Arecor

Advancing today's therapies to enable healthier lives

Arecor Therapeutics plc

Annual Report and Accounts
for the year ended 31 December 2024

Company registration number 13331147

We are a globally focused, clinical stage biotechnology company, transforming patient care by developing innovative medicines that address significant unmet patient needs in high value markets.

Financial highlights

£5.1m

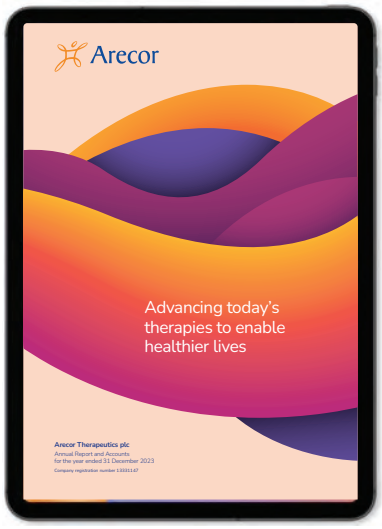
Total revenue

£3.3m

Cash

£6.4m

Fundraise



View online at:
www.arecor.com/investor-centre/financial-information/

Contents

Strategic Report

In this section:

Who we are

We are a globally focused, clinical stage biotechnology company, transforming patient care by developing innovative medicines that address significant unmet patient needs in high-value markets.

Proprietary portfolio of superior therapeutics for the treatment of diabetes and obesity

- Two clinical stage next-generation insulin candidates with compelling clinical superiority to best insulins available to patients today
- Positive negotiations with device companies to further develop and commercialise proprietary insulin products
- Novel technology platform for improved oral delivery of peptides under development

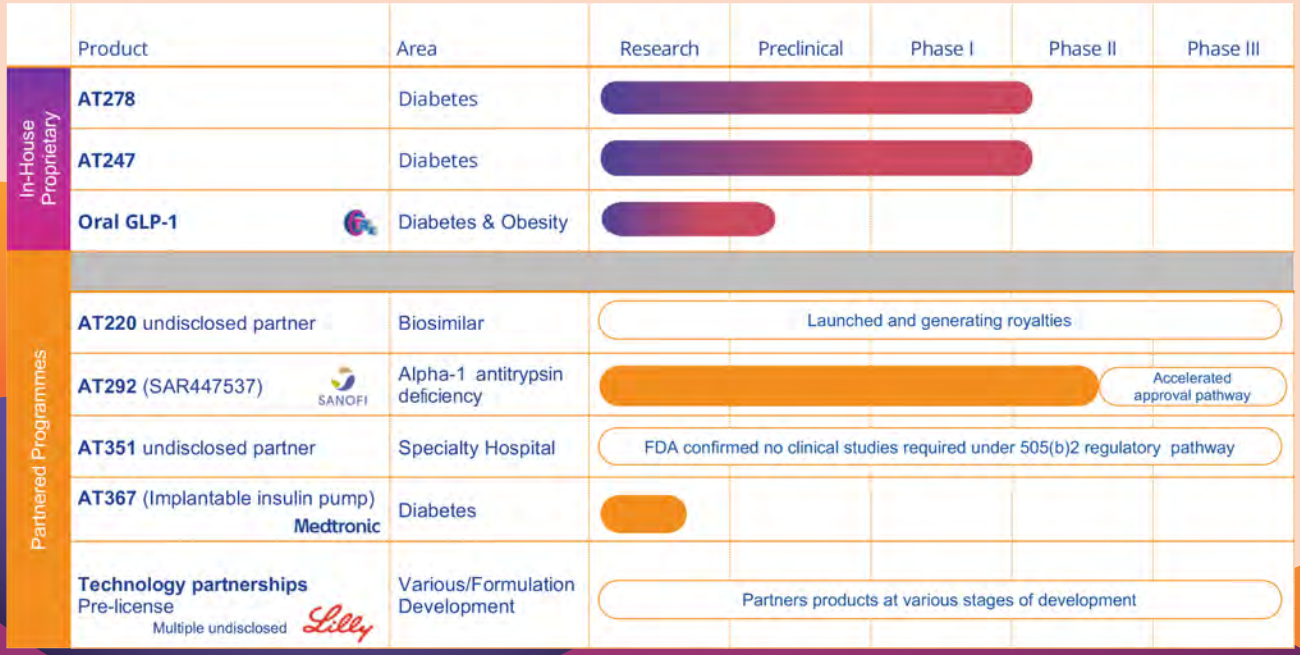
Partnering with leading pharmaceutical and Medtech companies to develop enhanced therapeutic medicines

- One product now on the market that incorporates Arestat™ and generating growing royalties under worldwide license agreement
- Two additional products under license for further development and commercialisation
- Near term revenue-generation and significant future upside potential

Validated technology

- World-leading Arestat™ technology platform
- Extensive IP protection with >100 granted patents in US, Europe and key territories

Our portfolio consists of in-house proprietary development and partnered programmes



During the last year, Arecor has made real progress in its core value enhancing programmes against the backdrop of a challenging environment on the AIM market. As a result, the Board has had to make some important decisions but has emerged clearly focused upon two areas of high unmet need and potentially high accretive value to shareholders, specifically the ultra-concentrated insulin (AT278) and the oral delivery of peptides starting with GLP-1 receptor agonists. That need to focus also led to the decision in January to begin an orderly cessation of the non-core Tetris Pharma business, which is proceeding according to plan.

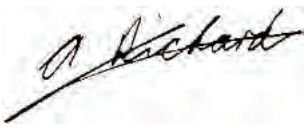
"I am confident that 2025 will be a year of significant progress for Arecor, delivering new options to patients with diabetes and competing in the exciting field of oral peptide delivery."

Whilst insulin has been available for the treatment of diabetes for almost a century, and the variety of insulin choices today represents many years of discovery and innovation, there are still significant areas of unfulfilled need in a market that is expanding. For many diabetes patient groups (both Type 1 and increasingly Type 2) best control is likely to be achieved through use of an insulin pump, and our differentiated ultra-concentrated insulin, has the potential to take insulin pump technology to the next level with a new generation of miniaturised pumps. Arecor's priority in 2025 is to further innovate and disrupt by securing a partnership agreement with an insulin pump manufacturer to better serve patients - both existing pump users who will be able to increase days between replenishment, but also high insulin use patients previously unable to use a pump because their required dose is so high; this coupled with a speed of action that allows optimal algorithmic control. I firmly believe that this disruptive combination of pump technology and superior concentrated insulin will drive better patient care and will be the successful driver for introduction of our ultra-concentrated insulin to international markets.

The same formulation expertise that developed AT278 and has served multiple commercial partnerships has also advanced new research into the oral delivery of peptides. Biopharma company interest in peptides as a therapeutic modality has exploded, most notably through the success of the incretin (e.g. GLP-1 agonist) family of therapeutics to treat diabetes, obesity and other chronic conditions. Our initial focus to validate the platform is on developing an oral GLP-1 receptor agonist with superior bioavailability to the only marketed oral GLP-1 receptor agonist available today, Rybelsus® (sales of $3.4 billion in 2024). With positive *in vitro* data, Arecor is advancing the next stages of development with a series of dog pharmacokinetic (PK) studies are on-going to inform the optimum approach to improve bioavailability. Data will be available during 2H 2025 which will define next steps. If successful, an oral GLP-1 receptor agonist with enhanced bioavailability has the potential to generate significant value and, more importantly, enable the broader application of Arecor's technology in the growing and highly valuable field of oral peptide therapeutics.

Arecor continues to be supported by a broad group of Investors. Despite challenging UK market conditions, the summer-2024 raising of £6.4 million was successfully completed in a short period of time, allowing us to enhance our shareholder base with new investors including an international specialist healthcare-focused investment firm, and we look forward to working with all of our investors whilst at the same time continuing to expand our shareholder base.

With our clear focus upon two core areas and the Board and Team aligned on the clarity of our strategy, I am confident that 2025 will be a year of significant progress for Arecor, delivering new options to patients with diabetes and competing in the exciting field of oral peptide delivery.



Andrew Richards
Non-Executive Chair
17 April 2025

Leveraging innovative R&D to bring enhanced medicines to market to serve unmet patient needs

"The positive advancements within our diabetes portfolio support our confidence in the potential of AT278 to generate significant value creation for the Company and shareholders. In addition, on the back of early initial positive *in vitro* data, we have the opportunity to leverage our expertise to develop a novel technology platform for the oral delivery of peptides – one that could unlock substantial value in a rapidly expanding market. With our streamlined focus to fully pursue high value R&D opportunities underpinned by the Company's highly renowned and innovative drug delivery and development expertise, we are well positioned for significant future growth and success."

Highlights (including post-period events)

Financial

- Total revenue of £5.1 million
- Cash of £3.3 million
- Fundraise of £6.4 million gross, including support from two international life science healthcare investors

Diabetes

- Ultra-concentrated, ultra-rapid acting insulin candidate, AT278, met all primary and secondary endpoints, and demonstrated superiority to NovoRapid® and Humulin® R U-500, in a Phase I clinical trial in Type 2 diabetics with a high body mass index (BMI)
- Progressing positive negotiations with insulin device companies for a strategic partnership for AT278

Oral delivery of peptides

- Research collaboration established with TRx Biosciences to develop a novel technology platform for improved oral delivery of peptides, with initial focus on a glucagon-like peptide-1 (GLP-1) receptor agonist
- Initial positive results from formulation development phase: overcame first significant challenge of stabilising the peptide within the oral delivery matrix. A series of dog PK studies are on-going to inform the optimum approach to improve bioavailability. Data will be available during 2H 2025 which will define next steps.

Partnership portfolio

- Arestat™-enhanced biosimilar product, AT220, generating growing royalties under a worldwide licensing agreement
- Sanofi continues to actively progress potential pivotal registrational study for SAR447537, formerly INBRX-101 (AT292), acquired from Inhibrx, which incorporates Arestat™ technology and is under a revenue-generating license with Sanofi
- Exclusive milestone and royalty-bearing licensing agreement signed with a wholly owned subsidiary of one of the world's largest independent chemicals marketing companies, granting rights to Arestat™-enhanced AT351
- Growing portfolio of pre-license technology partnerships, offering upside potential from partnering

Tetris Pharma

- Impairment of £3.3 million for assets relating to Tetris Pharma made in December 2024, followed by decision to cease operations during 2025

Operational review (including post-period events)

Progressing a unique, next-generation insulin

Arecor is focused on transforming patient care by bringing innovative medicines to market. Our commitment to pursue R&D that addresses significant unmet patient needs in high-value markets is best exemplified across our proprietary diabetes product portfolio. Diabetes is at crisis levels, with more than half a billion people living with diabetes worldwide. There remains significant unmet patient needs in diabetes care, including the need for both more rapid acting and more concentrated, rapid acting insulins, which is where Arecor is focused.

Our next-generation insulins have demonstrated clear superiority to the best insulins available to patients today and have the potential to significantly improve healthcare outcomes and reduce burden for people living with diabetes.

We continued to build strong momentum within our portfolio in 2024 through the outstanding clinical trial results achieved with our ultra-concentrated, ultra-rapid acting insulin candidate, AT278. Our lead candidate met all primary and secondary endpoints and also demonstrated superiority to NovoRapid® and Humulin® R U-500, in a Phase I clinical trial in Type 2 diabetics with a high body mass index (BMI).

This was a significant step in AT278's development, extending our confidence in its clear potential to provide a superior prandial insulin treatment option that lowers burden and improves outcomes for people living with diabetes who require high daily doses of insulin, for whom there are limited treatment options today.

With its ultra-concentrated and ultra-rapid profile, AT278 is also set to be a powerful catalyst in the development of next-generation, truly miniaturised, longer-wear insulin pumps, a key focus for patients, physicians and the industry. It is clearly demonstrated that people with diabetes who use automated insulin delivery (AID) systems, facilitating the continuous delivery of insulin to control their blood glucose levels, achieve better outcomes.

Despite this, in the US, where insulin pump use is greatest, less than 40% of Type 1 diabetics and less than 10% of Type 2 diabetics use an insulin pump.

Barriers preventing the wider use of insulin pumps include the size of existing pumps, discomfort and limitations of wear-time. Major insulin pump manufacturers are targeting the development of next-generation pumps that are smaller, more discrete and can be worn for up to seven days. They are also focused on the underpenetrated Type 2 diabetes patient population. Here, the challenge with current insulins, which are only available in pumps at a concentration of 100U/mL, is that the average Type 2 diabetes patient who requires 100 units of insulin per day cannot achieve even the standard three-day wear time making the use of existing pumps impractical for the vast majority of patients.

To enable both the broad use of existing pumps for people living with Type 2 diabetes, and to catalyse the next generation of miniaturised longer-wear pumps, will require a highly concentrated yet rapid acting insulin. AT278 is the only insulin that has achieved this profile. This places Arecor in an excellent position to bring AT278 to market under a strategic partnership with an insulin pump manufacturer. This will not only greatly improve outcomes and reduce the burden of care for more people living with diabetes, but it also represents a significant commercial opportunity. The insulin pump market currently stands at approximately $5.5 billion and is estimated to grow to greater than $15.5 billion by 2032. Arecor estimates the total addressable US market opportunity for AT278 to be approximately $2.9 billion, with additional commercial upside in Europe and other territories.

Positive progress is being made towards a strategic partnership with insulin pump manufacturers to further co-develop AT278 and we anticipate generating significant valuation creation for the Company and shareholders.

Driving innovation in the oral delivery of peptides

Peptides are an increasingly important class of therapeutics to treat a wide range of chronic conditions, most recently with the rise of incretins to treat diabetes and obesity. The global peptide therapeutics market is projected to reach more than $100 billion by 2034 growing at a CAGR of 10.8%, This is driven by peptide therapeutics' strong efficacy and selectivity towards different receptors on target cells, the rise of endocrine and metabolic diseases, and technological advancements in the field. However, nearly all peptide drugs are only available as injectables. There is growing evidence that, due to its simplicity and convenience, the oral delivery of such medications improves patient compliance and adherence, thus leading to enhanced therapeutic efficacy and better outcomes. The oral delivery of peptides is extremely challenging due to their molecular characteristics resulting in very low oral bioavailability, i.e. the amount of drug that makes it to the systemic circulation. Arecor's focus is on leveraging its significant formulation and product development expertise and know-how to develop a novel proprietary technology platform for the oral delivery of peptides, with the aim of significantly improving bioavailability and unlocking oral delivery for this important class of therapeutics.

We are initially focusing our efforts on the development of an oral GLP-1 receptor agonist (semaglutide) with improved bioavailability when compared to the marketed product, Rybelsus®, which is seeing growth in the market with revenue of $3.4 billion in 2024, despite only having a bioavailability of <1%. We have partnered with TRx Biosciences, combining Arecor's Arestat™ technology and TRx Biosciences' novel lipid technology, Lipicore®, to target improved bioavailability of an oral GLP-1 receptor agonist. This collaboration continues to progress, generating promising *in vitro* data. A series of dog PK studies are on-going to inform the optimum approach to improve bioavailability. Data will be available during 2H 2025 which will define next steps

An oral GLP-1 receptor agonist with enhanced bioavailability has the potential to generate significant value in a market that has expanded rapidly given these products' efficacy in the management of obesity. Perhaps more importantly, success with Arecor's GLP-1 receptor agonist programme would validate the application of our technology in the broader and highly valuable field of oral peptide therapeutics across multiple therapeutic areas. With approximately

120 GLP-1 receptor agonists, glucose-dependent insulinotropic polypeptide (GIP) receptor agonists and dual GLP-1/GIP receptor agonists in development for diabetes and obesity alone, this field represents a significant commercial and value creation opportunity for Arecor and its shareholders.

Advancing a partnered portfolio to bring Arestat™-enhanced therapeutics to market

Continued progress within our robust portfolio of revenue-generating partnered programmes underscores the strength of Arecor's Arestat™ technology, its value to partner companies and its ability to provide near-term revenue generation and long-term value for shareholders.

AT220, the first product incorporating Arestat™ technology to be commercialised by a partner, continues to provide Arecor with a growing revenue stream from global royalties. Following its launch in late 2023, this biosimilar product is performing strongly, with momentum building and sales growth consistent with expectations.

In May 2024, Sanofi announced the completion of its acquisition of Inhibrx's assets and liabilities associated with SAR447537, formerly INBRX-101 (AT292), an Arestat™-formulated, optimised recombinant human AAT-Fc fusion protein, for the treatment of patients with emphysema due to alpha-1 antitrypsin deficiency, which is under license with Sanofi. A registration-enabling clinical trial of SAR447537 commenced in 2023 and continues to progress. Sanofi's acquisition of Inhibrx further endorses our Arestat™ platform and highlights the value of this novel therapy for patients and its future commercial potential. There is an additional milestone and subsequent commercial revenue due to Arecor under this license agreement.

During the period, Arecor added to its portfolio of technology partnerships with leading pharmaceutical and Medtech companies by establishing a research collaboration in May 2024 with Medtronic, a global leader in healthcare technology, including within the diabetes space. The collaboration, to develop an Arestat™-enhanced, highly differentiated insulin for use in Medtronic's intraperitoneal delivery insulin pump, has the potential to transform treatment for an extremely vulnerable group of diabetes patients who require intraperitoneal therapy via an implantable insulin pump system.

In December 2024, following a successful formulation study collaboration initiated in 2023 and strengthened in January 2024, Arecor signed an exclusive licensing agreement with a wholly owned subsidiary of one of the world's largest independent chemicals marketing companies which is fully dedicated to the pharmaceutical business. That agreement granted rights to our partner to further develop and commercialise AT351, an Arestat™-enhanced, differentiated ready-to-dilute (RTD) liquid formulation of the partner company's product. Arecor received an upfront milestone payment and is eligible for development, regulatory and commercial milestones, and royalties on global sales. Our partner is anticipating regulatory filing for the approval of the product within three years.

Following a product portfolio review, Hikma has communicated to Arecor its intention to return all rights associated with AT307, a novel ready-to-use formulation of an existing therapeutic product licensed to Hikma in 2023.

Post period, two further technology partnerships were established. The first with a clinical stage biopharmaceutical company to develop a novel formulation of their peptide therapy. Under the terms of the agreement, the partner will fund Arecor's development activities with the option to license rights to the new proprietary formulation and associated intellectual property to further develop and commercialise the product. The second collaboration is with a major pharmaceutical company. Here Arecor will leverage Arestat™ to develop a novel formulation of the partner's proprietary product with enhanced properties. The partner company will fully fund the formulation work with the potential for future license opportunities to follow.

Commercial collaborations such as this provide significant future upside potential for Arecor, with partners funding the initial formulation development work and with options to acquire rights to new proprietary

formulations and associated intellectual property under our technology licensing model. More broadly, they ensure Arecor remains at the forefront of drug delivery innovation across the industry.

Building a robust intellectual property portfolio

Underpinning our strategy, we have a comprehensive global patent portfolio of >100 granted patents across key territories protecting both the Arestat™ technology platform as well as the enhanced versions of therapeutic medicines that we develop leveraging Arestat™. During 2024, the portfolio was bolstered with the addition of fifteen key patents granted in US, Europe, Canada, Japan, Israel, China and India, including increased protection of Arecor's proprietary diabetes portfolio. Post-period, two additional patents were granted in Europe and US, further protecting Arecor's proprietary insulin products (AT247 and AT278) and the broader Arestat™ technology platform.

Tetris Pharma operations

In January 2025 Arecor announced its intention to cease operations within the Company's subsidiary Tetris Pharma, and a mutual agreement with Xeris BioPharma Holdings, Inc. to return Arecor's rights to Ogluo®. This strategic decision to cease Tetris Pharma operations enables Arecor to focus its efforts and resources on opportunities that offer higher potential for value creation.

Summary and outlook

The positive advancements within our diabetes portfolio support our confidence in the potential of AT278 to generate significant value creation for the Company and shareholders. In addition, on the back of early initial positive *in vitro* data, we have the opportunity to leverage our expertise to develop a novel technology platform for the oral delivery of peptides – one that could unlock substantial value in a rapidly expanding market.

With our streamlined focus to fully pursue high-value R&D opportunities underpinned by the Company's highly renowned and innovative drug delivery and development expertise, we are well positioned for significant future growth and success.

Sarah Howell
Chief Executive Officer
17 April 2025

Developing a novel oral delivery of peptides technology platform

Peptide market for obesity and diabetes treatment to exceed $100 billion by 2030

Effective oral delivery dosage form is highly desirable for peptide drugs

Peptides have become an increasingly important class of therapeutics to treat a wide range of acute and chronic conditions. The rise of peptides has reshaped the pharmaceutical landscape in recent years, as a therapeutic modality that results in highly selective therapeutic profiles that neither traditional small molecule therapeutics nor larger biological medicines can achieve. Therapeutic peptides have particularly caught the headlines recently by their exceptional ability to treat diabetes and obesity, thus alleviating one of the fastest growing global public health concerns globally. There are currently >600 peptides in preclinical studies and >200 in clinical development[1]. Diabetes and obesity remain a key clinical focus and analysts forecast the market for peptides to treat these chronic conditions, such as GLP-1 receptor agonists, to reach >$100bn by 2030[2].

At present, nearly all peptide drugs are only available as injectables, however there is well established evidence that oral delivery in the form of tablets or capsules, if achievable improves patient compliance and adherence, thus leading to improved therapeutic efficacy

[1] Peptides as Therapeutic Agents: Challenges and Opportunities in the Green Transition Era - PMC
[2] Bloomberg Intelligence

and outcomes, thereby improving access and reducing overall healthcare burden compared to injectables. This is due to their simplicity and convenience, particularly in chronic disease management such as for diabetes and obesity where the therapeutic burden of frequent, and often painful injections lead to poor adherence. However, oral delivery of peptides is extremely challenging due to their very low oral bioavailability (i.e. amount of drug that makes it to the systemic circulation). The oral bioavailability of recently approved peptide drugs, such as oral GLP-1 receptor agonist (Rybelsus®) is less than 1%, despite state of-the-art formulation design, meaning that 99% of the drug does not reach the systemic circulation and is rendered therapeutically inactive. There is thus a strong unmet need for an oral delivery technology that will significantly increase the bioavailability of therapeutic peptides.

Arecor has over many years established a deep knowledge of peptide chemistry. It has established a proven technology and track record in significantly improving both the stability and pharmacokinetics and pharmacodynamics of peptides. The technology has been validated across a number of injectable products, including clinically with Arecor's proprietary diabetes products. Arecor is currently further developing its technology platform to address the significant unmet need in oral delivery of peptides.

The physicochemical nature of peptides, alongside the harsh nature of the gastrointestinal tract, provides significant technical challenges for oral delivery. Their size and structure result in poor absorption through standard gut uptake mechanisms as well as susceptibility to degradation and instability. Furthermore, if peptides are absorbed directly into the bloodstream they are quickly degraded in the liver via the first pass metabolism. Arecor has partnered with TRx Biosciences to address these challenges. TRx Biosciences bring a lipid-based technology for oral delivery that has so far been validated with small molecule drugs but is currently not compatible with peptides. Arecor is uniquely positioned to enable compatibility of peptides with the lipid delivery systems and achieve stability in the gastrointestinal tract and improved systemic uptake, and enable a best-in-class delivery platform for therapeutic peptides. The existing development is focused on GLP-1 receptor agonists with the view to expanding the technology to other high-value peptides, particularly in the diabetes and obesity space.

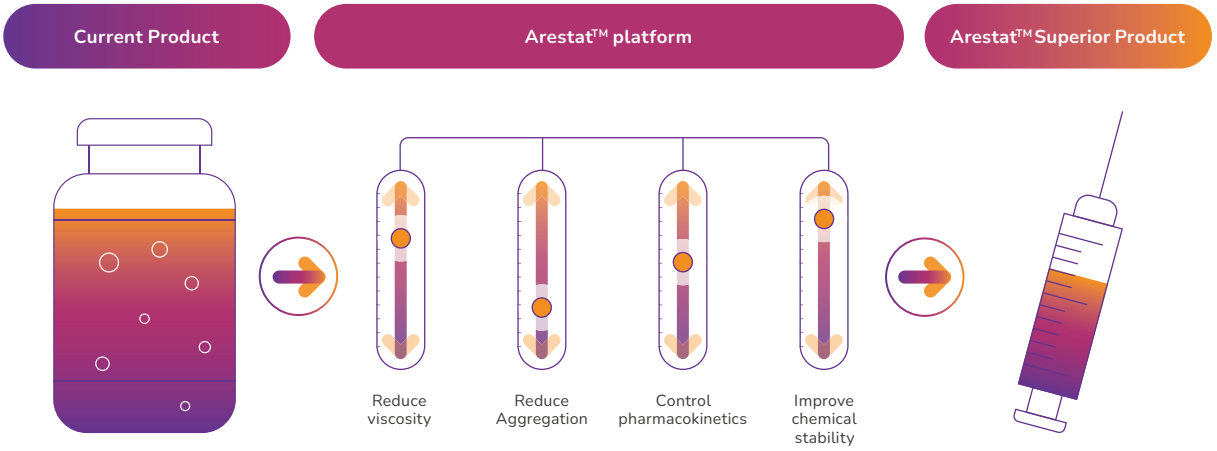
Arestat™ enables superior products with enhanced properties that improve patient care and outcomes

The Arestat™ reformulation technology platform consists of a patented series of over ten different mechanistically defined families of specific combinations of excipients which, when selected and combined with a therapeutic medicine, will deliver novel formulations with enhanced properties that would otherwise be unachievable.

These benefits can range from superior therapeutic profiles (improving pharmacokinetics and pharmacodynamics), improved thermostability and shelf-life through to previously unattainable high concentrations. Arestat™ can be applied to a broad range of products, notably antibodies, complex biologics, peptides and vaccines. Development of the formulations with enhanced properties using the Arestat™ technology follows four key steps:

Step 1	Step 2	Step 3	Step 4
Define the superior target profile i.e. what enhancements of properties will bring benefits to patients.	Through our extensive know-how and expertise, identify the challenges and mechanisms that are preventing these enhanced properties being achieved.	Apply our Arestat™ platform in a data-driven approach to select and employ specific combinations of excipients to overcome these challenges, each designed to enhance a desired property of the product.	Fine tune the combinations, ratios and concentrations of the chosen selection of excipients using our proprietary algorithm to achieve the final novel formulation with optimal enhancement of properties and desired product profile that can significantly improve patient care.

How our technology works



Arestat™ is protected by broad and robust intellectual property

Arecor has built a comprehensive global patent portfolio of >100 granted patents across key territories and numerous additional pending patent applications. The patent portfolio protects both the Arestat™ technology platform as well as the enhanced versions of therapeutic medicines that Arecor develops. Arecor works very closely with both US and European patent attorneys to design optimal patent strategy in the key territories. For the most valuable products, particularly AT278, the strategy from the start has been to generate a wall of both narrow and broad patent applications that cover the relevant design space for these products and prevent workarounds.

Our markets

Arecor's key strength is its ability to develop novel patent-protected formulations of existing therapeutic medicines that deliver superior product profiles that can bring significant benefits to healthcare providers and patients. In doing so, we build shareholder value. The focus of our clinical stage proprietary pipeline is in diabetes, where we are developing ultra-concentrated and ultra-rapid acting insulins.

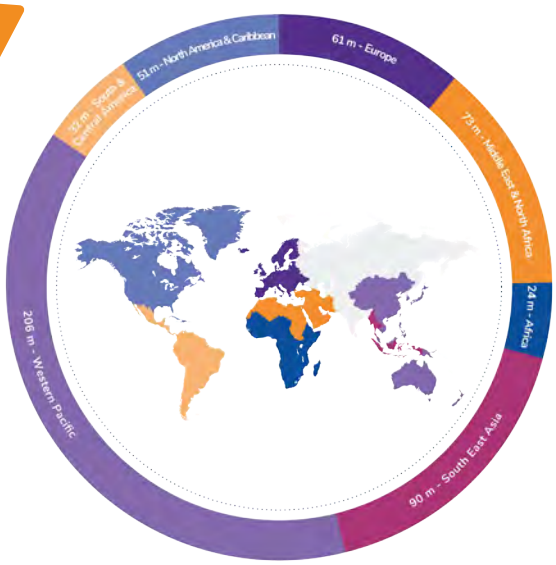
Diabetes in crisis

Diabetes has reached pandemic levels worldwide. With 1 in 10 adults living with diabetes, there is a heavy health and financial burden on every nation in the world.

6.7 million deaths due to diabetes

$966 billion estimated global expenditure

64 million Insulin users globally



Reference: Diabetes Facets and Figures, International Diabetes Federation (idf.org)

There are approximately 537 million adults living with diabetes worldwide, and that number is expected to rise to over 643 million by 2030 and 783 million by 2045.

Diabetes is a chronic condition that affects the body's ability to control blood sugar levels and to use energy from food. In a healthy body, carbohydrates from nutrition are broken down to glucose, which in turn provides energy for the cells. This process is controlled by a hormone called insulin.

Diabetes is caused by either the pancreas not producing enough insulin or the body not responding properly to the insulin that is produced. This results in fluctuations in blood sugar levels as a person eats and glucose is generated but not metabolised. In Type 1 diabetes a patient does not produce any insulin. In Type 2 diabetes a patient develops insulin resistance. In both situations the body is left to cope with heightened blood glucose levels which, if left untreated, lead to serious health complications, including heart disease, kidney failure, nerve damage or blindness.

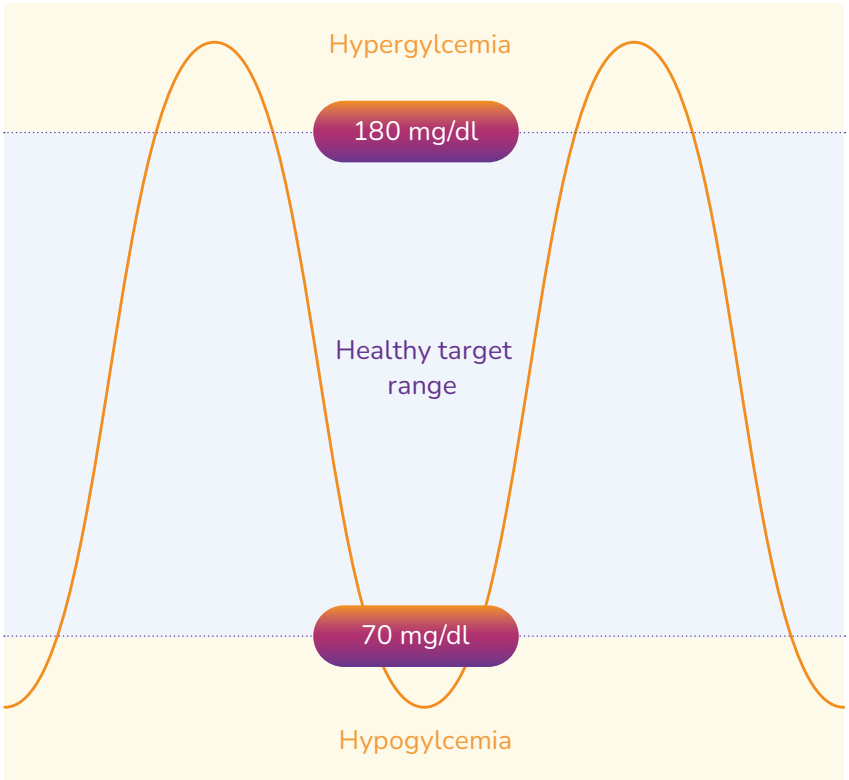
Diabetes is equally spread between men and women and is the fifth leading cause of death globally. Approximately 10% of diabetics worldwide are Type 1, requiring daily insulin injections to survive. The remainder are Type 2, who can initially manage their disease through a combination of diet and lifestyle changes, and some oral medication. However, many patients with Type 2 diabetes ultimately progress to requiring daily insulin to control their blood glucose and help prevent long-term complications.

The need for faster acting insulins

The daily challenge for a person living with diabetes is to try and maintain their blood glucose within a healthy target range. This can be managed throughout most of the day and night with existing insulin therapies. However, the challenge comes around mealtimes. After eating a meal, blood glucose rises very rapidly and for insulin dependent diabetics, must be brought back down into the healthy target range via the injection of insulin. Even with the insulins on the market today, there is still an unmet need for faster acting insulins to counteract that very swift rise in blood glucose and to bring it down into the healthy target range much more quickly. This is important as it is this time spent outside of the healthy target range that leads to the very serious disease complications associated with diabetes, leading to long-term morbidity and healthcare costs.

There are a number of mealtime insulins on the market today, making up between them, an existing >$6 billion prandial insulin market. Arecor's insulins have a unique profile and will provide additional treatment option to those available today. Our insulins are either faster action for a more predictable

Blood glucose



Reference: Trinity Delta researcher, Panmure Liberum research, American Diabetes Association

more controllable action, or are more concentrated, with maintained speed of action to improved efficacy and convenience when high daily doses are required.

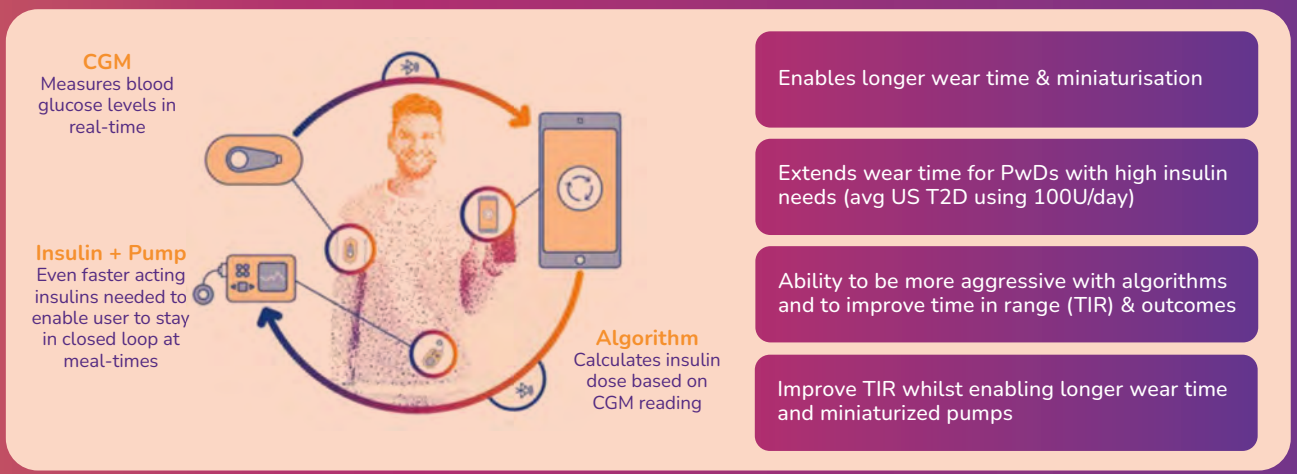
In terms of healthcare benefits, the cost of treating diabetes and its complications is significant with an estimated global annual expenditure of $966 billion, $413 billion in the US alone. Expenditure is on the rise, increasing by 316% over the last 15 years.

The diabetes market remains attractive not only because of its growth prospects, due to well-documented shifts in demographics and lifestyles, but continuous blood glucose monitoring allows better monitoring and tighter glucose control. This, combined with the desire for innovations in delivery devices including miniaturised pumps, with longer wear times and better more physiologic, automated delivery of insulin moving towards the holy grail of a fully closed loop artificial pancreas, has the potential to change the paradigm of diabetes treatment. Arecor's faster and or more concentrated insulins have a potential market leading position in enabling these next generation developments. In addition to Arecor's strong position within the insulin market, Arecor has established a research collaboration to develop a novel technology for improved bioavailability of orally administered peptides, with an initial focus on GLP-1 receptor agonist.

AT278: The only ultra-concentrated ultra-rapid acting insulin

Potential to enable the next generation of automated insulin delivery (AID) systems for people with diabetes (PwD) with high insulin needs

AT278, a novel proprietary formulation of an existing insulin, has been designed to accelerate the absorption of insulin post injection even at very high concentrations (500U/mL). With its best-in-class profile it has the potential to disrupt the market for insulin treatment as the first concentrated, yet very rapid acting insulin for the growing population of people with diabetes with high daily insulin needs as well as to act as a critical enabler in the development of next-generation, miniaturised longer wear AID systems.



- Enables longer wear time & miniaturisation
- Extends wear time for PwDs with high insulin needs (avg US T2D using 100U/day)
- Ability to be more aggressive with algorithms and to improve time in range (TIR) & outcomes
- Improve TIR whilst enabling longer wear time and miniaturized pumps

The patient challenge:

With over 500 million people living with diabetes worldwide and the ~$1 trillion cost of treating diabetes and its complications, there has never been a greater need for improved treatment options. Despite significant advancements in the field, there remains a need for both more rapid acting and more concentrated, rapid acting insulins, which is where Arecor is focused.

It is well demonstrated that people with diabetes who use AID systems achieve better outcomes. Despite this, in the US, where insulin pump use is greatest, less than 40% of Type 1 diabetics (T1D) and less than 10% of Type 2 diabetics (T2D) use an insulin pump. Pump use is also increasing in Europe, with the insulin pump manufactures reporting a greater percentage of ex-US pump sales growth.

Barriers preventing the use of insulin pumps are the size of existing pumps, discomfort and limitations of wear-time. Major insulin pump manufacturers are targeting the development of next-generation pumps that are smaller, more discrete and can be worn for up to seven days. They are also focused on the underpenetrated T2D patient population. Here, the challenge is that with current insulins, which are available for use in pumps at a concentration of 100U/mL, nearly all T2Ds and >50% of T1Ds cannot achieve seven-day wear-time. In fact, with the average T2D in the US requiring 100 units of insulin per day to manage their blood glucose, a large proportion of T2Ds are not able to even achieve three-day wear today. Therefore, to broaden AID adoption and significantly improve outcomes for more people living with diabetes, an ultra-concentrated, ultra-rapid acting insulin is required.

AT278 – the solution:

AT278 is the only insulin that has achieved an ultra-concentrated (500U/mL), yet ultra-rapid acting profile. This is a particularly difficult profile to achieve, as when insulin is concentrated it slows its time-action profile, so it has a slower pharmacokinetic/pharmacodynamic (PK/PD) profile. Arecor has overcome this with AT278 and has demonstrated clear PK/PD superiority compared with the best insulins available today, in clinical studies with both T1D and T2D patients with a high body mass index (BMI).

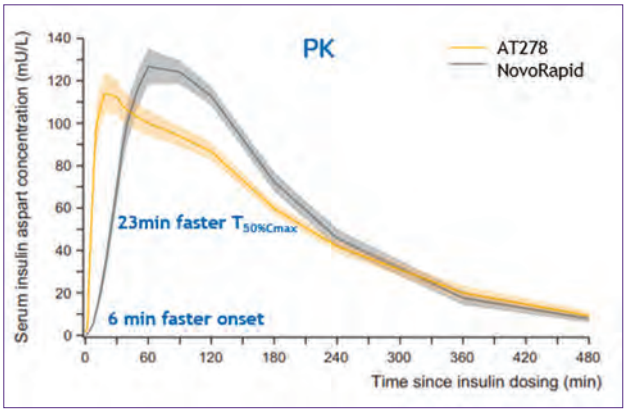
This places Arecor in an excellent position to bring AT278 to market under a strategic partnership with an insulin pump manufacturer to catalyse the next generation of miniaturised longer wear AID systems to greatly improve outcomes and reduce the burden of care for more people living with diabetes.

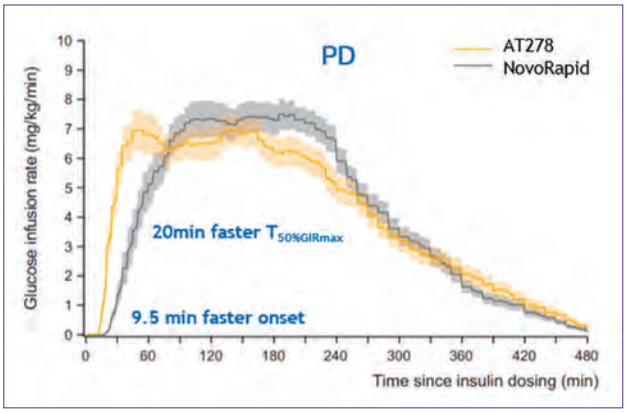
AT278-102 study design[5]

A double-blind, randomised, two-way cross over euglycemic clamp study; 38 **T1D** patients; comparing the PK/PD profiles of AT278 to the current best-in-class prandial insulin treatment, NovoRapid® U100.

Topline results

- AT278 showed superiority for onset of appearance, insulin exposure (PK) and early insulin action with accelerated onset of glucose-lowering effect (PD) during 60 minutes after dosing compared with NovoRapid®.
- No safety signals were detected.





[5] Study Details | AT278 and NovoRapid® in Glucose Clamp Study | ClinicalTrials.gov

AT278-104 study design[6]

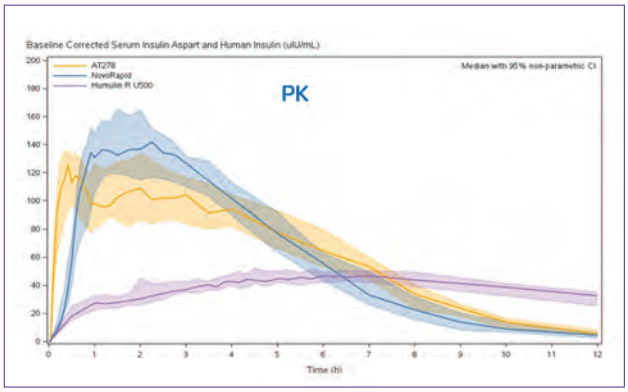
A double-blind, randomised, two-way cross over euglycemic clamp study; 39 **T2D** patients with **high BMI;** comparing the PK and PD profiles of AT278 to the current best in class prandial insulin treatment NovoRapid® U100 and an open arm comparison to Humulin-R U500, the only highly concentrated, 500U/mL, insulin available to patients today.

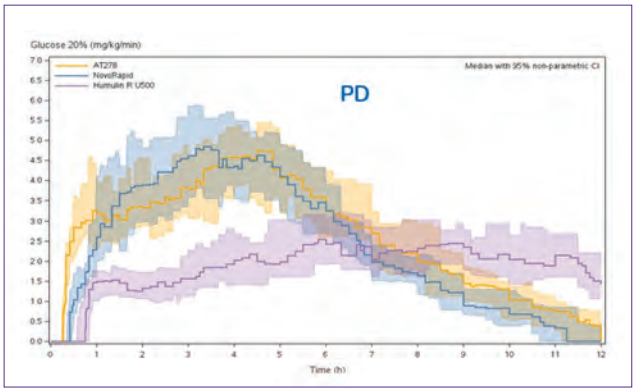
Topline results

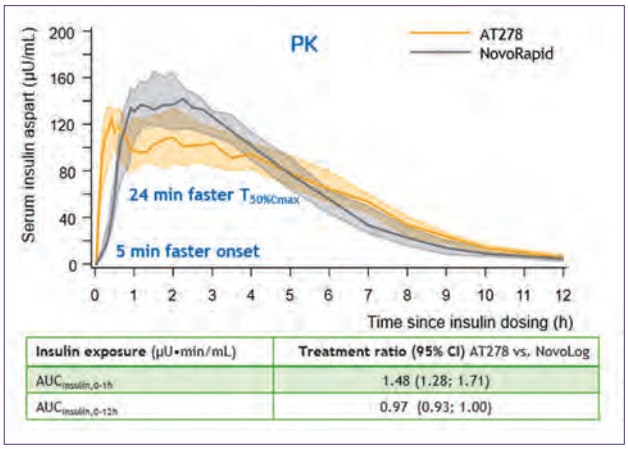
- AT278 showed superiority for onset of appearance, insulin exposure (PK) and early insulin action with accelerated onset of glucose-lowering effect (PD) during 60 minutes after dosing, compared with NovoRapid®.
- AT278 (500 U/mL) demonstrated a significantly accelerated (superior) PK/PD profile compared to Humulin® R U-500 (500 U/mL), the only other insulin available at a concentration of 500 U/mL.
- No safety signals were detected.

The market opportunity

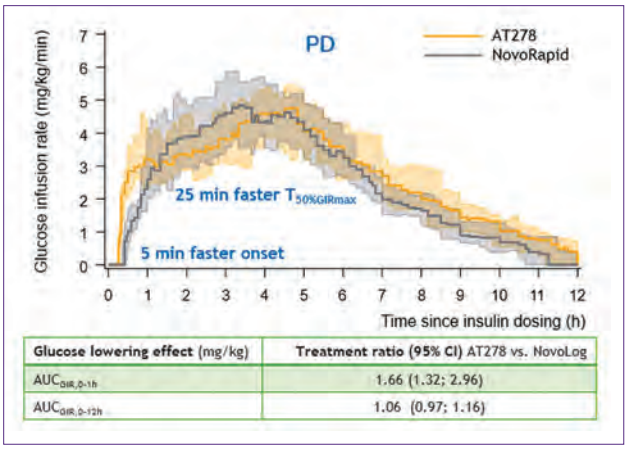
As outlined above, T2D patients and people with diabetes with high daily insulin needs (>200U/day) are underserved by currently available AID systems due to current insulin pumps being limited to 180-300 units of insulin. Despite this, the insulin pump market currently stands at ~$5.5 billion and is estimated to grow to greater than $15.5 billion by 2032. There is a significant commercial opportunity to bring AT278 to market in combination with a next-generation longer wear insulin pump. Arecor estimates the total addressable US insulin revenue market opportunity for this underserved patient population to be approximately $2.9 billion, with additional upside through commercialisation in Europe and other territories. This combined product would also drive significant insulin pump sales growth. The Group's strategy is to partner with an established insulin pump company to further develop and commercialise AT278 in a next-generation pump, realising the value of both insulin and pump sales growth.







Insulin exposure (µU•min/mL)	Treatment ratio (95% CI) AT278 vs. NovoLog
$AUC_{insulin,0-1h}$	1.48 (1.28; 1.71)
$AUC_{insulin,0-12h}$	0.97 (0.93; 1.00)



Glucose lowering effect (mg/kg)	Treatment ratio (95% CI) AT278 vs. NovoLog
$AUC_{GIR,0-1h}$	1.66 (1.32; 2.96)
$AUC_{GIR,0-12h}$	1.06 (0.97; 1.16)

[6] Study Details | AT278, NovoRapid® and Humulin® R (U500) in Glucose Clamp Study | ClinicalTrials.gov

Key financial performance indicators

The Company is a clinical stage biotech business with the focus on high value R&D opportunities in the areas of insulin and the oral delivery platform, with a supporting contribution from Partner revenue. The Company therefore has the primary financial KPI of cash and short-term investment balances held. For 2024, total revenue is the secondary KPI, but following the cessation of the Tetris Pharma business, for 2025 the secondary KPI will be the investment in research and development.

These KPIs focus on the strategic objective of availability of financial resources to progress the research and development activities of the Group.

	2024 000's	2023 000's	2022 000's
Cash & Short-Term Investments	**£3,257**	**£6,752**	**£12,806**
Revenue:			
Product Revenue	**£3,410**	£2,941	£1,050
Partner Revenue	**£1,643**	£1,632	£1,353
Total Revenue	**£5,053**	**£4,573**	**£2,403**

At 31 December 2024 the Group had cash and short-term investments of £3.3 million (2023: £6.8 million including short-term investments). During 2024, net proceeds from fund-raising totalled £5.8 million, offset by net-cash used in operating activities of £9.2 million, of which £3.2 million was attributable to Tetris Pharma. It is expected that the 2025 operating cash flow in Tetris Pharma will be positive as Tetris Pharma plans to continue selling Ogluo® and other products into the second half of the year, generating cash receipts from the sell down of existing inventory which will be used for general working capital purposes. Arecor will continue to invest in its core areas of insulin and oral delivery platform technology. The Group finances its operations through share issuances and partnering revenue, and is expecting to raise additional funding by March-2026 to support further investment. See the Going Concern note 3 in the financial statements for further information.

Revenue recognised in the year grew to £5.1 million (2023: £4.6 million). Net Product sales of £3.4 million generated by Tetris Pharma in the year increased by £0.5 million (2023: £2.9 million), as uptake of non-Ogluo® products increased.

Cost of Sales increased by £0.2 million to £3.5 million (2023: £3.3 million). Underlying cost of sales increased by £0.6 million, primarily due to increased volume of Ogluo® product sales and cost increases, offset by a decrease in stock provisions of £0.4 million to £0.2 million (2023: £0.6 million).

Other Operating Income totalled £0.3 million (2023: £1.1 million). The R&D Expenditure Scheme ("RDEC") income of £0.3 million was a £0.2 million increase (2023: £0.1 million) offset by a fall in grant income from £1.1 million to zero. The 2024 RDEC income includes a £0.1 million increase to the 2023 calculated income.

Research and Development ("R&D") Expenses decreased by £2.4 million to £3.0 million for 2024 (2023: £5.4 million). Clinical study costs decreased by £1.4 million to £0.5 million (2023: £1.9 million) as the AT278-104 study concluded. Payroll related costs decreased by £0.4 million to £1.0 million (2023: £1.4 million), and manufacturing costs for clinical studies decreased by £0.2 million to £0.1 million (2023: £0.3 million).

Selling, General and Administrative ("SG&A") Expenses (excluding exceptional items) were unchanged in 2024 at £6.2 (2023: £6.2 million). During 2024, Tetris Pharma SG&A costs totalled £2.8 million (2023: £2.6 million), an increase of £0.2 million which was mainly attributable to an increase of £0.3 million in the use of commercial consultants and contract sales organisations (from £0.2 million in 2023 to £0.5 million in 2024) as part of efforts to boost Ogluo® revenues in the UK and Germany. As Tetris Pharma closes down, we anticipate a significant decrease in SG&A expenses in 2025.

SG&A costs in Arecor Plc and Arecor Ltd decreased by £0.3 million to £3.3 million (2023: £3.6 million). The share-based compensation charge decreased by £0.4 million (from £0.5 million to £0.1 million) due to award lapses and revised assumptions, offset partly by an increase in corporate advisory costs of £0.1 million.

Exceptional Items: In December 2024, an impairment review of the assets relating to Tetris Pharma Ltd was carried out. This review concluded that all the goodwill, licenses and property, plant and equipment should be provided for in full (see note 9) for a total expense of £3.3 million

The loss before taxation amounted to £10.6 million (2023: £8.9 million). The R&D tax credit claim for 2023 was filed in April 2025 and the claim for 2024 will be filed as soon as the 2023 claim is closed. The 2024 taxation credit of £0.4 million (2023: £0.3 million) is due to the release of a deferred tax provision upon the impairment review of the assets relating to Tetris Pharma Ltd. The 2024 SME tax credit is zero as the £0.2 million calculated credit for 2024 was reduced by a £0.2 million correction of the 2023 calculated credit. The total tax receivable under both the RDEC and SME schemes at the end of 2024 is £0.7 million (2023: £0.5 million).

Other Balance Sheet Items: Current trade and other receivables increased by £0.6 million to £3.8 million (2023: £3.2 million). This is primarily due to the timing of a £0.7m prepayment for Ogluo® inventory (2023: £ nil).

Intangible assets and goodwill decreased to below £0.1 million in 2024, from £3.3 million in 2023 as a result of the impairment review of the assets relating to Tetris Pharma Limited.

Trade and other payables decreased by £1.8 million to £3.1 million (2023: £4.9 million). £0.8 million of the decrease is due to lower expenditure in 2024 (primarily clinical studies and bonuses), and another £0.8 million is timing at the end of 2023 on payments for both inventory and sales rebates.

David Ellam
Chief Financial Officer
17 April 2025

Principal risks and uncertainties

The Board continues to execute the Group's risk management strategy designed to identify, assess and manage the risks that Arecor faces.

Principal risks	Impacts	Mitigating activities
Clinical & regulatory	The Group remains at an early stage of development & may not be successful in its efforts to develop approved products. The development process is highly regulated with technical risk at every stage. Product development timelines may suffer delays and patient recruitment into clinical trials could take longer than planned.	Understanding the regulatory approval processes of the FDA, MHRA and other bodies require specific expertise. As well as utilising in-house experts, the Group consults with regulatory advisers to best manage regulatory and clinical risk. In addition, the Group uses experienced clinical research and manufacturing organisations to comply with best practices.
Ability to generate partner revenue	The Group partners with leading pharmaceutical, biotech and Medtech companies under a Technology Licensing model. Any inability to continue successfully securing new Partner deals and/or a delay or termination of progression of products under license with our partners will place restrictions upon funds available to allow work in the core focus areas of insulin and the oral delivery platform.	Continue to enter into partnerships across a number of partners, so not reliant on a single partner or product to generate revenue.
Technology & innovation	The Group has a relatively low Technology & Innovation spend compared to its larger competitors. There is a risk that competitors will be quicker to develop new technologies and to address new insulin and peptide targets earlier than Arecor.	The Group continues to prioritise innovation and is actively conducting research to sustain a competitive edge.
Intellectual property	The Group has a robust set of patents around its existing technology portfolio and is preparing filings for new technology. However, competitors may seek to develop and commercialise similar products.	The Group continually seeks to strengthen the existing IP position via patent extensions, divisionals and continuations, combined with external legal opinions.
Key talent	The Group's future development and success depends to a material extent on the experience, performance and continued service of its senior management team, as well as the Board's strategic guidance in recommending key additional hires to broaden the management team.	Arecor benchmarks existing and new senior hires to ensure that remuneration is competitive and conducive to retention. The Board consults with internal and external stakeholders regarding the optimal structure and skills required within the management team.
Financing	Progressing a drug via research and subsequent clinical trials is expensive and there is no guarantee that Arecor will have sufficient funds available. The Group expects to incur losses for the foreseeable future and there is no certainty that it will generate a profit.	Necessary funding could include securing risk-sharing partnerships or out-licensing deals at appropriate stages depending on the product risk and investment profile.
Decreasing attractiveness of the AIM market to investors	The AIM market is a vital component of the Company's ability to raise funding. Market difficulties may make it harder to raise funding necessary for continued growth.	Arecor continues active dialog with existing investors, as well as talking to investors who might not ordinarily invest in AIM-listed companies.
Cessation of Tetris Pharma activities	Continuing supply chain issues may hinder efforts to raise cash from product sales during 2025, lowering Group cash balances.	Arecor is working closely with supply chain partners to accelerate timelines to introduce supply to the market, prior to the return of Ogluo® rights.

Section 172 statement

The Directors are required under Section 172 of the Companies Act 2006 (s.172) to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole.

In doing so, s.172 requires the Directors to have regard, amongst other matters, to the:

- 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, customers and others;
- impact of the Group's operations on the community and the environment;
- desirability of the Group maintaining a reputation for high standards of business conduct and
- the need to act fairly between members of the Group.

Our corporate governance approach can be found on our website at https://arecor.com/investor-centre/corporate-governance, and together with the report on Corporate Governance on pages 29 to 42 provide the framework of our key stakeholder groups. In discharging its s.172 duties, the Directors consider the matters set out above to ensure that decisions are made on a consistent basis and meet the above factors.

The Board aims to promote the long-term success of the Group on behalf of shareholders whilst considering the interests of all stakeholders in the delivery of business objectives. Detailed briefing papers and reports are provided as part of the Board's review of matters relating to scientific, commercial and financial performance; business strategy; key risks; and legal and regulatory compliance matters. Such reviews occur over the course of the financial year and include looking ahead to future financial periods.

Matters considered by the Board in the year under review

The following are some of the matters considered by the Board in the year:

Matters considered	s.172 impact	Board Engagement
Company strategy	Understanding consequences of key strategic decisions on the business, its staff and its shareholders.	The Board extensively reviews and discusses company strategy with a view to maximising value. In particular in relation to (i) the development of its clinical stage diabetes product portfolio including options for further development and strategic partnering and (ii) new pre-clinical research into an oral delivery platform.
Fund-raising	Ensuring that the Group is adequately funded to implement strategic objectives.	The Board reviewed the forecasts and investor materials and approved the fund-raise.
Tetris Pharma	Recognising and managing the impact of Tetris Pharma cash requirements on Arecor, employees, shareholders and vendors.	The Board considered the impact of rising supply chain costs and slow market penetration and decided to impair the assets relating to Tetris Pharma Limited at the end of 2024. In 2025 the decision was made to cease operations during the year.
Employee safety and well- being.	Understanding matters which are of interest and important to employees. Understanding labour market to attract and retain staff.	Monitoring the impact of rising prices on employees and taking action to provide support. Monitoring the effects of wage inflation. Review of staff retention plans including career development strategies.
Building finance team	Experienced leadership in Chief Financial Officer role to lead financial control and forecasting initiatives.	Board members involved in the recruitment process for the Interim CFO and in the decision to transition the candidate to the permanent CFO role.
Training	Corporate governance and responsibility	Board members participated in refresher training with their newly appointed Nominated Advisor on Director responsibilities in the application of AIM rules.

The Directors confirm that they have acted in good faith in the way they consider what would be most likely to promote the success of the Company for the benefit of its members as a whole.

By order of the Board

Sarah Howell
Chief Executive Officer
17 April 2025

Corporate Governance

In this section:

Andrew Richards,
CBE, Ph.D.
Non-Executive Chair

Andrew Richards has extensive experience from the UK biotechnology sector in drug development, investment, commercial deals and the successful scale-up of companies. He is the Chairman of Owlstone Medical Ltd, Ieso Digital Health Ltd and Congenica Ltd, and is a director of RNAvate and Our Future Health Trading, as well as being a council member of the UKRI Medical Research Council.

Andrew has a Ph.D. in Chemistry from Cambridge and was a founder of Chiroscience in 1992 and an Executive Director through to the Celltech deal in 1999. Andrew has a track record as a founder, active investor in, and director of, more than 25 innovative healthcare and life-science companies, including Vectura plc and Arakis Ltd. He is an experienced board director for several public companies, including Chiroscience plc, Vectura plc, IXICO plc and Silence Therapeutics plc.

Sarah Howell,
Ph.D.
Chief Executive Officer and Executive Director

Sarah Howell has been Chief Executive Officer of Arecor since 2015.

Through her leadership, Arecor has grown significantly into a publicly listed clinical stage biopharmaceutical company. Since her appointment, Sarah has led Arecor through a period of continued growth and transformation, playing an instrumental role in progressing its proprietary pipeline and strengthening important collaborations with global partners.

Sarah has a background in clinical and commercial pharmaceutical product development, manufacturing, supply and licensing across a range of product types and therapeutic areas, with previous senior roles in the pharmaceutical industry including Vice President CMC & Technical Development at BTG Plc., and Director of Outsourced Manufacturing at UCB-Celltech. Sarah holds a BSc in Chemistry from the University of Birmingham and a Ph.D. in Physical Organic Chemistry from the University of St Andrews.

Sam Fazeli,
Ph.D.
Non-Executive Director

Sam Fazeli has served as a member of the Arecor Board of Directors since September 2017 and brings over 25 years of experience of conducting equity research as a pharmaceutical analyst, working at firms including Nomura International and HSBC.

Currently, he is Director of Research, Global Industries at Bloomberg Intelligence in London, where he specialises in global pharmaceuticals.

Prior to joining Bloomberg in 2010, Sam worked at Piper Jaffray, Ltd. as a pharmaceutical analyst and head of European research. Before transitioning to investment banking, he was a research scientist for seven years. Sam has been ranked a top analyst by both the UK and Pan-European Extel surveys. He holds a degree from Cardiff University, and a Ph.D. in Pharmacology from the University of London.

Jeremy Morgan,
Non-Executive Director

Jeremy Morgan completed a Senior Executive Programme in General Management from London Business School and holds a BSc (Hons) in Applied Biology from Coventry University.

He is an experienced Pharmaceutical and Biotech General Manager, having been responsible for product development and market access, as well as commercial strategy development and product launches at a national, regional and global level.

Jeremy was Vice President of Diabetes, International, for Eli Lilly & Company from 2014-2017, leading and developing individuals and teams across Europe, Japan, Canada and Australia and working across functions, geographies and products. From 2018-2019 Jeremy served as Chief Operating Officer at market access and reimbursement specialists PHMR Limited, where he was also Non-Executive Chairman from 2019-2020. He is currently President, Kyowa Kirin International plc.

Alan Smith,
CBE, FRS, Ph.D.
Non-Executive Director

Alan Smith is the former Senior Vice President and the Chief Scientific Officer of Genzyme Corporation, Cambridge MA, where he had overall responsibility for the company's science. Prior to its acquisition by Genzyme in 1989, Alan was the Scientific Director of Integrated Genetics, a biotechnology company. Previously, he was head of the biochemistry division at the National Institute of Medical Research.

Alan has published extensively on the genetic code and protein synthesis, tumour virology, cell biology and cystic fibrosis. He holds a B.A. from Christ's College, Cambridge and a Ph.D. from the Laboratory of Molecular Biology, Cambridge, England.

He is a Fellow of Christ's College, Cambridge and the Royal Society of London.

Christine Soden,
Non-Executive Director

Christine Soden is a Non-Executive Director of Elementis plc. Christine is a Chartered Accountant and holds a degree in Mathematics from the University of Durham. She has significant experience in the commercialisation of innovative technology and a strong track record of leading innovative private and public biotechnology, life science and pharmaceutical companies, both private and public.

Previously Christine was CFO and Company Secretary of Acacia Pharma Group plc, a public quoted provider of pharmaceutical products designed to improve the outcomes and recovery for surgical patients and CFO and non-executive Director of AIM-listed Electrical Geodesics, Inc., which was acquired by Philips NV in 2017. Other CFO and finance leadership roles include Optos plc, BTG plc (former FTSE250 constituent), Oxagen Limited and Celltech Chiroscience Group plc and Medeva plc.

Corporate governance statement

Our Board members firmly believe in the significance of corporate governance.

We have implemented a corporate governance framework that aligns with the Quoted Companies Alliance Corporate Governance Code for small and mid-size quoted companies (the 'QCA Code'). The QCA Code is founded on ten broad principles and related disclosures, outlining what the QCA deems suitable for growing companies, which then explain how they adhere to these principles. On 13 November 2023, the Quoted Companies Alliance published the latest version of its corporate governance code (2023 Code) which will apply to financial years beginning on or after 1 April 2024. The Board is committed to further aligning with the updated code from the next financial year.

The Board believes that good corporate governance is an integral part of the mid and long-term success of the Group. The following sections provide information about how such principles have been adopted and are being applied by the Group and are set out on our website (www.arecor.com).

Arecor's purpose, business model and strategy is set out within the Strategic Report in these annual accounts and includes how the company intends to deliver shareholder value in the medium to long-term whilst simultaneously protecting the company from unnecessary risk and securing its long-term future.

Meeting shareholders needs and expectations

The Board is committed to open and ongoing engagement with shareholders through:

- annual report and accounts;
- interim and full-year results announcements;
- trading updates;
- the Annual General Meeting; and
- the Company's website, in particular, the Investor Centre pages.

Regular meetings are held between the Chief Executive Officer, Chief Financial Officer and institutional investors and analysts to ensure that the Company's strategy, financial and business development activities are communicated effectively. The Chair is available for discussions with shareholders as required.

Corporate social responsibility

The Board recognises the importance of corporate social responsibility and seeks to take account of the interests of the Group's broad stakeholder groups. The Board works to build and maintain an environment within which employees, suppliers and customers involved in the Group's business activities behave in an ethical and socially responsible way.

Employee welfare and engagement

The Group is a committed equal opportunities employer. Employees and job applicants are given equal treatment regardless of their gender, marital status, sexual orientation, age, race, colour, nationality, ethnic origin, disability, or religious or philosophical beliefs.

Culture

Arecor is committed to a responsible and ethical corporate behaviour. Arecor promotes a positive health and safety culture throughout the business to ensure that all our people consider health, safety and welfare issues while at work and make an effective contribution towards maintaining and improving health and safety standards.

Effective risk management

The Board has identified principal business risks which are included in the Strategic Report on page 25.

The Board is responsible for establishing the system of internal control used by the Group and reviewing its effectiveness. This system is intended to understand and manage risk which could potentially impact the business. The Board also monitors expenditure and information used in decision making.

Board structure, skills and compliance

The Board has a collective responsibility and legal obligation to promote the interests of the Group and to define the corporate governance framework. At 31 December 2024, the Board comprised five Non-Executive Directors and one Executive Director: the Chair, Chief Executive Officer, and four Non-Executive Directors. The profiles of the Directors are set out on pages 29 to 30. The Directors believe that the Board has an appropriate balance of sector, financial, and public markets skills and experience. As the company evolves, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this. All Directors are subject to election by the shareholders at the general meeting immediately following their appointment to the Board and at re-election intervals of not more than three years.

Independence

In accordance with the principles of the QCA Code, Christine Soden, Jeremy Morgan and Sam Fazeli are regarded as independent. Andrew Richards and Alan Smith have served on the board of directors for more than nine years and are not regarded as independent.

The Board believes that the board of Non-Executive Directors and the Non-Executive Chair provide a blend of different experiences and backgrounds to bring an independent judgement to bear.

Evaluation of Board performance

Internal evaluation of the Board and individual Directors is carried out to determine effectiveness and performance of the Board and the Directors' continued independence and capacity. The criteria against which effectiveness is considered is aligned to the strategy and business plans of the Company. The annual evaluation of Board performance is co-ordinated and led by the Chair. The Board considers a more formal, externally facilitated review process has not been required in the past year but will continue to consider whether such a review is necessary in future.

Board responsibilities

The Directors, together, act in the best interests of the Group via the Board and its Committees. They devote sufficient time and consideration as necessary to fulfil their duties.

Matters specifically reserved for the Board include strategy and capital; financial reporting and internal controls; significant contracts and partnerships; communication; board membership and other appointments; remuneration; delegation of authority and corporate governance matters including policies.

To discharge its responsibilities effectively, the Board has a system of delegated authorities, which enables the day-to-day operation of the business and so that significant matters are brought to the attention of the Leadership Team and the Board, as appropriate. Through this system the Board is able to provide oversight and direction to the Executive Directors, the Leadership Team and the wider business. The ultimate authority for all aspects of the Company's activities rests with the Board with the respective responsibilities of the Non-Executive Chair and Chief Executive Officer as delegated by the Board.

Non-Executive Chair – key responsibilities

- Responsible for the effectiveness and leadership of the Board
- Builds and maintains an effective and complementary Board of Directors
- Sets the agenda, style and tone of Board discussions
- Promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors
- Ensures active engagement in meetings, through effective relationships between the Executive and the Non-Executive Directors.

Chief Executive Officer – key responsibilities

- Is responsible for day-to-day leadership and management of the Group
- Develops the Group's objectives and strategy for Board review and approval
- Creates and recommends to the Board an annual business plan, including an annual budget
- Delivers the annual business plan
- Executes the agreed Group strategy and other agreed objectives

Non-Executive Directors – key responsibilities

- Evaluate and appraise the performance of the Executive Directors and Leadership Team against agreed objectives
- Participate in defining and developing the Group's strategy and monitor against it
- Monitor the financial information, risk management and controls processes of the Group
- Approve annual budget
- Formulate Executive Director remuneration and succession planning

Board Committees

The Board's principal committees are the Audit and Risk Committee, Remuneration Committee and Nomination Committee. Each committee has written terms of reference that set out specific authorities and duties.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in discharging its responsibilities of corporate governance, financial reporting, external and internal audits and controls. This includes reviewing the Company's annual and interim financial statements, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, and reviewing the effectiveness of the Company's internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports rests with the Board. The Audit and Risk Committee meet not less than three times a year and otherwise as required.

Membership:

Christine Soden, Jeremy Morgan and Sam Fazeli.

Committee Chair:

Christine Soden.

Remuneration Committee

The Remuneration Committee is responsible for executive remuneration and the remuneration packages of individual Directors. This includes agreeing with the Board the framework for remuneration of the Executive Directors and members of the Leadership Team. The Committee is responsible for determining the total individual remuneration packages of each Director including, where appropriate, short and long-term incentive awards and share option grants. No Director is involved in any decision as to their own remuneration. The Remuneration Committee meet not less than three times a year and otherwise as required.

Membership:

Jeremy Morgan, Christine Soden and Sam Fazeli.

Committee Chair:

Jeremy Morgan.

Nomination Committee

The Nomination Committee is responsible for the structure and composition of the Board and its committees, taking into account the balance of skills and diversity. This includes consideration of the appointment and succession planning of Executive and Non-Executive Directors. The Nomination Committee meet each year and as required.

Membership:

Andrew Richards, Christine Soden, Jeremy Morgan, Alan Smith and Sam Fazeli.

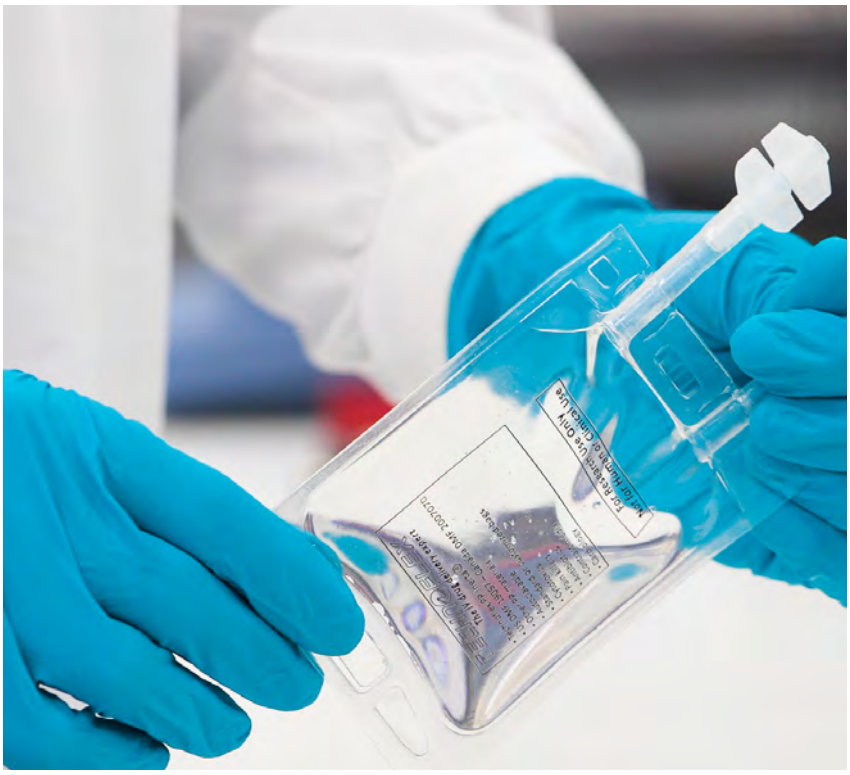
Committee Chair:

Andrew Richards.

Board meetings

The Board meets at least eight times each year or any other time deemed necessary for the good management of the business. They meet at a location agreed between the Board members: face-to-face meetings are held at the Company's premises at Chesterford Research Park when practical.

The number of Board and Committee meetings attended by each of the Directors in the year under review was as follows:



	Board meeting	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Andrew Richards	13			1
Sarah Howell	14	3*	2*	1*
Susan Lowther	5	1*	1*	1*
Sam Fazeli	11	2	4	
Jeremy Morgan	13	2	4	1
Alan Smith	14			1
Christine Soden	14	3	4	1

*Attended at the invitation of the Chair.

Remuneration Committee report

This report provides unaudited disclosures of directors' remuneration required by AIM listed companies. The Remuneration Committee meets at least three times a year and has responsibilities including the following:

- To determine the remuneration for the Executive Directors and certain other senior executives, including pension rights and any termination payments
- To determine the targets and the awards for bonus and share incentive schemes
- To produce the remuneration committee report for inclusion in the annual report

The key principles that underly decisions by the Remuneration Committee include the following:

- The need to attract, retain and motivate high calibre executives to ensure that the Group is managed successfully for the benefit of shareholders
- The need to align the long-term incentive plans ("LTIP") with shareholders' interests

Remuneration summary

	Salary £000	Bonus £000	Pension £000	Benefits £000	2024 £000	Salary £000	Bonus £000	Pension £000	Benefits £000	2023 £000
Sarah Howell	273	136	23	2	434	260	156	23	1	440
Susan Lowther*	122	0	17	1	140	209	93	20	1	323

* See note 8 to the financial statements for details of the separate termination payment to Susan Lowther not included in the above table

Performance-related bonus

Payments under the bonus scheme are at the discretion of the Board as recommended by the Remuneration Committee. No individual makes a decision about their own bonus payment. The maximum bonus that can be awarded to the Executive Director for the 2024 financial year was 100%.

For the year ended December 2024, the Chief Executive Officer was paid a bonus equivalent to 50% of her 2024 base salary in March 2025.

Directors' share options

The Committee believes that granting options secures the long-term motivation of key employees. The Company offers an AESOP share option scheme, and a Long-Term Incentive Plan (LTIP).

LTIP

The LTIP is used to grant options to Executive Directors and members of the Leadership Team at an exercise price which shall be the nominal value of an ordinary share unless the Committee decides otherwise.

LTIP 2021

Options granted under the LTIP 2021 are at an exercise price of £0.01 per share. The LTIP 2021 options have a three-year term, and a performance condition of total shareholder return in relation to the FTSE techMARK Mediscience index over the three-year option term. The LTIP 2021 options are subject to a holding period of one year from the date on which the option vests. Subsequent to the date of grant, the FTSE techMARK Mediscience index was discontinued and the Board agreed to instead measure share price performance for all existing LTIPS against the FTSE AIM All-Share Index. The remaining LTIP 2021 options have all now vested at 100% and Directors are subject to a one year holding period from the date on which vesting occurred.

LTIP 2022-LTIP 2024

Options granted under the LTIP during 2022-2024 are at an exercise price of £0.01 per share. The options have a three-year term. Vesting is subject to meeting defined performance criteria. Firstly, 60% of the total option grant vests one third (or 20%) on each anniversary of the date of grant provided that the total share price performance target in relation to the (now amended) FTSE AIM All-Share Index is achieved. The remaining 40% of the LTIP will vest subject to meeting defined commercial objectives during the three-year option term. The LTIP options are subject to a holding period of one year from the date on which the option vests.

AESOP

All employees are eligible to participate in the AESOP. Share option grants under the AESOP are at the discretion of the Committee and do not include performance conditions.

Non-Executive Directors remuneration summary

	2024 £'000	2023 £'000
Andrew Richards	80	80
Christine Soden	40	40
Jeremy Morgan	40	40
Sam Fazeli	35	35
Alan Smith	35	35

Remuneration paid to Non-Executive Directors is to attract and retain experienced individuals who can advise and assist with establishing and monitoring the strategic objectives.

Fee levels reflect the time, commitment and experience of the Chair and Non-Executive Directors. Fees for the Chair are determined by the Remuneration Committee. Fees for other Non-Executive Directors, as well as any supplementary fee paid to Committee Chairs to reflect their additional responsibilities, are determined by the Board. Non-Executive Directors are not involved in any discussion or decision about their own remuneration.

The remuneration of the Chair and the Non-Executive Directors is payable in cash fees. They do not participate in bonus or share option schemes. Their services do not qualify for pension or other benefits.

Directors' shareholdings

Directors' interests in the shares of the Group, including family and beneficial interests at 31 December 2024 and 31 December 2023 were:

Director	Number of shares held at 31/12/2024	% of total shares in issue	Number of shares held at 31/12/2023	% of total shares in issue
Sarah Howell	884,404	2.34%	867,738	2.83%
Andrew Richards	251,611	0.67%	223,834	0.73%
Alan Smith	203,987	0.54%	181,765	0.59%
Sam Fazeli	143,485	0.38%	115,708	0.38%
Jeremy Morgan	27,169	0.07%	27,169	0.09%
Christine Soden	30,278	0.08%	19,167	0.04%
	1,540,934	**4.08%**	**1,435,381**	**4.66%**

During July 2024, Sarah Howell purchased 16,666 shares, Andrew Richards purchased 27,777 shares, Alan Smith purchased 22,222 shares, Sam Fazeli purchased 27,777 shares and Christine Soden purchased 11,111 shares. All these share purchases took place at 90p per share.

There were no other transactions involving Directors exercising share options, purchasing or selling shares in the year.

Directors' interests in share options

Directors' interests to acquire ordinary shares in the Group are as follows:

	Option Type	Exercise price	Number of options held at 31/12/2024	Number of options held at 31/12/2023
Sarah Howell	AESOP 2021	£2.26	100,000	100,000
Sarah Howell	LTIP 2021	£0.01	240,000	240,000
Sarah Howell	AESOP 2022	£2.45	33,000	33,000
Sarah Howell	LTIP 2022	£0.01	80,000	80,000
Sarah Howell	AESOP 2024	£1.585	66,000	-
Sarah Howell	LTIP 2024	£0.01	320,000	-
			839,000	**453,000**

Sarah Howell had 340,000 options which have vested and are exercisable at 31 December 2024 (2023: nil). No options were exercised in either 2024 or 2023.

Susan Lowther had 190,000 options which have vested and are exercisable at 31 December 2024 (2023: nil). No options were exercised in either 2024 or 2023. There are no options that remain unvested at 31 December 2024.

Jeremy Morgan
Chair of Remuneration Committee

17 April 2025

Audit & Risk Committee report

The responsibilities of the Audit & Risk Committee include the following:

- Review of the Group's financial statements, including compliance with the appropriate accounting standards, before submission to the Board for approval.
- Assessing the Company's internal financial controls and risk management systems.
- Ensuring the adequacy and security of the Company's whistleblowing arrangements, procedures for detecting fraud and the prevention of bribery.
- Considering and making recommendations to the Board in relation to the appointment of the Company's external auditor and assessing the auditor's independence, objectivity and effectiveness.
- Reviewing and approving the provision of non-audit services.

Schedule of meetings and attendance

There were three scheduled meetings in the year which were attended by all members, with time included for the external auditors to raise any issues of concern without any Executive Director being present. The ultimate responsibility for reviewing and approving the annual financial and interim statements remains with the Board.

External auditors

The Committee monitors the external auditor's performance and independence. We consider that the external auditor's relationship with the Company is robust and effective. We concluded the scope of the audit was appropriate and that any significant judgement areas were robustly challenged. We are satisfied that the auditor is independent.

Matters reviewed by the Committee

During 2024 and to the date of this report, the Committee reviewed and approved the financial statements for both the year ended 31 December and the year ended 31 December 2024, the interim results for the six months ended 30 June 2024, and the external auditor's plan for and findings from the 2023 and 2024 external audits. The Committee has further reviewed the material accounting policies and significant accounting judgements in the financial statements of this Annual Report, as well as the Board's going concern assessment, and is satisfied that all of these items have been appropriately prepared and addressed.

Risk and control framework

The Committee has reviewed the internal controls and risk management framework and consider they are appropriate for the relative size and complexity of the Group's activities. We will continue to review the effectiveness of the Group's internal controls including the need for an internal audit function.

Christine Soden
Chair of Audit & Risk Committee
17 April 2025

Directors' report

The Directors present their report and the financial statements and independent auditor's report for the Group and Parent Company for the year ended 31 December 2024.

The Corporate Governance statement on page 31 and the governance section on pages 29 to 42 form part of this report.

Directors

The Directors who were appointed to the Company, were in office during the year and up to the date of signing the financial statements, unless stated, were:

Executive

Sarah Howell
Susan Lowther (resigned 17 July 2024)

Non-Executive

Andrew Richards
Sam Fazeli
Alan Smith
Christine Soden
Jeremy Morgan

Directors' biographies are set out on pages 29 to 30.

No Director had an interest in any contract that was significant to the Group's business during the year.

Principal activities

Details of the Group's current and future trading together with the principal risks and uncertainties are included in the Strategic Report on pages 3 to 27.

The table below summarises other directors' report requirements and where, if applicable, they can be found in this Annual Report.

Item	Description for this item or location in this Annual report
Dividends proposed	None proposed for 2024 (2023: none)
Political donations	None made for 2024 (2023: none)
Qualifying indemnity provisions	Directors' insurance against claims arising in their capacity is in place
Auditor reappointment	Grant Thornton UK LLP will be proposed for reappointment at the next AGM
Events after the balance sheet date	CEO's Review (Strategic Report) – pages 7 to 12
Financial risk management	Principal Risks and Uncertainties (Strategic Report) – page 25
Future developments	Chair's Statement (Strategic Report) – pages 5 to 6
Research & development	CEO's Review (Strategic Report) – pages 7 to 12
Risks & uncertainties	Principal Risks and Uncertainties (Strategic Report) – page 25
Directors' shares held	Directors' Remuneration Report (Corporate Governance) – page 38

Business review

The Strategic Report on pages 3 to 27 is a review of the business and the Group's trading for the year ended 31 December 2024. It also sets out key performance indicators and an outlook of future development and risks. The Strategic Report is part of this Directors' Report.

Financial results and dividend

The Group's loss after tax for the year was £10.2 million (2023: loss £8.6 million). The Directors do not recommend the payment of a dividend (2023: £nil)

Directors' remuneration and interests

Details of the Directors' remuneration and interests in

the share capital of the Group are included in the Directors' Remuneration report on pages 36 to 38.

Research and development

The Group continues to invest in research and development with expenditure of £3.0 million (2023: 5.4 million) in the year. Further details are set out in the Strategic Report.

Information provided to the Independent Auditor

The Directors at the date of approval of this Annual Report confirm that:

- So far as each director is aware, there is no relevant audit-related information of which the Group's Independent Auditor is unaware, and
- Each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Independent Auditor is aware of such information.

Strategic report

The Company has chosen in accordance with the Companies Act 2006, section 414C (11) to set out in the Company's Strategic Report on pages 3 to 27, information required to be contained in the Directors' Report by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7, where not already disclosed in the Directors' Report.

Post balance sheet events

Significant events after the reporting date are set out in Note 30 of the Consolidated Financial Statements.

Independent Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office as Independent Auditor. An ordinary resolution to reappoint Grant Thornton UK LLP and to authorise the Directors to agree the audit fee will be proposed at the forthcoming Annual General Meeting ('AGM').

AGM notice

The AGM of the Company will be held on 2 June 2025. The notice convening the AGM which will confirm details of the AGM format, together with an explanation of the resolutions to be proposed at the meeting, is included in the Notice of Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

Sarah Howell
Chief Executive Officer
17 April 2025

Arecor Therapeutics plc
Chesterford Research Park
Little Chesterford
CB10 1XL

Company registration number:
13331147

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report 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 Group financial statements in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and applicable law including FRS101 "Reduced Disclosure Framework".

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 Group and Parent company and of their profit or loss for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant, reliable and prudent;
- State whether the group financial statements state whether they have been prepared in conformity with UK adopted international accounting standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of the Directors' knowledge:

- the Group financial statements have been prepared in accordance with UK-adopted international accounting standards to give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business, the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face.

Sarah Howell
Chief Executive Officer
17 April 2025

Group consolidated financial statements

In this section:

Independent auditor's report to the members of Arecor Therapeutics plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Arecor Therapeutics plc (the 'Parent company') and its subsidiaries (the 'group') for the year ended 31 December 2024, which comprise the Consolidated income statement, the Consolidated and Company statement of changes in equity, the Consolidated and Company statements of financial position, the Consolidated statement of cash flows and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the Parent company's affairs as at 31 December 2024 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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

We draw attention to note 3 in the financial statements, which indicates the risk of the Group's and the Parent company's ability to continue as a going concern due to the uncertainty around the ability of the Group to raise sufficient funding to meet its forecast costs. As stated in the going concern note, these events or conditions, along with the other matters as set forth in the going concern note, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our evaluation of management's assessment of the entity's ability to continue as a going concern

Our evaluation of the directors' assessment of Group's and the Parent company's ability to continue to adopt going concern basis of accounting, included:

- Discussions with management on their assessment of the Group's and the Parent company's ability to continue as a going concern;
- Obtaining management's going concern assessment for the period to June 2026 which included a base case model, worst-case model, and an understanding of how the forecasts were compiled including any potential mitigants to reduce forecast costs;
- Testing the reliability of management's forecasting by comparing the accuracy of the actual financial performance with forecast information obtained in prior periods and comparing forecast performance with actual performance post year end;
- Challenging the sensitivity analysis performed by management on the key assumptions and estimates to determine the impact of reasonably possible movements and assessing the reasonableness of mitigating actions available to management by agreeing to underlying supporting workings;
- Performing alternative sensitivity analysis to consider a number of additional plausible downside scenarios, to that prepared by management;
- Considering whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken and corroborating key assumptions back to supporting documentation;
- Considering management's assumptions in their plans for the future fund raises and assessing the plausibility of these amounts and timing of these fund raises; and
- Assessing the adequacy of the going concern disclosures included within the strategic report and accounting policies for compliance with the requirements of International Accounting Standard ('IAS') 1 'Presentation of financial statements'.

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the Parent company to cease to continue as a going concern.

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

Overview of our audit approach

Overall materiality:
Group: £530,926, which represents approximately 5% of the group's profit before tax.

Parent company: £292,010 which represents approximately 1.4% of the Parent company's total assets.

In addition to the matter described in the material uncertainty related to going concern section, key audit matters were identified as:

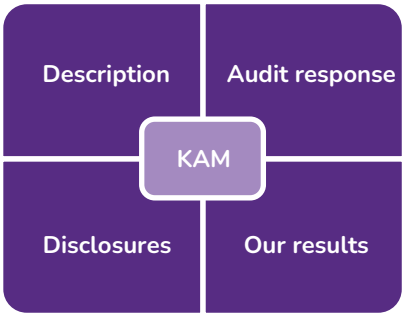
- Impairment of goodwill and acquired intangibles (inclusion of acquired intangibles is new in the year); and
- Valuation of loans receivable from Tetris Pharma Ltd and Arecor Limited (applicable to Parent company financial statements only, the inclusion of Arecor Limited is new in the year).

Our auditor's report for the year ended 31 December 2023 included a key audit matter that has not been reported as a key audit matter in our current year's report. This related to occurrence of contract revenue and completeness of contract liabilities related to open contracts at the year end. The reason for its exclusion in the current year is their size relative to materiality has reduced and therefore the scope for material error is less than in the prior year financial statements.

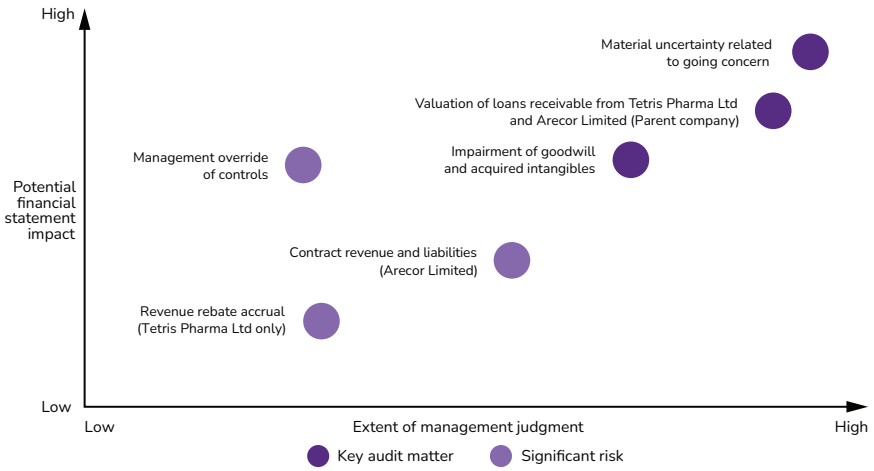
We performed an audit of the entire component financial information of three components based in the United Kingdom (full-scope procedures) using a component performance materiality. We performed specific audit procedures for one component in the Netherlands. This approach is the same as the previous year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matter(s) described below to be the key audit matter(s) to be communicated in our report.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter – Group	How our scope addressed the matter – Group
Impairment of goodwill and acquired intangibles	
We identified impairment of goodwill and acquired intangibles as one of the most significant assessed risks of material misstatement due to error. All goodwill and acquired intangibles within the group relate to the acquisition of Tetris Pharma Limited in 2022. Under International Accounting Standard (IAS) 36 'Impairment of Assets', management is required to perform an impairment test annually for goodwill acquired in a business combination. There is a risk that the carrying value of the goodwill may be higher than the recoverable amount. The process of making the impairment assessment through determination of appropriate inputs to the assessed recoverable amount (including revenue growth, discount rates and long-term growth rates) contains significant judgment and is therefore subject to potential management bias and error. These assumptions can also significantly impact the results of the impairment assessment. At 31 December 2023, the Group had goodwill of £1.5m (2022: £1.5m) and acquired intangibles of £1.8m (2022: £1.9m) recognised on the acquisition of Tetris Pharma Ltd. At 31 December 2024 it was concluded that both balances are wholly impaired and therefore an impairment charge was recognised in the Consolidated income statement as an exceptional item.	In responding to the key audit matter, we performed the following audit procedures: • Evaluated management's assessment of impairment under the 'value in use' model and challenged their assessment of its appropriateness and methodology in line with the requirements of IAS 36; • Evaluated management's judgment that the conditions giving rise to impairment existed at the balance sheet date; • Evaluated the mathematical accuracy of the model and key assumptions including the basis of forecasts, revenue growth rates and discount rates applied; • Assessed management's forecasting accuracy by looking at prior year forecasts versus actuals; and • Tested the accuracy and sufficiency of management's accounts disclosures for compliance with IAS 36.
Relevant disclosures in the Annual Report and Accounts 2024	**Our results**
• Financial statements: Note 15, Goodwill and acquisition of subsidiaries; Note 14, Intangible assets.	Based on our audit work, we did not identify any evidence of material misstatements in relation to the impairment of goodwill and acquired intangibles.

Key Audit Matter – Parent company	How our scope addressed the matter– Parent company
Valuation of loans receivable from Tetris Pharma Ltd and Arecor Limited	
We identified the valuation of loans receivable from Tetris Pharma Ltd and Arecor Limited as one of the most significant assessed risks of material misstatement due to error. At 31 December 2024, the Parent company had a gross intercompany loan receivable from Tetris Pharma Ltd of £9.5m (2023: £6.6m) and Arecor Limited of £18.2m (2023: £13.5m). An expected credit loss provision of £8.9m (2023: £1.6m) was recognised against the loan from Tetris Pharma Ltd and £9.4m (2023: £Nil) against the loan from Arecor Limited. Tetris Pharma Ltd has generated losses in the current and prior year. Actual results in the current year are lower than previously forecast. Hence, there is a heightened risk that the intercompany loan receivable may not be recoverable. For Arecor Limited, changes in the market assessment of the potential future profitability of its underlying intellectual property, as well as further loans made during the year, has increased the risk that the loan made to the entity is not recoverable. IFRS 9 'Financial Instrument' requires management to recognise a loss allowance for expected credit losses on a financial asset, measured at an amount equal to the lifetime expected credit losses, if the credit risk on that financial asset has increased significantly since initial recognition. Management's expected credit loss model includes significant judgements that could lead to a heightened risk of misstatement.	In responding to the key audit matter, we performed the following audit procedures: • Evaluated and challenged management's assessment of the ability of Tetris Pharma Ltd and Arecor Limited to make payment of the full amount by ascertaining if the highly liquid assets at year-end are sufficient to repay the liability and evaluated if the entities have the financial capability to settle the amounts owed; and • Evaluated management's assessment of impairment under the 'expected credit loss' model and tested the underlying assumptions and methodology in line with the requirements of IFRS 9 including appropriate consideration of post-balance-sheet events.
Relevant disclosures in the Annual Report and Accounts 2024	**Our results**
• Parent company financial statement: Note 4 intercompany loan receivable.	• Based on our audit work, we did not identify any evidence of material misstatements in relation to the valuation of the intercompany loan receivable from Tetris Pharma Ltd or Arecor Limited.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

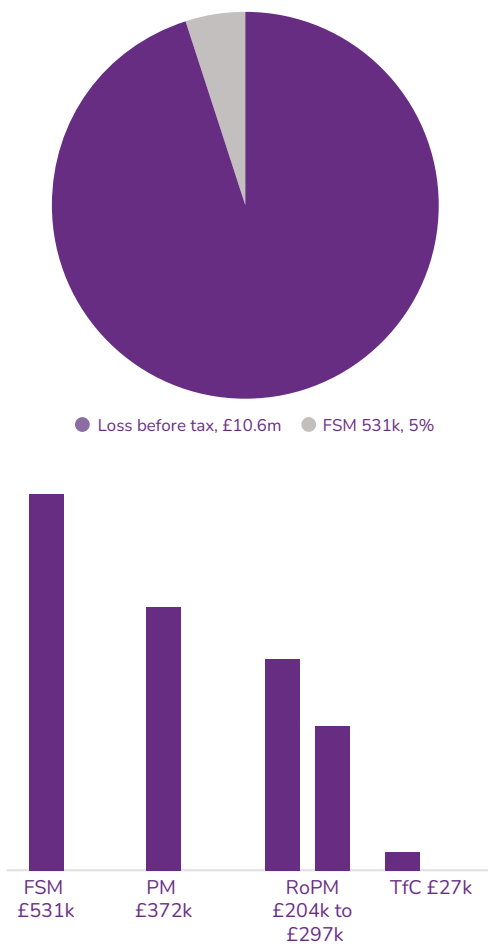
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£530,926 which represents approximately 5% of the Group's loss before tax.	£292,010 which represents approximately 1.4% of the Parent company's total assets
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • We have selected loss before tax as the most appropriate benchmark as the Group is a commercially focused organisation with loss before tax being a generally accepted audit benchmark; • Materiality for the current year is higher than the level that we determined for the year ended 2023 as the result of increasing the benchmark percentage from 4% to 5% as well as the increase in loss for the year. We performed a benchmarking exercise and concluded that 5% was reasonable relative to other companies of a similar size and business stage.	In determining materiality, we made the following significant judgements: • We considered the Parent company's total assets to be the most appropriate benchmark because the entity is a non-trading holding company; • Materiality for the current year is lower than the level that we determined for the year ended 31 December 2023 due to a reduction in the level of total assets.

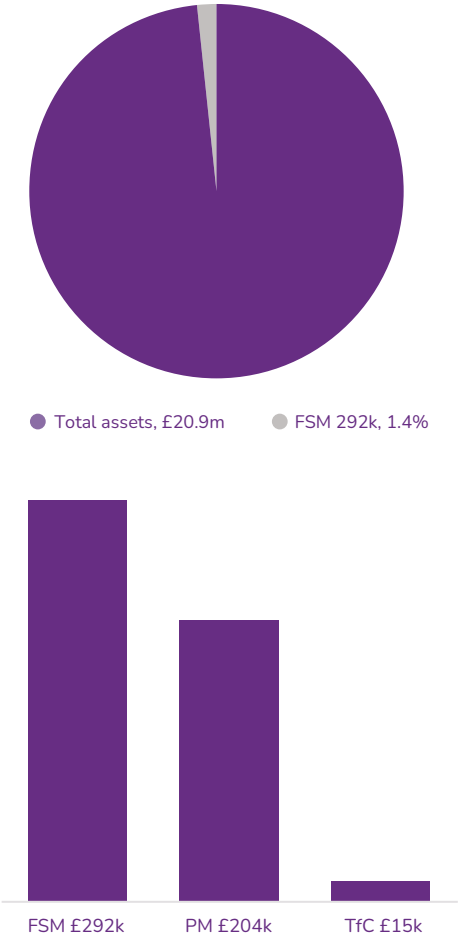
Materiality measure	Group	Parent company
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£282,345 which is 70% of financial statement materiality.	£204,407 which is 70% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • There were no significant adjustments identified in the prior year audit which suggested a lower performance materiality may be necessary; and • The group has a strong governance structure in place considering the size and complexity of the business;	In determining performance materiality, we made the following significant judgements: • That audit adjustments identified in the prior year, which were material, were isolated in nature and did not suggest an increase in the disaggregation or detection risk; and • The entity has a strong governance structure in place considering the size and complexity of the business;
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • Directors' remuneration; and • Related party transactions outside the normal course of business.	We determined a lower level of specific materiality for the following areas: • Directors' remuneration; and • Related party transactions outside the normal course of business.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£26,546 (2023: £18,250), which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£14,600 (2023: £16,500), which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the threshold for communication to the audit committee.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statement materiality, PM: Performance materiality, RoPM: Range of performance materiality at 3 components, TfC: Threshold for communication to the audit committee.

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the Parent company's business and in particular matters related to:

Understanding the group, its components, their environments, and its system of internal control including common controls

Our audit approach was a risk-based approach founded on thorough understanding of the Group's and the Parent company's business, their environment and risk profile. We obtained an understanding of the Group and its environment, including Group-wide controls and assessed the risks of material misstatement at the Group level by performing walkthroughs across our identified risk areas such as management override of control and revenue.

Identifying components at which to perform audit procedures

We identified components at which to perform further audit procedures by considering:

- components which included an individual risk of material misstatement to the group financial statements; this included considering the nature of the individual components and circumstances during the period. Individual risks of material misstatement included, but were not limited to, occurrence and accuracy of revenue, valuation of goodwill and acquired intangibles and management override of controls;
- components which contained a nature and/or size of classes of transactions, account balances or disclosures which were deemed material to the group opinion.

In addition, components were identified for further audit procedures to obtain sufficient appropriate audit evidence for significant classes of transactions, account balances and disclosures, or for unpredictability.

Type of work to be performed on financial information of Parent and other components (including how it addressed the key audit matters)

We performed audits of the component financial information for Arecor Therapeutics plc, Arecor Limited and Tetris Pharma Limited. These audits of component financial information included all of our audit work on the identified key audit matters as described above.

Specified audit procedures over prepayments were performed on the financial information of Tetris Pharma BV, a direct subsidiary of Tetris Pharma Limited based in the Netherlands.

Performance of our audit

The engagement team visited the UK locations of the entities under full-scope audit, as well as the location where the stock is held for Tetris Pharma Limited in order to perform a year-end stock count.

All procedures were performed by the group audit engagement team and no component auditors were involved.

Further audit procedures performed on components subject to specific scope and specified procedures may not have included testing of all significant account balances of such components, but further audit procedures were performed on specific accounts within that component that we, the group auditor, considered had the potential for the greatest impact on the group financial statements either due to risk, size or coverage.

The components within the scope of further audit procedures accounted for the following percentages of the Group's results, including the key audit matters identified:

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage LBT
Full-scope audit	3 (2023: 3)	82% (2023: 91%)	87% (2023: 94%)	90% (2023: 88%)
Specific-scope audit	1 (2023: 1)	18% (2023: 9%)	13% (2023: 6%)	10% (2023: 12%)
Total	4	100	100	100

Other information

The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received 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 directors' responsibilities statement set out on page 42, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Parent company and the Group, and the sector in which they operate, through our commercial and sector experience, making enquiries of management and those charged with governance, inspection of the Parent company's and the Group's key external correspondence. We corroborated our enquiries through our review of board minutes and other information obtained during the course of the audit.

- Through the understanding we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the financial reporting framework, including UK-adopted international accounting standards, the AIM Rules for Companies, the Companies Act 2006, Product Safety (including but not limited to the ABPI Code of Practice) and the relevant taxation regulations in the jurisdictions in which the Parent company and Group operate.
- We obtained an understanding of how the Parent company and the Group are complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures, and the company secretary. We corroborated our inquiries through our review of Board minutes.
- We assessed the susceptibility of the Parent company's and the Group's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to areas of estimation and significant judgement. These include revenue recognition and management override of controls.
- Our audit procedures included:
  - Making enquiries of management concerning the Parent company's and the Group's policies and procedures relating to: the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or noncompliance with laws and regulations.
  - Enquiring with management and those charged with governance whether they were aware of any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual, suspected, or alleged fraud. We corroborated the results of our enquiries to relevant supporting documentation.
  - Challenging significant accounting assumptions, estimates and judgements made by management, including those relevant to the estimation and judgemental areas with a risk of fraud. These areas included potential management bias through revenue recognition and management override of controls.
  - We performed journal entry testing, with a focus on journals indicating large or unusual transactions or account combinations based on our understanding of the business.
  - We gained an understanding of and tested significant identified related party transactions; and
  - We performed audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting framework requirements.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of appropriateness of collective competence and capabilities of the engagement team including consideration of the engagement team's:
  - Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.
  - Knowledge of the industry in which the Parent company and the Group operate; and
  - Understanding of the legal and regulatory requirements specific to the Parent company and the Group.

- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to areas of estimation, areas we have identified as a key audit matter and through management override of controls in the preparation of the financial statements.

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 auditor's report.

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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Hodgekins
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

17 April 2025

Consolidated income statement

for the year ended 31 December 2024

	Notes	31 December 2024 £000	31 December 2023 restated £000
Revenue	5	**5,053**	4,573
Cost of sales		**(3,510)**	(3,322)
Gross profit		**1,543**	1,251
Other operating income	6	**267**	1,142
Research and Development expenses	7	**(3,041)**	(5,401)
Sales, General & Administrative expenses before exceptional items		**(6,178)**	(6,167)
Exceptional items	9	**(3,288)**	-
Total Sales, General & Administrative expenses	7	**(9,466)**	(6,167)
Operating loss		**(10,697)**	(9,175)
Operating loss before exceptional items		**(7,409)**	(9,175)
Other Income		**-**	5
Finance income	10	**101**	284
Finance expense	11	**(22)**	(15)
Loss before tax		**(10,618)**	(8,901)
Loss before tax and exceptional items		**(7,330)**	(8,901)
Taxation credit	12	**382**	347
Loss for the financial year		**(10,236)**	(8,554)
Loss for the financial year before exceptional items		**(6,948)**	(8,554)
Basic and diluted loss per share (£)	13	**(0.31)**	(0.28)

All results presented above are derived from continuing operations and are attributable to owners of the Group.

A statement of other comprehensive income has not been presented as the only item is foreign exchange movements of £120k credit (2023: £12k debit).

The accompanying accounting policies and notes on pages 60 to 83 form an integral part of these financial statements.

Consolidated statement of financial position

At 31 December 2024

	Notes	31 December 2024 £000	31 December 2023 £000
Non-current assets			
Intangible assets	14	**33**	1,812
Goodwill	15	**-**	1,484
Property, plant and equipment	16	**400**	834
Other receivables	17	**55**	77
Total non-current assets		**488**	4,207
Current assets			
Trade and other receivables	17	**3,845**	3,189
Current tax receivable		**654**	458
Cash and cash equivalents	18	**3,239**	5,093
Short-term investments	19	**18**	1,659
Inventory	20	**478**	771
Total current assets		**8,234**	11,170
Current liabilities			
Trade and other payables	21	**(3,069)**	(4,903)
Lease liabilities	22	**(121)**	(118)
Provisions	23	**(66)**	(129)
Total current liabilities		**(3,256)**	(5,150)
Non-current liabilities			
Lease liabilities	22	**(111)**	(220)
Provisions	23	**(6)**	(28)
Deferred tax		**-**	(452)
Total non-current liabilities		**(117)**	(700)
Net Assets		**5,349**	9,527
Equity attributable to equity holders of the Group			
Share capital	25	**378**	306
Share premium account	25	**34,684**	28,976
Share-based payments reserve	25	**1,676**	1,518
Other reserves	25	**11,455**	11,455
Merger relief reserve	25	**2,014**	2,014
Foreign exchange reserve	25	**100**	(20)
Retained losses	25	**(44,958)**	(34,722)
Total equity attributable to equity holders of the Group		**5,349**	9,527

The financial statements of Arecor Therapeutics plc, registered number 13331147, were approved by the Board of Directors and authorised for issue on 17 April 2025.

Signed on behalf of the Board of Directors by:

Sarah Howell
Director

Consolidated statement of changes in equity

for the year ended 31 December 2024

	Share capital £000	Share premium £000	Other reserves £000	Merger relief reserve £000	Share-based payments reserve £000	Foreign exchange reserve £000	Retained losses £000	Total equity £000
Equity as at 1 January 2023	306	28,976	11,455	2,014	893	(8)	(26,181)	17,455
Comprehensive income for the year								
Loss for the year	-	-	-	-	-	-	(8,554)	(8,554)
Foreign exchange movements	-	-	-	-	-	(12)	-	(12)
Transactions with owners								
Reserve transfer	-	-	-	-	(13)	-	13	-
Share-based compensation	-	-	-	-	638	-	-	638
Total transactions with owners	-	-	-	-	625	-	13	638
Equity as at 31 December 2023	**306**	**28,976**	**11,455**	**2,014**	**1,518**	**(20)**	**(34,722)**	**9,527**
Equity as at 1 January 2024	306	28,976	11,455	2,014	1,518	(20)	(34,722)	9,527
Comprehensive income for the year								
Loss for the year	-	-	-	-	-	-	(10,236)	(10,236)
Foreign exchange movements	-	-	-	-	-	120	-	120
Transactions with owners Issue of shares	72	6,345	-	-	-	-	-	6,417
Share issue expenses	-	(637)	-	-	-	-	-	(637)
Share-based compensation	-	-	-	-	158	-	-	158
Total transactions with owners	72	5,708	-	-	158	-	-	5,938
Equity as at 31 December 2024	**378**	**34,684**	**11,455**	**2,014**	**1,676**	**100**	**(44,958)**	**5,349**

The accompanying accounting policies and notes on pages 60 to 83 form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2024

	31 December 2024 £000	31 December 2023 £000
Cash flow from operating activities		
Loss for the financial year before tax	**(10,618)**	(8,901)
Finance income	**(101)**	(284)
Finance costs	**22**	15
Share-based payment expense	**158**	638
Depreciation	**307**	390
Amortisation	**139**	106
Impairment of property, plant and equipment	**163**	-
Impairment of intangible assets	**3,125**	-
Foreign exchange movements	**177**	135
	(6,628)	(7,901)
Changes in working capital		
Decrease in inventories	**293**	360
(Increase) in trade and other receivables	**(634)**	(1,003)
(Decrease)/increase in trade and other payables	**(1,834)**	1,377
(Decrease)/increase in provisions	**(85)**	157
(Increase)/decrease in RDEC receivable	**(267)**	1,169
Net cash used in operating activities	**(9,155)**	(5,841)
Cash flow from investing activities		
Purchase of property, plant and equipment	**(23)**	(151)
Sale of property, plant and equipment	**-**	5
Maturity on short-term investments	**1,641**	6,382
Interest received	**101**	284
Net cash received from in investing activities	**1,719**	6,520
Cash flow from financing activities		
Issue of ordinary shares	**6,417**	-
Share issue costs	**(637)**	-
Repayment of loans	**9**	38
Capital payments on lease liabilities	**(119)**	(203)
Interest paid on lease liabilities	**(22)**	(15)
Net cash generated from financing activities	**5,648**	(180)
Net (decrease)/increase in cash and cash equivalents	**(1,788)**	499
Exchange losses on cash and cash equivalents	**(66)**	(171)
Cash and cash equivalents at beginning of financial year	**5,093**	4,765
Cash and cash equivalents at end of financial year	**3,239**	5,093

The accompanying accounting policies and notes on pages 60 to 83 form an integral part of these financial statements.

Notes to the consolidated financial statements

1. General information

Arecor Therapeutics plc ("Arecor" or the "Company") is a public limited company registered in England and Wales at Chesterford Research Park, Little Chesterford, Saffron Walden, CB10 1XL with registered number 13331147.

The principal activity of the Company is to act as a holding company. The Company has two wholly owned trading subsidiaries; Arecor Limited and Tetris Pharma Ltd (together with the Company, the "Group"). The Group's principal activity is research and development, given the announced cessation of the Tetris Pharma operations during 2025.

2. Adoption of new and revised standards

New and amended accounting standards that are mandatorily effective for the current year.
The following new and amended standards and interpretations were applied during the year. They have not had a significant impact on the consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)

New and amended accounting standards that have been issued but are not yet effective.
The following new or amended standards and interpretations are applicable in future periods but are not expected to have a significant impact on the consolidated financial statements.

Effective for periods beginning on or after 1 January 2025:

- Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)
- IFRS 18 'Presentation and Disclosure in Financial Statements'
- FRS 19 'Subsidiaries without Public Accountability: Disclosures'

3. Significant accounting policies

Basis of preparation
The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and applicable law, including the requirements of the Companies Act 2006.

The Directors have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and applicable law, including the requirements of the Companies Act 2006.

The financial information has been prepared using the historical cost convention and under the assumption that the Group operates on a going concern basis. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. They have been consistently applied to the periods presented, unless otherwise stated. The consolidated financial statements are presented in Sterling.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and the subsidiaries at 31 December 2024. All subsidiaries have a reporting date of 31 December.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Specifically, the results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

Operating segments
The Directors have considered the reporting of operating segments in line with IFRS 8 – Operating Segments and believe that there is only one reporting unit within the Group. The chief operating decision maker reviews the operating results at a group consolidated level.

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date. This is the date at which control is transferred to the Group. The consideration transferred for the acquisition is the fair value of any equity interests issued by the Group. Identifiable assets and liabilities assumed in the business combination are measured at their fair value at the date of acquisition. This includes the value of any intangible assets generated that could not previously be recognised by the entity pre-acquisition.

The Group measures goodwill at the date of acquisition as the fair value of the consideration less the recognised net amount of the identifiable assets and liabilities acquired. Costs related to the acquisition other than those associated with the issue of equity in the Group are expensed as they are incurred.

Investments in subsidiaries
Investments in subsidiaries owned by the Company are included at cost less any accumulated impairment charges.

Exceptional items
Exceptional items are disclosed separately in the financial statements, where it is necessary to do so to provide further understanding of the financial performance of the Group. These are items that are material, either because of their size or nature, or that are non-recurring.

Going Concern
During the year ended 31 December 2024, the Group incurred an operating loss of £10.7 million and cash used in operating activities was £9.2 million. As a clinical stage biotech Group, Arecor has incurred net operating losses since inception and expects such losses in future periods. At 31 December 2024, the Group's retained losses were £45.0 million and it held £3.3 million of cash and short-term investments.

The £9.2 million cash used in operating activities in 2024 included £3.2 million used by Tetris Pharma. The Tetris Pharma expenditure is winding down in 2025 and is expected to be below 50% of the prior year expenditure. As previously purchased inventory is sold, it is expected that Tetris Pharma will be cash positive in 2025. Research & Development expenditure totalled £3.0 million in 2024. The majority of external research and development expenditure is not committed, and the timing and extent of uncommitted expenditure afford significant flexibility in the allocation of resources.

The Group finances its operations through share issuances and partnering revenue. In the second half of 2024, the Group raised £5.8 million in net proceeds from issuances of shares.

The Group's base case cash flow forecast suggests that it could continue to operate with cash currently held until March 2026, which is less than a year from the date of approval of these financial statements. Therefore, the Group will need to raise additional funding in or before Q1 2026 under the base case. The Group also performed a worst-case analysis where revenues decreased by 15% over the period (versus the base case), suggesting that it could continue to operate with cash currently held until January 2026, requiring Arecor to raise additional funding in or before Q1 2026. While the Group has historically succeeded in securing further cash, financing from share issuances and partnering revenue is dependent on market conditions and the decisions of the Group's existing shareholders, potential

investors, and existing or future potential partners. These stakeholders and potential receipts are not controlled by the Group, and material uncertainties therefore exist which may cast significant doubt on its ability to continue as a going concern. Since these options continue to represent realistic and effective sources of future financing which, despite the uncertainty, would ensure the Group and Company have sufficient funds to continue operating for at least a year, the Board has prepared the financial statements on a going concern basis.

Revenue

Revenue is measured based on the consideration that the Group expects to be entitled to in exchange for transferring promised goods and services. Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. In accordance with IFRS 15 – Revenue from Contracts with Customers, the following five-steps are applied:

- identify contracts with customers;
- determine performance obligations arising under those contracts;
- set an expected transaction price;
- allocate that price to the performance obligations; and then
- recognise revenues as and when those obligations are satisfied.

Formulation development (revenue recognised from contracts with partners – over time)

Revenue from the performance of formulation development projects is recognised as the performance obligation defined in a contract is performed over time. Possible performance obligations can include, but are not exclusively limited to, completion of method development and pre-formulation activities, completion of rounds of formulation optimisation, or completion of stability studies. The progress of the work is dictated by project phases, hence time passed best indicates the stage of completion of a service performed over time, over the life of each element of the contract.

The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Transaction prices are determined based on prices agreed in each contract negotiated with each customer. This includes the allocation of the whole contract price between each distinct performance obligation within each contract.

The types of contracts entered by the Group do not include any obligations for returns or refunds, nor are warranties offered relating to the work performed.

None of the practical expedients in IFRS 15 have been applied.

Licence agreements (revenue recognised from contracts with partners – at a point in time)

Revenue from licence agreements, where it has been assessed as giving the right to use the underlying intellectual property, is recognised at the granting of the licence.

If a licence includes variable consideration, typically in the form of milestone payments, revenue is recognised when a milestone is achieved.

Royalty income (revenue recognised from contracts with partners – over time)

Following the grant of a licence for the intellectual property relating to a formulation developed by Arecor Limited, royalties are due on the sale of any product that incorporates that formulation. Royalties are sales-based variable consideration relating to the grant of the license that are recognised in the period that the licensee makes the sale.

Product sales (sale of pharmaceuticals)

Product sales are recognised when the rights and obligation pertaining to those items are transferred to the buyer. This is either on dispatch of the goods from the warehouse, or on an ex-works basis where the goods are available for the collection by the customer or their designated courier. When the Group acts as principle for product sales, revenue is recognised as the invoiced amount, net of any rebates, discounts or expected returns. When the Group acts as an agent for product sales, revenue is recognised as the share of the profit that the Group is entitled to as designated in the agreement with the principle.

Other income - Government grants

The Group receives UK government grants for research work. Grants are agreed for named projects, offering reimbursement of specified costs incurred on these projects. The grants are paid after each grant reporting period when the claim is submitted, and there are no clauses requiring the Group to repay any amounts as the funding is cost-based rather than outcome-based. The administering body has the right to request information on any items within each grant claim and to request an Independent Auditor's report. There are no clawback provisions relating to the grants as they are not paid until after the relevant expenditure has been incurred and agreed, and this is the only condition.

Revenue-based grants have been credited to the statement of comprehensive income in the period to which they relate and reported as other income.

Other income - Government Research and Development Expense Credit (RDEC)

Where research and development expenditure is incurred that is not eligible under the small and medium-sized enterprise (SME) tax relief scheme but is eligible under the UK Government RDEC scheme, the associated gross income is presented as other income in the Income Statement and other receivables within current assets in the statement of financial position. The corresponding tax payable on this income is included within the tax charge.

Research and development

Research and development costs are expensed in the period in which they are incurred.

Internally generated development costs are not recognised as an intangible asset prior to obtaining marketing approval due to the regulatory requirements and other uncertainties involved in obtaining such product approval.

Share-based payments

The Group operates equity-settled share-based compensation plans. Where options have been granted to employees, the fair value of the share-based payments is measured at the grant date and charged to the statement of comprehensive income over the vesting period. Further details on share-based payments are provided in note 26.

Intangible assets

Purchased Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Licenses capitalised on the acquisition of a subsidiary are measured at fair value using an income approach that calculates the present value of excess earnings over the license period at date of acquisition.

The annual rate of amortisation for each class of intangible asset is:

Category	Period
Patents	Straight line over their estimated useful life (18 years)
Licenses capitalised on acquisition	Straight line over the life of the license
Software	Straight line over 5 years

Goodwill arising on acquisition

Goodwill represents the excess of the fair value of the cost of acquisition of a business over the fair value of the assets and liabilities acquired by the Group at the date of acquisition.

Assets are grouped into cash generating units, which are defined as the smallest group of assets that generate independent cash inflows to the other assets of the Group. Goodwill is allocated to the cash generating units which represent the lowest level at which management controls the related cash inflows.

Goodwill is tested annually for impairment or when events or changes in circumstances occur that indicate that the carrying amount of the Goodwill may not be recoverable. An impairment loss is recognised for a cash generating unit if, and only if, the recoverable amount of the unit is lower than the carrying amount of that unit. The value of the impairment will be equal to the amount the carrying value of the cash generating unit exceeds the recoverable amount of that unit.

Impairment costs recognised against a cash generating unit to which goodwill has been allocated, are charged against the carrying amount of the goodwill.

Property, plant and equipment

Property, plant and equipment is stated at cost on acquisition less depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life. The residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

The annual rate of depreciation for each class of depreciable asset is:

Category	Period
Leasehold improvements	Straight line over term of building lease
Right of use lease assets - premises and equipment	Straight line over term of asset lease
Other equipment	Straight line over 3 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Inventory

Inventory is stated at the lower of cost or net realisable value, being the estimated selling price less costs to complete and sell. Products for resale and raw materials are initially recorded at cost. When inventory is sold, the capitalised costs are expensed. Where provisions are made in respect of obsolete or slow-moving items, the net stock value is stated.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for trade receivables (which do not contain a significant financing component) that are initially measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable - this is not permitted for financial assets at fair value through profit or loss: instead, transaction costs are expensed as incurred).

Financial assets are classified into the following categories:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI).

In the periods presented, the Group does not have any financial assets categorised as FVOCI or FVTPL.

Trade receivables

The Group recognises a receivable when they have the right to an amount of consideration that is unconditional. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

They are initially recognised at fair value and measured after initial recognition at amortised cost using the effective interest method, less any impairment loss.

Subsequent measurement of financial assets
Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions:

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, and trade and other receivables fall into this category of financial instruments.

Impairment of financial assets
In relation to the impairment of financial assets, IFRS 9 – Financial Instruments requires an expected credit loss model to be applied. The expected credit loss model requires the Group to account for expected credit losses (ECL) and changes in the ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. For the purposes of this calculation, default is considered if there is no longer a reasonable expectation that the balance is recoverable. This is determined by considering the payment history and current financial status of the customer as well as the wider economic environment at the time. The exact circumstances of this may vary, so expected credit loss is considered on a case-by-case basis for each customer.

IFRS 9 requires the Group to recognise a loss allowance for ECL on trade receivables. The Group's trade receivables are grouped into 30-day periods and are assessed for impairment based on experience of write-offs for each age of balance to predict lifetime ECL, applying the simplified approach set out in IFRS 9. The segmentation used is reviewed periodically to ensure it is still appropriate. At present, all receivables are assessed as having the same risk profile hence grouping is only by age to establish whether an impairment should be recognised.

Classification and measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and other payables, and derivatives.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives, which are carried subsequently at fair value with gains or losses recognised in the statement of comprehensive income.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of comprehensive income are included within finance costs or finance income.

Leases
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Taxation
Current taxation
Current taxation for the Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

The Group takes advantage of Research and Development tax incentives offered by the UK Government. The value of these incentives reclaimable at 31 December each year is calculated and presented as a current asset in the statement of financial position and a credit in the income statement.

Deferred taxation

Deferred taxation is calculated based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the historical financial information. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not recognised. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year-end date. All differences are taken to the statement of comprehensive income.

The individual financial statements of each group company are prepared in its own functional currency. For the purposes of the Group consolidated financial statements, the financial performance and financial position of each company is converted to pounds sterling, the functional currency of the Group, and the presentation currency for the Group financial statements. For companies within the Group that do not use pounds sterling as the functional currency, income and expenditure is converted using an average rate for the period. Assets, liabilities, equity and reserves are converted at the reporting date rate. The financial statements are presented in round thousands.

Equity

Equity comprises the following:

- “Share capital” represents amounts subscribed for shares at nominal value
- “Share premium” represents amounts subscribed for share capital, net of issue costs, in excess of nominal value
- “Share-based payment reserve” represents the accumulated amounts credited to equity in respect of options to acquire ordinary shares in the Company
- “Other reserves” represents the merger reserve generated upon the acquisition of Arecor Limited on 24 May 2021
- “Merger relief reserve” represents the merger reserve generated upon the acquisition of Tetris Pharma Ltd on 4 August 2022
- “Retained earnings / losses” represents the accumulated profits and losses attributable to equity shareholders

Prior-Period restatement

Per IAS1, the Income Statement can be presented using either the ‘nature of expense’ method or the ‘function of expense’ method. These consolidated financial statements use the ‘function of expense’ method: however, this requires the separation of cost of sales from other expenses within the Income Statement. This separation was not shown in prior years and therefore the restatement of the prior year comparatives is a material prior-period error.

The restated Income Statement for the year ended December 2023 discloses a cost of sales of £3,322k (prior: £ nil). The sales, general and administrative expenses line is restated to £6,167k (prior: £8,913k) and the research and development expenses line is restated to £5,401k (prior: £5,977k). There was no impact to the loss before tax or the loss after tax, and no impact to the balance sheet brought forward.

Cost of sales includes all costs directly attributable to the sale of products (purchased finished goods, raw materials, packaging, and freight). They also include staff costs directly attributable to partnered formulation development revenue.

4. Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements

The preparation of financial information in conformity with generally accepted accounting practice requires Directors to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

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.

The following are the significant judgements and key sources of estimation uncertainty used in applying the accounting policies of the Group that have the most significant effect on the historical financial information:

Impairment of goodwill and intangible assets

As required by IAS 36 – Impairment of Assets, goodwill is reviewed and tested for impairment each year. The value in the use of the cash generating unit to which the goodwill is associated are calculated and compared to the carrying value of the assets. This requires management to estimate the present value of future cashflows by applying an appropriate discount rate on the estimated future performance of the cash generating unit. For goodwill generated on the acquisition of Tetris Pharma Ltd, a review of the carrying value of the assets has been performed and at the reporting date the goodwill was fully impaired. The key reason for impairment was that the financial performance for Tetris Pharma Ltd remained significantly below expectations and this led management to decide that volumes would not be able to be sold at levels that would make the entity profitable. On 9 January 2025, Arecor Therapeutics plc decided to cease operations within the Group's subsidiary Tetris Pharma during 2025.

The valuation of the intangibles principally reflects the license and distribution agreement for Ogluo® in the UK and Europe less any deduction required following any annual impairment review. Given the performance of Tetris Pharma Ltd mentioned above, it was decided that the intangible assets were fully impaired.

Details of the specific assumptions used in the current review are provided in Note 15.

Revenue recognition for formulation development (revenue recognised from contracts with partners – over time)

The Group has identified three key areas of judgement within the partner agreements. Firstly, in relation to the number of distinct performance obligations contained within each collaboration agreement; secondly the fair value allocation of revenue to each performance obligation based on its relative stand-alone selling price; and thirdly the timing of revenue recognition based on the achievement of the relevant performance obligation.

The judgements with regards to the number of distinct performance obligations and the fair value allocation of revenue to each performance obligation, based on relative stand-alone selling price, takes place on a contract-by-contract basis across numerous contracts entered into by the Group. As these judgements take place across numerous contracts, each with different characteristics, it is not practical to provide a quantitative analysis of the impact of applying different judgements, and the Directors do not believe that disclosing a range of outcomes resulting from applying different judgements provides meaningful information to the reader of the financial statements. Consequently, no quantitative analysis has been provided for these judgements.

Key sources of estimation uncertainty

Share-based payments

During the year, the Group has granted share options to staff. These options have no other requirements than the employees continuing to be employed by the Company until the option vesting date. These options were valued using the Black-Scholes model.

The Group also granted Long-Term Incentive Plan (LTIP) options to the Leadership Team which include specific performance criteria. The fair value of these options was calculated using a Monte Carlo simulation model.

Estimates and judgements are used in the calculation of share-based payments. This includes the future volatility of the share price and the use of an appropriate interest rate. Within the active LTIP agreements, there is also a performance obligation for the signing of a significant commercial deal. Depending on the duration of the vesting period remaining, this percentage ranges from 15%-55% on a sliding scale. If this was amended to 100% for all schemes, then there would have been a further charge to the Income Statement of £148k in the year. If this was amended to 0% for all schemes, then the current charge to the Income Statement would have been reduced by £45k in the year. Management do not believe that there is a significant risk of a material adjustment in the next 12 months.

IFRS 2 – Share-based Payment states that at the date of grant, both the entity and the counterparty must have a shared understanding of the terms and conditions of the arrangement. Accordingly, the share price of the previous trading day is used as the exercise price in the option grant, so that the value can be verified.

In addition to the share-based payment, an associated provision is posted related to the corresponding employers national insurance liability that will become due on exercise. These provisions are reviewed and updated annually to reflect the expected charge based on the movement of the share price between the reporting dates and the progression of the options towards vesting (in both time and probability of vesting).

5. Revenue and operating segments

The geographic analysis of the Group's revenue is as follows:

	31 December 2024 £000	31 December 2023 £000
UK	**2,884**	2,893
Switzerland	**618**	488
Germany	**598**	332
Netherlands	**433**	-
Italy	**54**	274
USA	**466**	556
India	**-**	30
	5,053	4,573

The geographic analysis of the Group's non-current assets is as follows:

	31 December 2024 £000	31 December 2023 £000
UK	**488**	4,075
Netherlands	**-**	132
	488	4,207

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. Information reported includes revenue, expenditure by type and department, cashflows and EBITDA for the Group.

The Board of Directors has been identified as the chief operating decision makers and is responsible for allocating resources, assessing the performance of the operating segment and making strategic decisions. Accordingly, the Directors consider there to be a single operating segment.

	31 December 2024 £000	31 December 2023 £000
Sales of pharmaceuticals	**3,410**	2,941
Revenue recognised from contracts with partners – at a point in time	**125**	683
Revenue recognised from contracts with partners – over time	**1,518**	949
Total revenue	**5,053**	4,573

For the year ended 31 December 2024, revenue includes £231,747 (2023: £205,879) included in the contract liability balance at the beginning of the period.

Pharmaceutical sales are limited to a small number of pre-wholesalers in each territory who then sell on to a larger number of wholesalers. With respect to partner revenue, four customers each contributed more than 10% of the partnership revenues respectively £618,994 (38%), £257,131 (16%), £229,667 (14%) and £198,800 (12%) (2023: three customers, £396,453 (24%), £274,248 (17%), and £204,586 (13%)).

At 31 December 2024, the balance of receivables due from contracts with partners totalled £0.5 million (2023: £0.6 million). At the reporting date, the aggregate amount of revenue remaining to be recognised on signed agreements totalled £0.6 million (2023: £0.7 million) This balance is forecast to be recognised during 2025. Formulation Development projects are split into discrete phases where customers pay in advance for each phase. The payment terms are specific to the customer and can extend up to 60 days from receipt of invoice.

6. Other operating income

	31 December 2024 £000	31 December 2023 £000
Grant Income	**-**	1,028
RDEC Claim	**267**	114
	267	1,142

Other operating income totalled £0.3 million (2023: £1.1 million). The Government R&D Expenditure Scheme ("RDEC") income of £0.3 million was a £0.2 million increase (2023: £0.1 million) offset by a fall in grant income from £1.0 million to zero. The 2024 RDEC income includes a £0.1 million increase to the 2023 calculated income.

7. Operating loss

	31 December 2024 £000	31 December 2023 £000
Operating loss is stated after charging:		
Audit fees (see below)	**297**	278
Non-audit services	**13**	12
Audit of grant claims – Other professional services	**-**	4
Depreciation of property, plant and equipment:		
- Owned assets	**182**	198
- Right of use assets under leases	**125**	192
Amortisation of intangible assets	**139**	106
Foreign exchange gains	**177**	135
Directors and employee costs (Note 8)	**4,349**	5,071

Auditors' remuneration

	31 December 2024 £000	31 December 2023 £000
Audit of the Group and Parent Company accounts	**104**	68
Audit of the accounts of the Company's subsidiaries by the Group auditors	**121**	112
Audit fees for the current year	**225**	180
Additional audit fees for the prior year	**72**	98
Total audit fees	**297**	278
Non-audit services	**13**	12
Total non-audit fees	**13**	12

8. Remuneration of Directors and employees

The aggregate remuneration of persons (including Executive Directors) employed by the Group during the period was:

	31 December 2024 £000	31 December 2023 £000
Wages and salaries	**3,583**	3,793
Share-based payments	**158**	638
Social security	**398**	433
Pension costs	**210**	207
	4,349	5,071

The average monthly number of persons (including Directors) employed by the Group during the period was:

	31 December 2024 Number	31 December 2023 Number
Research, Development and Operations	**24**	30
Sales, General and Administration	**13**	13
Executive and Non-Executive Directors	**7**	7
	44	50

Directors' remuneration for Companies Act purposes amounts to:

	31 December 2024 £000	31 December 2023 £000
Emoluments and fees for qualifying services	**762**	951
Compensation for loss of office	**119**	-
Company contributions to money purchase pension schemes	**41**	39
	922	990

Remuneration of the highest paid Director

	31 December 2024 £000	31 December 2023 £000
Emoluments and fees for qualifying services	**410**	415
Company contributions to money purchase pension schemes	**24**	23
	434	438

Full details of Director's remuneration can be found within the Remuneration Committee Report on pages 36 to 38.

Remuneration data for the Directors in the current and prior year reflects total amounts paid for services relating to Arecor Therapeutics plc and its subsidiaries.

Remuneration of Key Management Personnel including Directors which is included in staff costs:

	31 December 2024 £000	31 December 2023 £000
Short-term employment benefits	**1,768**	1,926
Termination benefits	**119**	-
Post-employment benefits	**100**	79
Share-based payments	**130**	620
	2,117	2,625

Key Management Personnel consists of the Executive Directors and the Leadership Team.

Share-based payment charges included charges for non-approved LTIP options. Under the terms of the option agreements, the option holder will be liable for any employer's national insurance payments due by the company upon exercise of the option. These payments due are shown as current and non-current receivables within Trade and other receivables.

There are termination payments for Susan Lowther of £119k included above.

There were two Directors (2023: two) to whom retirement benefits accrued under money purchase schemes.

9. Exceptional items

	31 December 2024 £000	31 December 2023 £000
Impairment of goodwill	**1,484**	-
Impairment of intangible assets (licences)	**1,641**	-
Impairment of property, plant and equipment	**163**	-
	3,288	-

As per the requirements of IAS 36, Impairment of Assets, the Group considers on an annual basis the carrying value of its assets against the recoverable amount.

The recoverable amount for assets relating to Tetris Pharma Ltd were determined by comparing the discounted future free cash flows of the company against the carrying value of the assets. As detailed within note 15, these key assumptions for Tetris Pharma Ltd include the level of sales and sales growth, the gross margins obtainable for Ogluo® in the different products and territories and assumptions surrounding the discount rates and terminal growth rates that drive the models. In assessing what were considered the most likely outcomes to a range of scenarios, Management is of the opinion that the non-current assets in Tetris Pharma Ltd were not recoverable and were therefore impaired in full. This impairment was recognised as a loss in through the Income Statement.

Prior to the impairment there was a deferred tax liability of £421k which related to the licences of £1,641k. This liability has been released and is recognised within the taxation line in the Income Statement.

10. Finance income

	31 December 2024 £000	31 December 2023 £000
Bank interest received	**100**	283
Other interest received	**1**	1
	101	284

11. Finance expense

	31 December 2024 £000	31 December 2023 £000
Lease interest	**22**	15
	22	15

12. Taxation

	31 December 2024 £000	31 December 2023 £000
Loss before tax	**(10,618)**	(8,901)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.00% (2023: 23.50%)	**(2,655)**	(2,092)
Tax effects of:		
Expenses not deductible for tax purposes	**1,255**	443
Enhanced R&D relief	**(200)**	(380)
Surrender of losses at a different rate of tax from R&D tax credits	**260**	403
Prior period adjustment to R&D tax credits	**213**	40
Unrecognised deferred tax	**1,167**	1,271
Origination and reversal of timing differences	**(422)**	(32)
Total tax (credit)	**(382)**	(347)

The group is eligible for UK SME Research and Development tax credits and Research and Development Expenditure Credit for the year. Tax credits relating to the SME scheme are recognised within the total tax above, and the Expenditure Credit is recognised within Other Income. Changes in the rates and available schemes for Research and Development incentives provided by the UK Government will impact the future tax charges/credits.

At 31 December 2024, the Group has accumulated tax losses of £30,272,586 (2023: £25,384,567). No deferred tax asset was recognised in respect of these accumulated tax losses due to uncertainty regarding the timing of recoverability in future years (2023: none). Under UK tax law currently enacted, the accumulated tax losses are not limited by an expiry date.

There are no future factors at the reporting date that are expected to impact the Group's future tax charge. The Group is not within the scope of the OECD Pillar Two model rules.

13. Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The diluted loss per share is considered to be the same as the basic loss per share. Potential dilutive shares are not treated as dilutive where they would result in a loss per share.

	31 December 2024 £	31 December 2023 £
Loss per share from continuing operations	**(0.31)**	(0.28)

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	31 December 2024 £000	31 December 2023 £000
Loss used in the calculation of total basic and diluted loss per share	**(10,236)**	(8,554)

Number of shares	31 December 2024 Number	31 December 2023 Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**33,439,766**	30,622,622

14. Intangible assets

	Patents £000	Licenses £000	Software £000	Total £000
Cost				
At 1 January 2023	150	1,933	48	2,131
Additions	-	-	-	-
At 31 December 2023	150	1,933	48	2,131
Additions	-	-	-	-
At 31 December 2024	**150**	**1,933**	**48**	**2,131**
Amortisation				
At 1 January 2023	128	83	2	213
Charge for the year	8	89	9	106
At 31 December 2023	136	172	11	319
Charge for the year	8	121	10	139
Impairment for the year	-	1,640	-	1,640
At 31 December 2024	**144**	**1,933**	**21**	**2,098**
Net book value				
At 31 December 2023	14	1,761	37	1,812
At 31 December 2024	**6**	**-**	**27**	**33**

Amortisation is recognised within administrative expenses. Impairment is disclosed within exceptional items.

Patents are amortised over the period of the patent life (0.8 years remaining). Software is amortised over 5 years (3.1 years remaining), which is considered to be the useful life.

As per the requirements of IAS 36, Impairment of Assets, the Group considers on an annual basis the carrying value of its assets against the recoverable amount. It was decided that an impairment of £1,640k (2023: £ nil) would be recognised on the sale and distribution licences that related to Tetris Pharma Ltd. The licences are included in the Tetris Pharma Ltd cash generating unit, further information regarding this is included in note 15.

15. Goodwill

	31 December 2024 £000	31 December 2023 £000
Goodwill on the acquisition of Tetris Pharma Ltd	-	1,484
	-	1,484

The goodwill arising at the date of acquisition has been tested for impairment. The recoverable amount of goodwill has been calculated based on their value in use with key assumptions including sales levels and projected sales growth, the gross margins obtainable for the different products and territories and assumptions surrounding the discount rates and terminal growth rates that drive the models. The discount rates have been estimated using pre-tax Weighted Average Costs of Capital (WACC) that reflect the current market assessments of the time value of money. The primary reason for movements in these rates between years is the movement in the underlying risk-free rate (defined as the UK Government 30-year bond yield). Sales forecasts and margin expectations are the latest forecasts being used by Tetris Pharma Ltd that have been approved by the Board.

The key assumptions for the cash generating unit are as follows:

Key assumption	31 December 2024	31 December 2023
Pre-tax WACC	**15%**	13%
Terminal Growth	**2%**	2%
Revenue Growth	**16%**	34%
Average Gross Margin	**18%**	27%

Following a value in use assessment, management decided that an impairment of £1,484k (2023: £ nil) was required due to the recoverable amount being £ nil.

The key reason for impairment was that the financial performance for Tetris Pharma Ltd remained significantly below expectations and this led management to decide that volumes would not be able to be sold at levels that would make the entity profitable. The goodwill is included in the Tetris Pharma Ltd cash generating unit and it was impaired in full (£1,484k). This is recognised within exceptional items in the Income Statement.

16. Property, plant and equipment

	Leasehold improvements £000	Right of use assets - Premises £000	Right of use assets - Equipment £000	Other equipment £000	Total £000
Cost					
At 31 December 2022	103	671	256	1,168	2,198
Additions	40	274	-	111	425
Disposals	-	(142)	-	(97)	(239)
At 31 December 2023	**143**	**803**	**256**	**1,182**	**2,384**
Additions	15	8	5	8	36
Transfers	-	-	(245)	245	-
At 31 December 2024	**158**	**811**	**16**	**1,435**	**2,420**
Depreciation					
At 31 December 2022	83	424	220	633	1,360
Charge for the year	23	165	27	175	390
Disposals	-	(108)	-	(92)	(200)
At 31 December 2023	**106**	**481**	**247**	**716**	**1,550**
Charge for the year	16	116	9	166	307
Impairment	-	41	-	122	163
Transfers	-	-	(245)	245	-
At 31 December 2024	**122**	**638**	**11**	**1,249**	**2,020**
Net book value					
At 31 December 2023	37	322	9	466	834
At 31 December 2024	**36**	**173**	**5**	**186**	**400**

As per the requirements of IAS 36, Impairment of Assets, the Group considers on an annual basis the carrying value of its assets against the recoverable amount. It was decided that an impairment of £163k (2023: £ nil) would be recognised on the property, plant and equipment that related to Tetris Pharma Ltd. The property, plant and equipment are included in the Tetris Pharma Ltd cash generating unit, further information regarding this is included in note 15.

17. Trade and other receivables

Non-current receivables	31 December 2024 £000	31 December 2023 £000
Amounts receivable from employees	**6**	27
Other receivables	**49**	50
	55	77

Current receivables	31 December 2024 £000	31 December 2023 £000
Trade receivables	**2,531**	2,268
Other receivables	**37**	102
Amounts receivable from employees	**66**	129
Accrued income	**240**	87
Accrued grant income (other operating income)	**-**	280
Prepayments	**971**	323
	3,845	3,189

Amounts receivable from employees relates to employers NIC on unapproved LTIP share options that will be reclaimable from the employee upon exercise of the options.

A credit loss assessment has been performed, and management have concluded that no expected credit losses exist in relation to the Group's receivables at the end of the reporting period (2023: £ nil)

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and according to the geographical location of customers.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

18. Cash and cash equivalents

	31 December 2024 £000	31 December 2023 £000
Cash at bank (GBP)	**3,068**	4,299
Cash at bank (USD)	**25**	570
Cash at bank (EUR)	**146**	224
	3,239	5,093

At the reporting date all significant cash and cash equivalents were deposited in the UK with large international banks.

19. Short-term investments

	31 December 2024 £000	31 December 2023 £000
Short-term investments held in notice accounts	**18**	1,659
	18	1,659

20. Inventory

	31 December 2024 £000	31 December 2023 £000
Finished goods or goods for re-sale	**443**	479
Goods for packaging and packaging materials	**35**	258
Bulk pharmaceutical materials	**-**	34
	478	771

Finished goods, goods for re-sale and goods for packaging relate to pharmaceutical products sold by Tetris Pharma Ltd.

During the year £2,786k of inventory was recognised as an expense (2023: £2,746k). This included £95k (2023: £737k) recognised as an expense in relation to writing down inventory to its net realisable value, offset by a £37k reduction in the prior year provision when sales increased for inventory previously categorised as slow-moving (2023: £193k).

21. Trade and other payables

	31 December 2024 £000	31 December 2023 £000
Trade payables	**1,023**	2,246
Other tax and social security	**93**	100
Other creditors	**92**	192
Contract liabilities	**85**	232
Accruals	**1,776**	2,133
	3,069	4,903

As at 31 December 2024 amounts paid in advance of £0.1 million (2023: £0.2 million) were reported as contract liabilities. These are expected to be recognised within the next financial year.

Included within accruals at the reporting date was a balance of £ nil (2023: £0.3 million) relating to clinical study costs.

22. Leases

Right of use assets

The Group has leasing arrangements with a maximum term of three years (2023: five years) relating to property, plant and equipment.

When a lease begins, a liability and right of use asset are recognised based on the present value of future lease payments.

Net book value of leased assets held as fixed assets

	Leasehold Property £000	Equipment £000	Total £000
NBV as at 1 January 2024	**322**	9	331
Additions	**8**	5	13
Depreciation charge in the year	**(116)**	(9)	(125)
Impairment	**(41)**	-	(41)
NBV as at 31 December 2024	**173**	5	178
Balance as at 1 January 2023	**247**	36	283
Additions	**274**	-	274
Depreciation charge in the year	**(165)**	(27)	(192)
Disposal of Asset	**(34)**	-	(34)
Balance as at 31 December 2023	**322**	9	331

Outstanding lease liabilities

	Leasehold Property £000	Equipment £000	Total £000
Balance as at 1 January 2024	**328**	10	338
Additions	**8**	5	13
Interest applied	**21**	1	22
Payments in the year	**(131)**	(10)	(141)
Balance as at 31 December 2024	**226**	6	232
Repayments:			
Within 1 year	**129**	3	132
2-5 years (inclusive)	**114**	4	118
Less:			
Future finance charges	**(17)**	(1)	(18)
Present lease obligations	**226**	6	232
In the statement of financial position:			
Due within 12 months (current)	**118**	3	121
Due in more than 12 months (non-current)	**108**	3	111
As at 31 December 2024	**226**	6	232

	Leasehold Property £000	Equipment £000	Total £000
Balance as at 1 January 2023	**251**	37	288
Additions	**272**	-	272
Interest applied	**13**	2	15
Payments in the year	**(186)**	(29)	(215)
Disposal	**(22)**	-	(22)
Balance as at 31 December 2023	**328**	10	338
Repayments:			
Within 1 year	**131**	9	140
2-5 years (inclusive)	**234**	1	235
Less:			
Future finance charges	**(37)**	-	(37)
Present lease obligations	**328**	10	338
In the statement of financial position:			
Due within 12 months (current)	**109**	9	118
Due in more than 12 months (non-current)	**219**	1	220
As at 31 December 2023	**328**	10	338

23. Provisions

	NIC Liability Provision £000	Total Provisions £000
Balance as at 1 January 2023	**-**	-
Provision created in the year	**157**	157
Balance as at 1 January 2024	**157**	157
Provision created in the year	**6**	6
Use of provision	**-**	-
Release of provision	**(91)**	(91)
Balance as at 31 December 2024	**72**	72
Balance expected to be utilised within 12 months (current)	**66**	66
Balance expected to be utilised in more than 12 months (non-current)	**6**	6

The NIC liability provision relates to amounts that will become due to HMRC upon exercise of unapproved LTIP share options granted to Key Management and Directors. This liability is offset by a corresponding asset as this cost will be paid by the share option holders upon exercise of the options. The NIC provision was £72k for the year ended 31 December 2024 (2023: £157k).

24. Financial instruments

Classification of financial instruments

The tables below set out the Group's accounting classification of each class of its financial assets and liabilities.

Financial assets at amortised cost	31 December 2024 £000	31 December 2023 £000
Trade receivables	**2,531**	2,268
Other receivables	**37**	102
Accrued income	**240**	87
Accrued grant income	**-**	280
Cash, cash equivalents and short-term investments	**3,257**	6,752
	6,065	9,489

All the above carrying values are approximate to the fair values at the reporting date.

Financial liabilities at amortised cost	31 December 2024 £000	31 December 2023 £000
Trade payables	**1,023**	2,246
Lease liabilities	**232**	338
Accruals	**1,777**	2,133
	3,032	4,717

In the view of management, all the above financial liabilities' carrying values approximate to their fair values as at all reporting dates presented.

Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the historical financial information approximate their fair values (due to their nature and short times to maturity).

Fair value of financial liabilities that are measured at fair value on a recurring basis

The fair value of derivative financial instruments has been estimated using a valuation technique based on the expected timing of when the debt will convert into shares. The resulting value is then discounted to take account of the time value of money, with government bond yields used to establish an appropriate discount factor. There have been no changes in the methods or assumptions applied between initial recognition of the instrument and the year-end reporting. There were no derivative assets or liabilities at the year-end (2023: none).

Financial instrument risk exposure and management

The Group's operations expose it to degrees of financial risk that include liquidity risk, credit risk, interest rate risk.

Credit risk

The Group's credit risk, being the risk that the other party defaults on their contractual obligation, is primarily attributable to its cash balances and receivables.

The credit risk on liquid funds is limited because the third parties are large international banks with a credit rating of at least A.

The Group's maximum credit risk amounts to the total of trade and other receivables, cash and cash equivalents. Credit risk relating to trade receivables is low because the Group only trade and provide credit to large businesses, such as the pre-wholesalers or multinational pharmaceutical companies, who the Group believe to be reputable and creditworthy through having many years of trading history with them. Receivables status is monitored on a regular basis to identify balances extending beyond their due dates. Action is then taken to determine if the credit risk is perceived to have changed.

Credit default is defined as a failure by a customer to meet their contractual obligations to make payment on an outstanding liability without undue reason or prior agreement or confirmed intention not to make payment on an invoice in breach of the contract.

Due to the nature of the contracts, there is a regular ongoing dialogue between the Group and its customers. These customers are spread across a range of geographic locations.

The Group has no major concentration of credit risk other than with its own subsidiaries. The performance of these subsidiaries is closely monitored by the Directors. The Directors confirm that the carrying amounts of balances owed by the subsidiaries is equal to their fair value.

Interest rate risk

The Group's interest rate risk is the interest received on the funds held on deposit.

Treasury is managed for the Group using a combination of instant access, notice accounts and fixed term deposits. The objective is to mitigate risk whilst ensuring sufficient resources are available to fund group operations.

At the balance sheet date, the Group did not have any borrowings (2023: none).

Foreign exchange risk

The Group's transactions are carried out substantially in Great British pound sterling. The Group holds non-domestic cash balances to cover committed costs. The level of risk from foreign exchange exposure is regularly reviewed and the Directors take action to manage significant risks.

In respect of retranslation of monetary items, at 31 December 2024, it is estimated that an increase of one percentage point in the value of sterling against the euro would decrease the Group's profit before tax by approximately £61k (2023: £35k).

Liquidity risk

In managing liquidity risk, the main objective of the Group is to ensure that it has the ability to pay all of its liabilities as they fall due. The Group's activities are funded by equity investment, grant income and revenue.

The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 December 2024 and 2023 on the basis of their earliest possible contractual maturity.

	Total £000	Within 2 months £000	Within 2 to 6 months £000	Within 6 – 12 months £000	Within 1 to 2 years £000	Within 2 to 5 years £000
As at 31 December 2024						
Trade payables	1,023	1,023	-	-	-	-
Lease liabilities	246	26	41	65	112	2
Accruals	1,747	608	1,116	-	23	-
	3,016	**1,657**	**1,157**	**65**	**135**	**2**

	Total £000	Within 2 months £000	Within 2 to 6 months £000	Within 6 – 12 months £000	Within 1 to 2 years £000	Within 2 to 5 years £000
As at 31 December 2023						
Trade payables	2,246	2,246	-	-	-	-
Lease liabilities	374	28	46	64	124	112
Accruals	2,101	905	1,191	-	-	5
	4,913	**3,371**	**1,237**	**64**	**124**	**117**

Capital risk management

The Group considers capital to be shareholders' equity as shown in the consolidated statement of financial position, as the Group is primarily funded by equity finance.

The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions. The Group funds its expenditures of commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders' equity. There are no externally imposed capital requirements. Financing decisions are made based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

25. Share capital

	31 December 2024 Number £000	31 December 2024 Nominal value £000
Ordinary shares – par value £0.01		
Allotted, called up and fully paid		
Ordinary shares of £0.01	37,756,601	378
As at 31 December 2024	**37,756,601**	**378**

	31 December 2023 Number £000	31 December 2023 Nominal value £000
Ordinary shares – par value £0.01		
Allotted, called up and fully paid		
Ordinary shares of £0.01	30,626,986	306
As at 31 December 2023	**30,626,986**	306

The Company has a single class of Ordinary share that bear no rights to fixed income.

The following shares were issued in the periods presented:

	Number	Share Capital £000	Share Premium £000
As at 1 January 2024	30,626,986	306	28,976
Issue of Ordinary shares of £0.01	7,129,615	72	6,345
Share issue expenses	-	-	(637)
As at 31 December 2024	**37,756,601**	**378**	**34,684**

	Number	Share Capital £000	Share Premium £000
At 1 January 2023	30,618,183	306	28,976
Issue of Ordinary shares of £0.01 on exercise of share options	8,803	-	-
At 31 December 2023	**30,626,986**	**306**	**28,976**

Share Premium
Proceeds received in addition to the nominal value of any shares issued have been included in share premium less registration and other regulatory fees and net of related tax benefits.

Share premium increases in the current year arose from a placing of £6.4 million to provide working capital. Details of the movements can be found in the comparative statement of changes in equity.

Share-based payment reserve
The share-based payment reserve represents the accumulated amounts credited to equity in respect of options to acquire ordinary shares in the Company held by employees and Directors.

Other reserves
Other reserves reflect the balance of the investment by Arecor Therapeutics plc in its subsidiaries. On 24 May 2021, Arecor Therapeutics acquired the full share capital of Arecor Limited by means of a one for one share swap. The investment in the subsidiary at that time was valued as the net assets of Arecor Limited on the date of the transaction.

Merger relief reserve
Merger relief reserve represents the merger reserve generated upon the acquisition of Tetris Pharma Ltd on 4 August 2022.

Foreign exchange reserve
Foreign exchange reserve represents the impact of translating subsidiaries that use a foreign currency as their reporting currency to GBP for the purposes of preparing the consolidated financial statements.

26. Share-based payments

Share Options

The Company operates an All-Employee Share Option Plan (AESOP) and grants share options to eligible employees. A grant of options under the AESOP was made on 22 May 2024 at an exercise price of £1.59 per share. The options vest on the third anniversary of the date of grant. As there are no performance criteria linked to these options other than remaining as an existing employee, the fair value of the options was calculated using the Black Scholes mode using the following assumptions:

	Grant on 22 May 2024	Grant on 23 May 2023
Exercise price	£1.59	£2.55
Volatility	45%	65%
Expected dividends	Nil	Nil
Risk free interest rate	4.35% pa	4.20% pa
Fair value per share	£0.55	£1.18
Option life	10 years from date of grant	10 years from date of grant

The risk-free interest rate is taken from the Bank of England UK Government Gilts yield, discounted over a period of 3 years.

Volatility has been derived by taking data from a pool of six companies considered to be comparable in size and activity. Volatilities for these companies were calculated for the previous five years where data was available to understand the impact of recent global events. This data was used to estimate the volatility.

The Company's Long Term Incentive Plan (LTIP) is principally used to grant options to Executive Directors and Senior Management. A grant of options under the LTIP were made on 22 May 2024 and 2 December 2024, both at an exercise price of £0.01 per share. The LTIP options will vest after three years, subject to meeting defined performance criteria.

Firstly, 60% of the total option grant vests one third (or 20%) on each anniversary of the date of grant if the total shareholder return target in relation to the FTSE AIM All-Share Index is achieved. The remaining 40% of the LTIP grant vests subject to defined commercial objectives being met by the Group during the three-year option term.

As there are separate performance criteria, the fair value of the options vesting for each criteria were calculated separately.

To calculate the fair value of the LTIP options which vest based on market performance, a Monte Carlo simulation model was used. The charge for the second 40% of LTIP options was calculated using the Black Scholes model with an adjustment for the likelihood of the conditions being met.

For the LTIP option grants the following assumptions were used:

	Grant on 22 May 2024	Grant on 2 December 2024	Grant on 23 May 2023
Share price at date of grant	£1.59	£0.77	£2.55
Exercise price	£0.01	£0.01	£0.01
Volatility	45%	45%	65%
Expected dividends	Nil	Nil	Nil
Risk free interest rate	4.35% pa	4.06% pa	4.20% pa
Fair value per share – market performance objectives	£1.40	£0.66	£1.71
Fair value per share – Commercial objectives	£1.58	£0.76	£2.54
Option life	10 years from date of grant	10 years from date of grant	10 years from date of grant

The ordinary shares acquired on exercise of the LTIP options are subject to a holding period of a minimum of one year from the date of vesting.

	Number of options
Balance as at 1 January 2023	1,627,803
Options vested and exercised	(8,803)
AESOP options granted	86,250
LTIP options granted	190,000
Options lapsed (AESOP and LTIP)	(236,917)
Balance as at 31 December 2023	**1,658,333**
AESOP options granted	382,250
LTIP options granted	820,000
Options lapsed (AESOP and LTIP)	(588,583)
Balance as at 31 December 2024	**2,272,000**

Details of the number of share options and the Weighted Average Exercise Price (WAEP) outstanding during each period presented are as follows:

31 December 2024	Directors Number of Options	WAEP £	Staff Number of Options	WAEP £
Outstanding at the beginning of the year	799,333	0.66	859,000	1.29
Issued	386,000	0.28	816,250	0.62
Exercised	-	-	-	-
Expired	(156,333)	1.38	(432,250)	0.98
Outstanding at the year end	**1,029,000**	**0.41**	**1,243,000**	**0.96**
Number vested and exercisable at 31 December 2024	530,000		155,000	
Weighted average remaining contractual life (years)	7.8		8.4	

31 December 2023	Directors Number of Options	WAEP £	Staff Number of Options	WAEP £
Outstanding at the beginning of the year	799,333	0.66	828,470	1.43
Issued	-	-	276,250	0.80
Exercised	-	-	(8,803)	0.01
Expired	-	-	(236,917)	1.25
Outstanding at the year end	**799,333**	**0.66**	**859,000**	**1.29**
Number vested and exercisable at 31 December 2023	113,334		121,671	
Weighted average remaining contractual life (years)	7.8		8.5	

The Group recognised total share-based expenses of £0.2 million (2023: £0.6 million).

27. Financial commitments

There were no material financial commitments other than those that have already been disclosed.

In the prior year, Arecor Limited had a financial commitment for a clinical study that had yet to be billed of €0.4 million. This was settled in full during the year ending 31 December 2024.

28. Dividends

No dividends were paid or approved during the year (2023: £nil).

29. Ultimate controlling party and related party transactions

The Directors do not consider there to be an ultimate controlling party.

During July 2024, Sarah Howell purchased 16,666 shares, Andrew Richards purchased 27,777 shares, Alan Smith purchased 22,222 shares, Sam Fazeli purchased 27,777 shares and Christine Soden purchased 11,111 shares. All these share purchases took place at 90p per share.

30. Post balance sheet events

On 9 January 2025, Arecor Therapeutics plc decided to cease operations within the Group's subsidiary Tetris Pharma Limited during 2025. This strategic decision to cease Tetris Pharma operations will enable the Group to focus its efforts and resources on opportunities that offer higher potential for value creation. The consolidated loss after tax in Tetris Pharma Limited for 2024 was £2.1 million (2023: £2.3 million) and net assets were £1.6 million (2023: £1.7 million). These amounts exclude intercompany charges and intercompany liabilities. No estimate can be made of the financial effect of the Tetris cessation during 2025 due to the level of uncertainty.

Company Financial Statements

In this section:

Company statement of financial position

At 31 December 2024

	Note	31 December 2024 £000	31 December 2023 £000
Non-current assets			
Investment in subsidiaries	3	**6,852**	6,696
Intercompany loan receivable	4	**9,357**	18,463
Total non-current assets		**16,209**	**25,159**
Current assets			
Trade and other receivables	5	**40**	82
Cash and cash equivalents	6	**2,528**	2,537
Short-term investments	7	**18**	1,659
Total current assets		**2,586**	**4,278**
Current liabilities			
Trade and other payables	8	**(278)**	**(402)**
Total current liabilities		**(278)**	(402)
Net Assets		**18,517**	**29,035**
Equity attributable to equity holders of the Company			
Share capital	9	**378**	**306**
Share premium account	9	**34,684**	28,976
Share-based payments reserve	9	**1,676**	1,518
Merger relief reserve		**2,014**	2,014
Other reserves	9	**(167)**	(167)
Retained earnings		**(20,068)**	(3,612)
Total equity attributable to equity holders of the Company		**18,517**	**29,035**

The Company's loss for the year was £16.46 million (2023: loss of £3.76 million).

The financial statements of Arecor Therapeutics plc, registered number 13331147, were approved by the Board of Directors and authorised for issue on 17 April 2025.

Signed on behalf of the Board of Directors by:

Sarah Howell
Director

Company statement of changes in equity

for the period ended 31 December 2024

	Share capital £000	Share premium £000	Share-based payments reserve £000	Merger relief reserve £000	Other reserves £000	Retained (losses)/ earnings £000	Total equity £000
At 1 January 2023	306	28,976	893	2,014	(167)	136	32,158
Comprehensive income for the year							
Loss for the year	-	-	-	-	-	(3,760)	(3,760)
Transactions with owners							
Share-based compensation	-	-	637	-	-	-	637
Reserve transfer on exercise of share options	-	-	(12)	-	-	12	-
Total transactions with owners	-	-	625	-	-	12	637
Equity at 31 December 2023	**306**	**28,976**	**1,518**	**2,014**	**(167)**	**(3,612)**	**29,035**
Comprehensive income for the year							
Loss for the year	-	-	-	-	-	(16,456)	(16,456)
Transactions with owners							
Issue of shares	72	6,345	-	-	-	-	6,417
Share issue expenses	-	(637)	-	-	-	-	(637)
Share-based compensation	-	-	158	-	-	-	158
Total transactions with owners	72	5,708	158	-	-	-	5,938
Equity at 31 December 2024	**378**	**34,684**	**1,676**	**2,014**	**(167)**	**(20,068)**	**18,517**

The accompanying accounting policies and notes on pages 87 to 91 form an integral part of these financial statements.

Notes to the Company financial statements

Company information

Arecor Therapeutics plc ("Arecor" or the "Company") is a public limited company registered in England and Wales at Chesterford Research Park, Little Chesterford, Saffron Walden, CB10 1XL with registered number 13331147.

The principal activity of the Company is to act as a holding company.

1. Significant accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and applicable law, including the requirements of the Companies Act 2006.

The financial statements have been prepared on a historical cost basis. The Company continues to adopt the going concern basis of accounting in preparing these financial statements.

In preparing the financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") but makes amendments where necessary in order to comply with the Companies Act 2006. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes
- Comparative period reconciliations for share capital
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new, but not yet effective, IFRSs
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy
- Disclosures in respect of the compensation of Key Management Personnel
- Certain disclosures required by IFRS 13 – Fair Value Measurement and IFRS 7 – Financial Instruments: Disclosures on the basis that the consolidated financial statements include the equivalent disclosures
- Exemptions from IAS 1 paragraphs 40 A-D to present a third statement of financial position and additional disclosures following a restatement of prior period figures

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of IFRS 2 – Share-based Payment in respect of Group settled share-based payments. The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Taxation

Current taxation

Current taxation for the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

The Company takes advantage of Research and Development tax incentives offered by the UK Government. The value of these incentives reclaimable at 31 December each year is calculated and presented as a current asset in the statement of financial position and a credit to taxation in the income statement.

Deferred taxation

Deferred taxation is calculated based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the historical financial information. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not recognised. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Foreign currencies
Transactions in foreign currencies are recorded in the Company's functional currency, pounds sterling, at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year-end date. All differences are taken to the statement of comprehensive income.

Investments
Balances are stated at cost less any provisions for any permanent impairment in value. Investments are considered for any potential impairment as laid out under IAS 36 – Impairment of Assets.

The Company acquired the full share capital of Arecor Limited by means of a share for share swap at par on 24 May 2021. At the time of acquisition, the net assets of the subsidiary were negative. Therefore, the initial carrying amount was deemed to be nil with the difference between this amount and the share capital value being recorded in equity in "other reserves". On the same date, the Company took on the Convertible loan note liability from Arecor Limited. This has been treated a capital contribution.

Share option charges
The Group operates an equity-settled share-based payment scheme. Where share-based payments (options) have been granted to employees, the fair value of the share-based payments is measured at the grant date and charged to the statement of comprehensive income over the vesting period.

A valuation model is used to assess the fair value, considering the terms and conditions attached to the share-based payments. The fair value at grant date is determined including the effect of market-based vesting conditions, to the extent such vesting conditions have a material impact. It also considers non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Where options in Arecor Therapeutics plc are issued to employees of subsidiary companies, the expense incurred is considered as a further investment in the subsidiary by the Parent and a capital contribution by the subsidiary.

2. Critical accounting judgements and sources of estimation uncertainty

The preparation of financial information in conformity with generally accepted accounting practice requires Directors to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are evaluated, including historical experience and expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty and critical judgements
Recoverability of investments
Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Estimates are used in determining the level of investment that will not, in the opinion of the Directors be recoverable. In preparing these estimates management are required to make judgements on the key assumptions that drive the models to arrive at what they believe is the appropriate outcome. By assessing the sensitivities of these parameters management are able to understand which sensitivities result in the most significant changes in the model outcomes.

Recoverability of intercompany receivables
As prescribed by IFRS 9, Financial Instruments, the provisions for expected credit losses on intercompany receivables are reviewed annually. Management have evaluated a range of scenarios and use a weighted probability approach that were determined by evaluating the different scenario outcomes. A provision is then created based on these outcomes.

The recoverability of the balance, which is wholly with Arecor Limited, is reliant on successful outcomes within the ongoing projects in the diabetes portfolio and if these aren't successful then the balance will not be recoverable.

3. Investments in subsidiary undertakings

	At 31 December 2024 £000	At 31 December 2023 £000
Investment in Arecor Limited	**6,852**	6,696
Investment in Tetris Pharma Ltd	**-**	-
	6,852	6,696

On 4 August 2022, Arecor Therapeutics plc acquired 100% of the share capital of Tetris Pharma Ltd and gained control of the Company and its wholly owned subsidiary, Tetris Pharma BV.

The company considers on an annual basis the value of the investment against the carrying value of the cash generating unit to determine the requirement for an impairment under IAS 36, Impairment of Assets. The recoverable amount in Arecor Limited is estimated based on the fair value less costs to sell and the Groups market capitalisation at 31 December 2024, with relevant adjustments to reflect the fact that Arecor Limited is a limited company. At the review date, it was concluded that no impairment on Arecor Limited was required.

At 31 December 2024, Arecor Therapeutics plc held investments in the following subsidiaries:

Name	Country of Incorporation	% of shareholding	Nature of Business	Direct or Indirect holding
Arecor Limited Chesterford Research Park, Little Chesterford, CB10 1XL	England and Wales	100%	Research and experimental development of biotechnology products	Direct
Tetris Pharma Ltd 2nd Floor, 79-81 High Street Marlow, Bucks. SL7 1AB	England and Wales	100%	Sale and distribution of pharmaceutical goods	Direct
Tetris Pharma BV Element Offices, Bargelaan 200, 2333 CW Leiden	The Netherlands	100%	Sale and distribution of pharmaceutical goods	Indirect

4. Intercompany Loan receivable

Gross Loan Balance	Arecor Limited £000	Tetris Pharma Ltd £000	Total £000
At 31 December 2022	**8,521**	**2,941**	**11,462**
Additions	4,971	3,643	8,614
At 31 December 2023	**13,492**	**6,584**	**20,076**
Additions	4,727	2,878	7,605
At 31 December 2024	**18,219**	**9,462**	**27,681**
ECL Provisions			
At 31 December 2022	**-**	**-**	**-**
Increase in the year		1,613	1,613
At 31 December 2023	**-**	**1,613**	**1,613**
Increase in the year	9,455	7,256	16,711
At 31 December 2024	**9,455**	**8,869**	**18,324**
Net Loan Balance			
At 31 December 2023	13,492	4,971	18,463
At 31 December 2024	**8,764**	**593**	**9,357**

The interest charged on loans to subsidiaries is at market rates (decreasing from 8.25% to 7.75% during the year in line with the decrease in the bank base rate). The loans are repayable on demand. It is not intended to request repayment of the loans in the 12 months from the reporting date, so they are considered non-current assets.

As prescribed by IFRS 9, Financial Instruments, the provisions for expected credit losses on financial assets are reviewed annually. Management have evaluated a range of scenarios and use a weighted probability approach that were determined by evaluating the different scenario outcomes. With regards to Tetris Pharma Ltd, as disclosed in note 15 of the Group consolidated accounts, Management have identified that the most probable outcome is that based on

the approved Budget, the loan is only partially recoverable, and a less likely scenario is that the loan is not recoverable at all. The provision has been increased to £8.87m to cover the lifetime expected credit losses on the balance due. This equates to 93.7% of the balance due at 31 December 2024. This credit loss allowance was recognised as a loss in the year through the Income Statement.

For Arecor Limited, the methodology prescribed under IFRS 9 was used and a provision of £9.46m has been created to cover the lifetime expected credit losses on the balance due. This equates to 51.9% of the balance due at 31 December 2024. This credit loss allowance was recognised as a loss in the year through the Income Statement.

5. Trade and other receivables

	31 December 2024 £000	31 December 2023 £000
Trade and other receivables	**40**	82
	40	**82**

A credit loss assessment has been performed, and management have concluded that no expected credit losses (2023: £nil) exist in relation to the Company's receivables at any of the reporting dates presented.

6. Cash and cash equivalents

	31 December 2024 £000	31 December 2023 £000
Cash at bank and cash equivalents	**2,528**	2,537
	2,528	**2,537**

At the reporting dates presented all significant cash and cash equivalents were deposited in the UK with large international banks.

7. Short-term investments

	31 December 2024 £000	31 December 2023 £000
Short-term investments held in notice accounts	**18**	1,659
	18	**1,659**

8. Trade and other payables

	31 December 2024 £000	31 December 2023 £000
Trade payables	**27**	39
Accruals	**251**	363
	278	**402**

Included in Accruals are accrued bonus costs for the Executive Directors that will be paid in the first half of 2025.

9. Share capital

	31 December 2024 Number	31 December 2024 £000
Ordinary shares – par value £0.01		
Allotted, called up and fully paid		
Ordinary shares of £0.01	**37,756,601**	378
At 31 December 2024	**37,756,601**	**378**

	31 December 2023 Number	31 December 2023 £000
Ordinary shares – par value £0.01		
Allotted, called up and fully paid		
Ordinary shares of £0.01	30,626,986	306
At 31 December 2023	**30,626,986**	**306**

The following shares were issued in the periods presented:

	Number	Share Capital £000	Share Premium £000
At 1 January 2024	30,626,986	306	28,976
Issue of ordinary shares of £0.01	7,129,615	72	6,345
Share issue expenses	-	-	(637)
At 31 December 2024	**37,756,601**	**377**	**34,684**

	Number	Share Capital £000	Share Premium £000
At 1 January 2023	30,618,183	306	28,976
Issue of ordinary shares on grant of share options	8,803	-	-
At 31 December 2023	**30,626,986**	**306**	**28,976**

Share premium

Proceeds received in addition to the nominal value of any shares issued have been included in share premium less registration and other regulatory fees and net of related tax benefits.

Other reserves

Upon acquiring the full share capital in Arecor Limited, the net assets of the subsidiary were negative. The investment value in the Company was therefore considered to be the liability of the Convertible loan notes. The issue of share capital for the share-for-share swap was posted to Other reserves.

10. Financial commitments

There were no significant financial commitments at the reporting date (2023: £nil).

11. Share capital and reserves

The movements on share capital and share premium accounts are disclosed in Note 25 to the consolidated financial statements.

12. Related party transactions

The Company has taken advantage of the exemption under FRS 101 not to disclose transactions with wholly owned entities within the Group. There were no other disclosable related party transactions during the current or prior year.

Some of the information included in the notes to the consolidated financial statements is directly relevant to the financial statements of the company. Please refer to the following: Note 7 - Auditors' remuneration, Note 8 - Remuneration of Directors and employees, Note 26 - Share-based payments, Note 30 - Post balance sheet events.

Corporate Information

Directors
Andrew Richards
(Non-Executive Chair)

Sarah Howell
(Chief Executive Officer)

Sam Fazeli
(Non-Executive Director)

Jeremy Morgan
(Non-Executive Director)

Alan Smith
(Non-Executive Director)

Christine Soden
(Non-Executive Director)

Company Secretary
David Ellam

Company registration number
13331147

Principal place of business and registered office
Chesterford Research Park
Little Chesterford
Saffron Walden
CB10 1XL

Nominated Advisor and Broker
Singer Capital Markets Advisory LLP
1 Bartholomew Lane
London
EC2N 2AX

Statutory Auditor
Grant Thornton
101 Cambridge Science Park,
Milton Road
Cambridge
CB4 0FY

Legal Advisors
Covington & Burling LLP
22 Bishopsgate
London
EC2N 4BQ

Public Relations Advisors
ICR Healthcare
85 Gresham Street
London
EC2V 7NQ

Registrar
Computershare Investor Services plc
The Pavillions
Bridgwater Road
Bristol
BS13 8AE

Website
www.arecor.com

CARBON BALANCED PAPER
www.carbonbalancedpaper.com
CBP030707

This document is printed on Symbol Satin, a paper sourced from well managed, responsible, FSC® certified forests and other controlled sources. The pulp used in this product is bleached using an elemental chlorine free (ECF) process.

FSC
www.fsc.org
MIX
Paper | Supporting responsible forestry
FSC™ C014531

Designed and printed by:
perivan
perivan.com

Arecor

www.arecor.com