**450**
Social security costs	**71**	**48**
Pension costs	**29**	**26**
	620	**524**

4. NET FINANCE INCOME

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

5. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:	2023 £'000	2022 £'000
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	**-**	**-**

6. 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% (2022: 19%)	**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.

7 EARNINGS PER SHARE

The calculation of loss per share is based on the following data:	2023	2022
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

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

8. PROPERTY PLANT & 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**

9. INVESTMENTS

	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 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).

10. TRADE AND OTHER RECEIVABLES

	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**

11. CASH AND CASH EQUIVALENTS

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

12. TRADE AND OTHER PAYABLES

	Group	
	2023	2022
	£'000	£'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**

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.

13. 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.

14. 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.

15. SHARE CAPITAL

Called up, allotted and fully paid	**2023**	**2022**
	£	**£**
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.

16. RESERVES

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

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

17. PENSION COMMITMENTS

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.

18. CONTINGENT LIABILITIES

There are no contingent liabilities (2022: £nil).

19. 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)
Decrease/(increase) in receivables	**(65)**	56
Increase in payables	**411**	171
Cash used in operations	**(3,676)**	(2,349)

20. 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 and 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 £0.4m was received in Australia in September 2023), to complete the Phase 1a/b clinical development of the Group's lead candidate SDC-1801

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