Arecor

Arecor Therapeutics plc
Annual Report and Accounts
for the year ended 31 December 2025

Company registration number 13331147

Improving health and life for people living with diabetes, obesity and other cardiometabolic diseases

Arecor is a clinical-stage biotech company developing superior therapeutics that can reduce treatment burden and improve outcomes for people living with diabetes, obesity and other cardiometabolic diseases

Financial highlights

Total Revenue – continuing operations

£1.7m

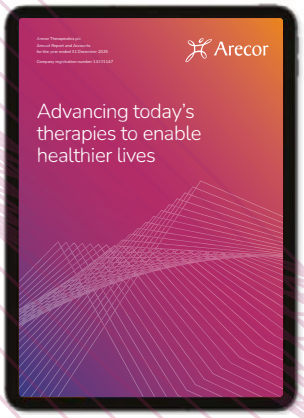
Cash

£6.1m

Raised in non-dilutive funding

$11m

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



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Strategic Report

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Who we are

Arecor is a clinical-stage biotech company developing superior therapeutics that can reduce treatment burden and improve outcomes for people living with diabetes, obesity and other cardiometabolic diseases

AT278: Best-in-class, ultra-concentrated, ultra-rapid-acting insulin

- Designed to transform AID systems, lowering burden and improving outcomes
- Partnered with Sequel Med Tech, a leading US insulin pump device company
- Addressing multi-billion $ diabetes market
- Phase 2 clinical ready by mid-2026

Next-generation drug delivery platform development for oral delivery of peptides

- Addressing multi-billion $ obesity market
- Initial target: Oral GLP-1 receptor agonist
- Pre-clinical data to be generated during 2026

Strong corporate and financial position

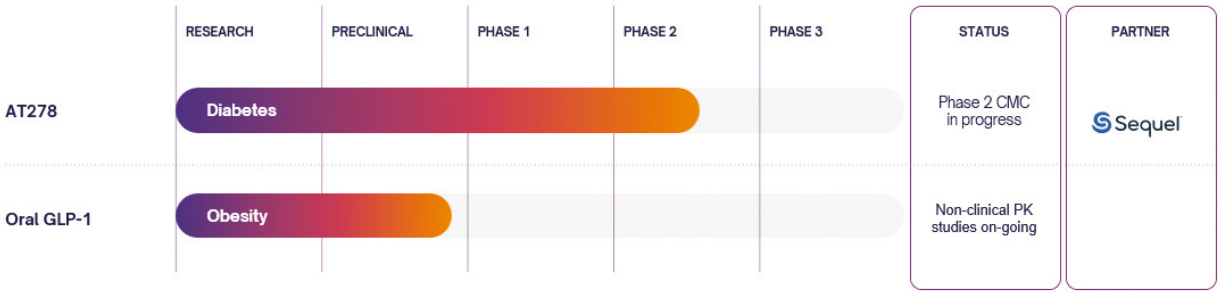
- Experienced leadership team and strong IP position
- Cash balance of £6.1 million at the end of December 2025 following sale of certain royalty rights
- Revenue generating from partnering with leading pharma and biotech companies

Upcoming value inflection points

- AT278: Initiation of Phase 2 clinical study in combination with Sequel AID system anticipated for 2H 2026
- Preclinical PK (Pharmacokinetic) data for oral delivery of GLP-1 during 2026

High-Value, De-Risked Internal Pipeline Addressing Multi-Billion $ Markets

Multiple programs partnered with pharma



Plus partnered programs with leading pharma companies including

Lilly LIGAND minimed

Chair's statement

As Chair, I am pleased to report real progress with our focussed strategy to maximise shareholder value based on key innovations that our team in Cambridge have generated. Most importantly, the progress made with our lead therapeutic product: ultra-concentrated, ultra-rapid-acting insulin AT278.

In last year's annual report, we described our strategy to concentrate resources on developing superior drug products and delivery technologies for chronic conditions, aiming to reduce the disease burden and improve outcomes for patients.

Our focus is on two core product areas: diabetes and the oral delivery of peptides, both of which are high growth multi-billion-dollar markets where our innovative technology and drug development expertise gives us a competitive edge. During the year we have made significant progress enabling us to achieve key value points whilst also exercising appropriate cost controls to extend our cash runway, including the cessation of operations at Tetris Pharma, removing cost and cashburn from the business. For AT278 we have advanced both product and commercial development, most notably with the US Food and Drug Administration (FDA) regulatory pathway and through partnering with commercial insulin pump device companies as our preferred route to market.

In early September 2025, we announced a positive Type C meeting with the FDA for AT278 in people with both type 1 and type 2 diabetes with high daily insulin needs. The feedback and guidance on the innovative design of the Phase 2 clinical study for AT278 delivered by continuous infusion via an AID (Automated Insulin Delivery) system was a major achievement for Arecor ahead of our anticipated Investigational New Drug (IND) submission and a significant step toward a successful Phase 2 study.

Also in September 2025, Arecor signed a co-development deal with Sequel Med Tech LLC ('Sequel'), a company developing state-of-the-art insulin delivery technologies, covering all trial-enabling development activities for the AT278 development programme to achieve Phase 2 trial-ready status. Both companies have confirmed their strategic intent to enter a broader, co-development and commercialisation partnership. This would enable the further development and future commercialisation of AT278 in a next generation AID system, serving a key unmet patient need in a high value market. Arecor has established strong principles for managing "win-win" partnerships which have been honed through our established partnership and licensing business.

The Board explored a variety of options for funding AT278 co-development and, in order to minimise shareholder dilution, elected to close a royalty financing transaction alongside the Sequel co-development deal. An $11.0 million sale of certain royalty rights was agreed with Ligand Pharmaceuticals ("Ligand") and generated an initial $7.0 million (£5.2 million) of non-refundable cash upfront, with a further $4.0 million to be payable upon achievement of certain commercial milestones. $0.5 million of that has been received in 2026 with a further $0.5 million to be expected later in 2026. This deal has provided headroom to proceed with Phase 2 trial-enabling activities, continue initial low-cost pharmacokinetic/dynamic (PKD) studies for the oral delivery of peptides platform and to strengthen the balance sheet.

Moving forward, the Board is prioritising time and cash resources in order to secure the best possible deal to take AT278 into Phase 2 in 2H 2026 and to continue to advance the data package for the oral delivery of peptides.

Outlook

The team has delivered on our 2025 aims to raise funds and to establish an initial AT278 co-development agreement, whilst starting to build a data package for the oral delivery of peptides. Arecor's priority for the current financial year is to continue driving the strategic plan for our two core product areas.

Positive negotiations are in progress on a broader co-development and commercialisation partnership for the Phase 2 trial and beyond and are a current key focus for management.

The Board has a high level of conviction in Arecor's focussed strategy. We remain excited by the positive impact that we can have for outcomes for people living with diabetes and other cardiometabolic diseases, through both the combination of our ultra-rapid-acting and ultra-concentrated AT278 insulin with increasingly accurate AID systems worn for extended periods of time, and also our developments in the exciting field of oral peptide delivery.

Andrew Richards
Non-Executive Chair
10 April 2026

Chief Executive Officer's review

Arecor is actively addressing high growth, multi-billion-dollar markets through our focus on two core therapeutic areas, diabetes and oral delivery of peptides. These are both areas of unmet patient need which have the potential to generate significant value for shareholders.

Lead product AT278 has progressed in both product development and commercial partnering, most notably with the US FDA clinical and regulatory pathway and through partnering with commercial insulin pump device companies as our preferred route to market. Positive discussions are at an advanced stage on a further co-development and commercialisation partnership for the Phase 2 trial and beyond, and remain a priority for us.

Operational highlights

Diabetes

- Co-development deal signed with US insulin pump device company, Sequel Med Tech, LLC ("Sequel") for Phase 2-enabling development activities for ultra-concentrated and ultra-rapid-acting insulin, AT278
- Positive FDA feedback on Phase 2 clinical study design for AT278, in combination with an Automated Insulin Delivery (AID) system
- Phase 2 trial-enabling work progressing well; Phase 2 clinical trial anticipated to start during 2H 2026

Oral delivery of peptides

- Positive in-vitro progress in the development of an oral delivery platform, initially focussed on Oral GLP-1 receptor agonist
- New international Patent filed, claiming novel compositions to improve oral bioavailability of complex peptides
- Non-clinical pharmacokinetic studies to inform optimum approach to improve bioavailability will be generated during 2026

Partnership portfolio

- Three new formulation development collaborations signed for Arestat® platform technology, with total pre-license revenue of over £1 million
- Expanded IP protection in major territories including the US, Europe and India

Financial highlights

$11m

Raised in non-dilutive funding

by the sale of royalty (AT220) and technology access fee streams (AT292) via royalty financing agreement with Ligand Pharmaceuticals ("Ligand") in September 2025.

$7m received up front, with **$4m** in milestone payments, of which **$0.5** million has already been received and a further **$0.5m** payment is expected during 2026

£3.1m

Total revenue

(2024: £5.1 million)

including discontinued operations, decrease due to the cessation of operations at Tetris Pharma

£6.1m

Cash and cash equivalents

(2024: £3.2 million)

Operational Review

Our focus is on two core product areas: diabetes and the oral delivery of peptides, both of which are high growth multi-billion-dollar markets where our innovative technology and drug development expertise gives us a competitive edge. During the year, we have made significant progress enabling us to achieve key value points whilst also exercising appropriate cost controls to extend our cash runway, including the cessation of operations at Tetris Pharma, removing cost and cashburn from the business. For AT278 we have advanced both product development and commercial partnering, most notably with the US Food and Drug Administration (FDA) regulatory pathway and through partnering with commercial insulin pump device companies as our preferred route to market.

AT278: A disruptor insulin

AT278 (500U/mL) is the only ultra-concentrated and ultra-rapid-acting insulin in development. Its combination of both ultra-high concentration (five times the concentration of standard insulins used in insulin pumps today) and its superior PK/PD profile can broaden access and unlock the next generation of longer wear and miniaturized AID (automated insulin delivery) systems.

AT278 is clinically de-risked, having previously demonstrated pharmacokinetic and pharmacodynamic superiority across two Phase 1 clinical studies in both type 1 and high BMI type 2 diabetics, compared to today's gold standard insulins.

AT278: Sequel Partnership

During 2025, we entered into a co-development partnership with Sequel Med Tech - a company developing state-of-the-art insulin delivery technologies. The agreement combines our ultra-concentrated, ultra-rapid-acting insulin (AT278), with Sequel's next generation AID system, twiist™. This partnership is a major milestone, furthering our ambitions to realise AT278's significant benefits for people living with diabetes, as well as building substantial value for our shareholders.

Under the agreement, Arecor and Sequel have committed up to $1.3 million each to fund Phase 2-enabling development work for AT278 combined with twiist™. This work is underway and progressing to plan, such that we anticipate being ready to enter the Phase 2 clinical study during 2H 2026, contingent upon FDA approval and additional funding.

In addition, positive negotiations are underway on a broader co-development and commercialisation partnership for the Phase 2 trial and beyond, which is currently a key focus for management.

Progress towards Phase 2

During the year, we made significant progress in bringing this potentially life-changing ultra-concentrated, ultra-rapid-acting insulin and AID combination to patients, with positive feedback from the US FDA on our first-of-a-kind Phase 2 clinical study design for AT278, in combination with an AID system in people with both type 1 and type 2 diabetes. This is an important step towards a successful Phase 2 study.

This will be the first time that an ultra-concentrated, ultra-rapid-acting insulin will be assessed in combination with an AID system in a clinical study. The design of the trial will also generate data which will be key in demonstrating the benefit to patients and the economic value of this new treatment option.

We would anticipate a Phase 3 study being required before the AT278/AID combination can be approved for patient use and commercialised.

AT278 market potential

Diabetes is a high-demand market, with more than half a billion people living with diabetes worldwide. There remains significant unmet patient need in diabetes care, particularly the need for rapid-acting and more concentrated insulins, which is where Arecor is focussed.

Our next-generation insulins have demonstrated clear superiority to the best insulins available to patients today and, with the potential to enable state-of-the-art, miniaturized insulin pumps, could significantly improve healthcare outcomes, broaden access and reduce burden for people living with diabetes.

People with diabetes (PWDs) who use AID systems, facilitating the continuous delivery of insulin to control their blood glucose levels, achieve better outcomes. However, even in the US where insulin pump use is greatest, only around 40% of type 1 diabetics and around 5% of type 2 diabetics use an insulin pump.

The dynamics in this market are such that all the major pump innovators are now looking to achieve longer wear (7 days+), as well as miniaturisation and better access to people with type 2 diabetes. All of which requires an ultra-concentrated and ultra-rapid-acting insulin to be effective.

In the American Diabetes Association (ADA) 2026 "Standards of Care in Diabetes" guidelines, AID systems are established as the preferred method of insulin delivery for individuals with type 1 diabetes and type 2 diabetes on multiple daily injections (MDI). The guidelines are based on "Level A Evidence", which means clear evidence from well-conducted and appropriately powered clinical studies, demonstrating improved outcomes including higher time in range (TIR) and lower A1C. For the first time, the 2026 guidelines recommend early initiation of AID, both for type 1 and for type 2, as a preferred treatment to MDI regardless of duration of diabetes or biomarker levels such as C-peptide or islet autoantibodies.

However, anyone requiring >100 U/day cannot follow the ADA requirements efficiently with the current 100 U/mL, because it is simply impossible to fill enough insulin into the existing pump, even for the standard 3-day wear-time. With the emphasis toward the 7-day+ wear anyone requiring >42 U/day will not be able to take advantage of the full wear-time, which means that the majority of the eligible PWDs will not be able to follow the ADA guidelines efficiently using the current 100 U/mL insulins.

AT278 has been designed to address the significant unmet need for people living with diabetes who require Intensive Insulin Therapy (IIT) - reducing treatment burden, broadening access and improving outcomes. The initial target patient populations for a next generation AT278-AID system are:

1) PWDs on >100U/day who cannot achieve 3-day wear-time with current AID systems, which hold up to a maximum of 300 units of commercially available 100U/mL insulins
   - Nearly 50% of US IIT type 2 diabetics cannot reach even the current standard of care 3-day wear. AT278 has the potential to increase adoption in this population, as almost all would achieve 3-day wear with AT278, unlocking the significantly underpenetrated type 2 diabetic population
2) PWDs already using AID systems, who could achieve longer wear (7+ days), and benefit from future pump miniaturisation as well as potentially improved blood glucose control, and thus improved longer term outcomes
   - In the US, almost all type 2 diabetics and >50% of type 1 diabetics on IIT cannot currently reach 7-day wear with an AID system
   - AT278's superior PK/PD profile offers the potential to improve blood glucose Time-in-Range (the percentage of time blood glucose stays within a target and a key measurement for diabetes management)
   - Of the ~4m PWD in the US on IIT, ~1m are on >100U/day (Segment 1 above) and a further ~1m are already using an insulin pump (Segment 2 above), making a ~2m initial target patient population. This represents an initial US addressable market of over $3bn p.a., of which Arecor expects to capture a meaningful proportion. Further expansion beyond the US represents an additional upside opportunity

Oral peptide delivery platform

One of our strategic priorities for 2025 was to focus R&D efforts on exploring the potential for an effective oral delivery platform for peptide-based therapeutics.

Peptides have come to the fore most recently in the form of weight loss treatments, including GLP-1 receptor agonists treating patients with diabetes and obesity. They are increasingly recognised as an important class of therapeutics to treat a wide range of chronic conditions. The global peptide therapeutics market is projected to reach more than $100 billion by 2034, growing at a CAGR of 10.8%. However, almost all peptide drugs are currently only available as injectables.

Oral delivery improves patient compliance and adherence, as well as cost and thus patient access. This results in enhanced therapeutic efficacy and better patient outcomes. The oral delivery of peptides is extremely challenging as their molecular characteristics result in very low oral bioavailability, i.e. the amount of drug that makes it through the stomach and gut to be absorbed by the body.

Arecor is leveraging its formulation and product development expertise to develop a novel proprietary technology platform for the oral delivery of peptides, focusing on significantly improving bioavailability.

Initial efforts are focussed on the development of an oral GLP-1 receptor agonist (semaglutide) with enhanced bioavailability compared to current marketed oral semaglutide products, such as Rybelsus®, which generated revenue of $3.4 billion in FY25, despite only having a bioavailability of <1%.

During the year, we generated initial positive results stabilising semaglutide in our oral delivery formulations. Our focus is now on optimising bioavailability. We will be conducting a series of non-clinical pharmacokinetic studies during 2026 to inform the optimum approach to improving bioavailability.

In July 2025, Arecor appointed a Scientific Advisory Board of internationally recognised experts in the fields of oral drug delivery and peptide therapeutics, specifically to support its oral peptide strategy. During Q4 25, we filed a patent application with the European Patent office, claiming novel compositions to improve the oral bioavailability of complex peptides.

Success with an oral GLP-1 would be highly translatable to the oral delivery of a broad range of peptides, offering the potential to generate significant value in a market that has expanded rapidly. More importantly, it would validate the application of our technology in the broader, high value field of oral peptides, across multiple therapeutic areas.

Non-Dilutive royalty financing

In September 2025, Arecor entered into a royalty financing agreement with Ligand Pharmaceuticals to raise non-dilutive capital of up to $11 million (£8.2 million). Under the terms of the Agreement, Arecor has sold the global royalty rights related to AT220, an Arestat®-enhanced biosimilar product marketed by a global pharmaceutical company, and all potential milestone and technology access fees related to AT292 (licensed to Inhibrx, now Sanofi's Efdoralprin alfa) to Ligand.

Under the terms of the agreement, Ligand will pay Arecor up to $11.0 million. This includes a $7.0 million upfront cash payment and an additional $4.0 million, which will be payable upon the achievement of certain commercial milestones related to AT220 and AT292, of which $0.5 million has already been received in 2026 and a further $0.5m payment is expected during 2026.

The royalty financing agreement provided immediate, non-dilutive capital, allowing the initiation of AT278 Phase 2-enabling activities without delay, and strengthening Arecor's balance sheet for deal-making.

Arestat® platform partnering

During the year, Arecor signed three Arestat® formulation development collaborations with a total pre-license revenue of over £1 million. In March 2025, the Company announced two new formulation development collaborations: one with an unnamed clinical-stage biopharmaceutical company developing peptide therapies, the other with a major global pharmaceutical partner.

These agreements were followed in May 2025 by a formulation development collaboration with Skye Bioscience Inc. ("Skye"), a clinical-stage biotechnology company focussed on obesity and other metabolic health disorders. The partnership aims to develop a novel higher concentration formulation of Skye's CB1 inhibitor, nimacimab, using the Arestat® formulation technology platform. Together, these three collaborations provide significant upside potential from future licensing opportunities.

Robust intellectual property portfolio

Arecor has a comprehensive global patent portfolio of over 100 granted patents across key territories protecting both the Arestat™ technology platform as well as the superior versions of therapeutic medicines that we develop leveraging Arestat™.

During 2025, a total of seven new patents were granted in key territories (Europe, US, Canada, China and South Korea) providing further protection for the broader Arestat™ technology platform and Arecor's products. This included three new patents in Europe, US and Canada protecting Arecor's proprietary insulin products (AT247 and AT278).

A further European patent was also filed, claiming novel compositions to improve oral bioavailability of complex peptides.

Tetris Pharma

In January 2025, Arecor announced its intention to cease operations within its subsidiary, Tetris Pharma, and the return of Arecor's rights to Ogluo® to Xeris BioPharma Holdings, Inc. This strategic decision has enabled Arecor to focus on areas with higher potential for value creation for the business and its shareholders.

In May 2025, rights to certain non-Ogluo® products were sold to Aspire Pharma Limited for a cash payment of £0.5 million in return for the UK distribution rights to the products and the transfer of the existing inventory. Tetris Pharma ceased sales of Ogluo by 30 September 2025, and the Marketing Authorisation has now been returned to Xeris BioPharma Holdings.

Summary and outlook

Arecor has now successfully refocussed its strategy on high growth multi-billion-dollar markets where our innovative technology and drug development expertise gives us a competitive edge.

We have made significant progress in progressing our clinically de-risked disruptor insulin, AT278. The combination of AT278 with Sequel's twiist™ and other AID systems would address key unmet needs for people living with diabetes and is a compelling proposition for this growing market. Management are highly focussed on delivering the next stage of development for AT278 including the completion of pre-enabling work, filing the IND with the FDA and signing a co-development partnership for the Phase 2 trial which is anticipated to start later in 2026. The Phase 2 clinical study will require further funding which we are already exploring.

With our oral peptide delivery platform also generating data, Arecor continues to use its proven expertise to drive multiple options in its strategy to pursue high-value R&D opportunities, addressing unmet patient need and with the potential to generate significant value for shareholders. Progress so far in 2026 has been encouraging and we are well positioned to deliver on our milestones, now and in the future.

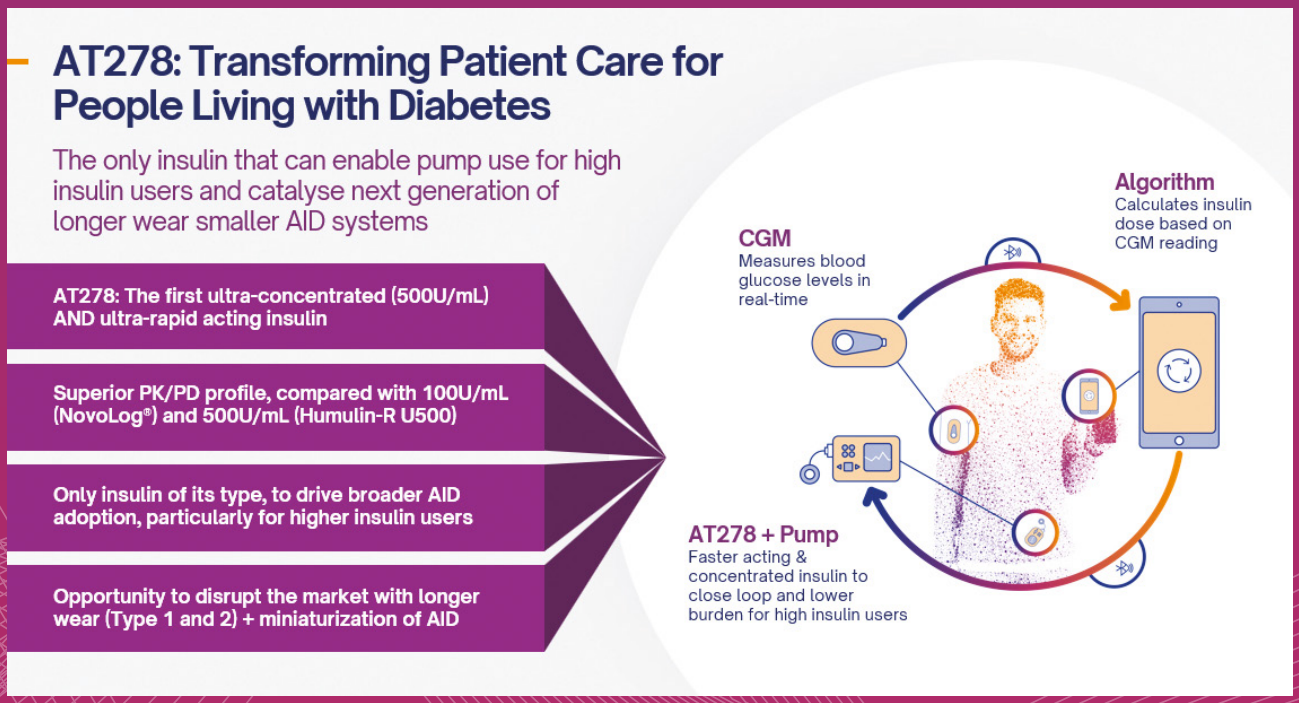
Sarah Howell
Chief Executive Officer
10 April 2026

AT278: Spotlight on Unmet Need in Diabetes

The Next Leap in Diabetes Care: A Smarter Insulin in a Smaller Pump

With its ultra-concentrated and ultra-rapid-acting profile, Arecor's proprietary disruptor insulin AT278 is set to be a powerful catalyst in driving the next generation of longer wear and miniaturised Automatic Insulin Delivery (AID) systems that can reduce patient burden and improve outcomes. Using our proprietary Arestat® formulation technology, Arecor developed AT278, the first insulin of its kind, five times more concentrated than standard insulin yet faster-acting than today's best rapid-acting insulins.

When insulin is concentrated, it slows down it's time action profile, leading to sub-optimal PK/PD and blood glucose control: at Arecor, we have overcome that trade-off. Phase 1 clinical trials in both type 1 and type 2 diabetes have shown that AT278 works faster and more effectively than existing insulin treatments.



Automated insulin delivery systems are already transforming life for many people with diabetes. By continuously adjusting insulin delivery, these pumps can significantly improve blood glucose control and outcomes. However, even in the US where use is highest, only around 40% of people with type 1 diabetes and around 5% with type 2 diabetes use an AID system. Future adoption of AID systems will be driven by reducing burden of use whilst improving outcomes, aligning with the recent ADA guidance that AID systems are the preferred insulin delivery method. AT278 is the only ultra-concentrated and ultra-rapid-acting insulin that can deliver on all key patient needs when combined with the next generation of insulin pumps.

Major insulin pump manufacturers are aiming to develop next-generation pumps that are smaller, more discrete and can be worn for up to seven days, perhaps even longer. They are also focusing on the underpenetrated type 2 diabetes patient population.

What Will Drive Growth in the Adoption of Systems?

A highly concentrated insulin, like AT278, in combination with an innovative AID partner can deliver on all key patient needs

Reduced Burden

Patients want smaller, longer wear insulin pumps

PWD + High TDD

Cannot achieve 3-day wear

AID use not practical/high burden

Improved Outcomes

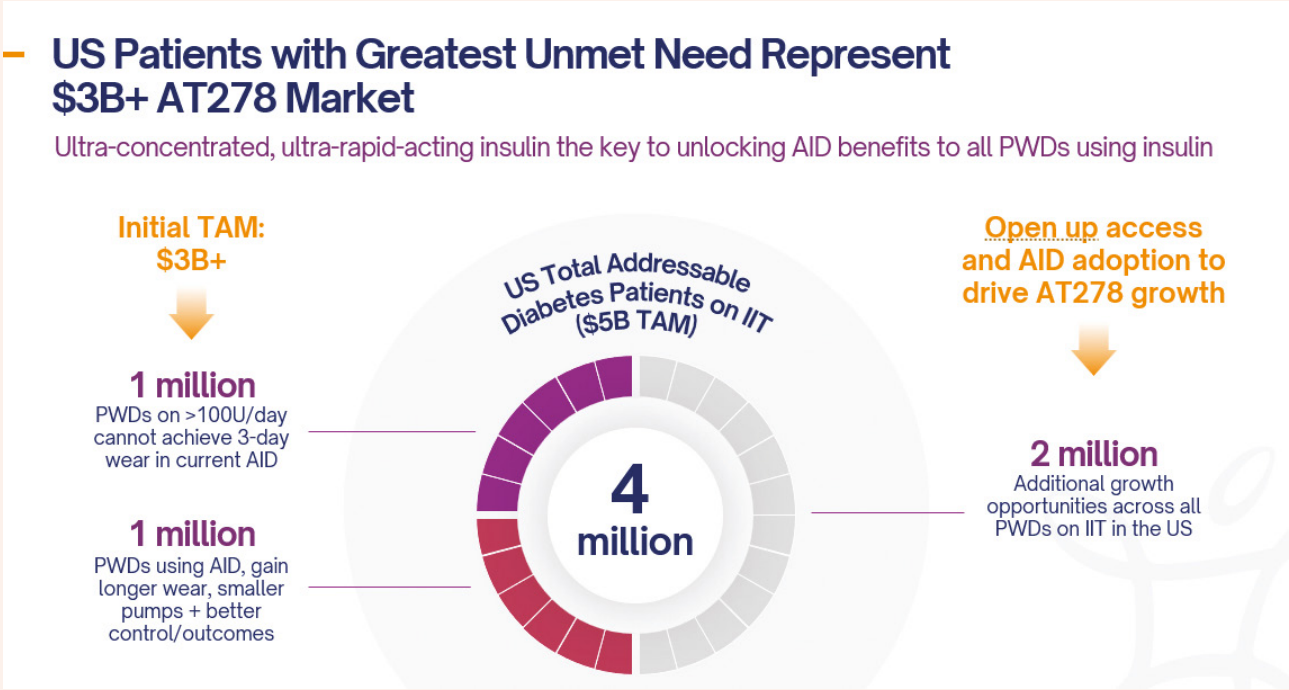
Faster insulins enable more aggressive algorithms

Achieve higher TIR

More Cost Effective

For patients and payer

AT278 is the only insulin in development that can address all of these drivers for AID adoption



Unmet patient need and commercial opportunity

Arecor's initial focus is where there is the highest unmet need in the use of AID systems. These are:

(i) people with diabetes who require more than 100 units of insulin a day. This patient population is unable to achieve even the current standard of care of 3-day wear in today's AID systems, as these pumps only hold between 180 to 300 units of 100U/mL insulins and

(ii) those people with diabetes who already use an insulin pump, however, would have a strong preference to be able to wear their insulin pumps for longer and for them to be smaller and more discrete. And in addition, are striving for improved blood glucose control measured by a greater time-in-range (TIR).

One critical missing piece until now has been an insulin that is both ultra-concentrated and ultra-rapid-acting, that can meet higher insulin needs but is fast enough to mimic the body's natural response. We believe that the answer lies in AT278.

In the US there are approximately four million people with diabetes who require intensive therapy, and of these approximately two million fit into our highest unmet need categories and would be the first adopters. This represents a US market opportunity of >$3B in potential AT278 insulin revenue.

Co-development partnership with Sequel Med Tech

Arecor has entered into a co-development partnership with Sequel Med Tech, a company developing state-of-the-art insulin delivery technologies, and maker of the next generation twiist™ AID system. The twiist™ AID system is FDA approved for people with type 1 diabetes (ages 6 and up) and was launched by Sequel in the US in July 2025. It utilizes the iiSure™ technology which precisely measures each dose of insulin, making it an ideal AID system for an ultra-concentrated insulin such as AT278 (500U/mL).

Together we anticipate entering into a Phase 2 clinical trial during 2H 2026, combining AT278 with Sequel's twiist™. This partnership is a major milestone, furthering our ambitions to realise AT278's significant benefits for people living with diabetes. This will be the first time that an ultra-concentrated, ultra-rapid-acting insulin will be assessed in combination with an AID system in a clinical study. The design of the trial will also generate data which will be key in demonstrating the benefit to patients and the economic value of this new treatment option.

We see the future of diabetes treatment getting smaller, smarter, and faster and Arecor's AT278 is a vital enabler of that change.

Overcoming the Challenge of Oral Peptide Delivery

There are over 800 peptides in development, but only a small number are delivered orally due to very low bioavailability (<1%). Success with oral GLP-1 is highly translatable into oral delivery of other peptides: a significant opportunity.

The Challenge:

- Harsh pH & digestive enzymes leading to:
  - Poor peptide stability due to degradation by digestive processes
- Absorption barrier
  - Poor solubility of permeation enhancers resulting in low uptake by the cells of the digestive system

The Solution:

- Arecor has proven formulation technology and expertise in the stabilisation of a broad range of injectable peptides and proteins, which is translatable to oral delivery

Oral delivery proof of concept GLP-1:

- Initial focus is to develop an oral (semaglutide) GLP-1 with improved bioavailability
- Rybelsus® (oral semaglutide) has a bioavailability of <1%
- GLP-1 market forecast to reach $80-100B by 2030; Rybelsus® FY 2025 sales $3.4B

Status:

- Initial positive results stabilising semaglutide in the delivery matrix
- Non-clinical PK studies to inform optimum approach to improve bioavailability will be generated during 2026

Dr Thomas Blevins, a leading US endocrinologist, believes that AT278 could mark a turning point:

"The increasing number of people with type 1 and type 2 diabetes with moderate to high insulin requirements and rapid advances in automated insulin delivery technologies including miniaturization has created an unmet need for a new type of insulin – one that is highly concentrated with lower volume per unit of insulin which is rapid-acting at the same time. Arecor's AT278 (500 U/ml) could be the answer with real potential to improve the lives of many people with diabetes."

Financial Review

During the year, the Group has identified Tetris Pharma as a discontinued operation. The 2025 financial results separate the discontinued operations from the ongoing core business and report the performance of these as a single amount in the Consolidated income statement. The core business remains focussed upon two product areas – diabetes and the oral development of peptides.

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. The secondary KPI is 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.

	2025 000's	2024 000's	2023 000's
Cash & Short-Term Investments	**£6,130**	**£3,257**	**£6,752**
R&D Expenditure			
People	**£1,157**	£1,073	£1,443
Clinical and Other	**£1,537**	£1,968	£3,958
Total R&D Expenditure	**£2,694**	**£3,041**	**£5,401**

At 31 December 2025 the Group had cash and short-term investments of £6.1 million (2024: £3.3 million). During 2025, proceeds from the royalty finance agreement totalled £5.2 million, offset by net-cash used in continuing operating activities of £3.1 million (2024: £5.7 million). Arecor will continue to invest in its core areas of insulin and oral delivery platform technology. The Group finances its operations through share issuances, royalty financing and partnering revenue, and is expecting to raise additional funding by May-2027 to support further investment. See the Going Concern information within note 3 in the financial statements for further information.

Partner revenue for continuing operations increased in the year to £1.7 million (2024: £1.6 million), of which £0.6 million was non-repeating royalty revenue (2024: £0.6 million).

Cost of Sales for continuing operations decreased by £0.3 million to £0.4 million (2024: £0.7 million) reflecting lower time spent on formulation development projects during the year, as more time was spent on research and development projects including AT278 and the oral development of peptides platform.

Other Operating Income for continuing operations totalled £5.5 million (2024: £0.3 million). The gain on sale of royalty rights was £5.0 million (2024: £nil). The R&D Expenditure Scheme ("RDEC") income was £0.3 million (2024: £0.3 million). Amounts rechargeable to our co-development partner, Sequel Med Tech, totalled £0.2 million (2024: £nil).

Research and Development ("R&D") Expenses for continuing operations decreased by £0.3 million to £2.7 million for 2024 (2024: £3.0 million). Direct clinical costs in 2025 decreased to £0.6 million (2024: £0.9 million). 2025 costs aligned with the focus on AT278, spending £0.4 million on manufacturing and other Phase 2-enabling activities that are part of the co-development agreement with Sequel Med Tech. In 2024, direct clinical costs included £0.7 million in relation to the completion of the AT278-104 clinical study.

General and Administrative ("G&A") Expenses for continuing operations decreased by £0.1 million in 2025 to £3.2 million (2024: £3.3 million) due to a decrease of £0.1 million in costs relating to being a public listed company.

The profit before taxation for continuing operations amounted to £1.0 million (2024: loss of £5.1 million), principally because of the gain on sale of royalty rights. The R&D tax credit claim for 2025 should be filed in Q2 2026. The estimated 2025 SME tax credit is £nil (2024: £nil) as Arecor Limited made a profit in 2025. The estimated claim under the RDEC scheme for 2025 is £0.3 million (2024: £0.3 million).

EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) for continuing operations totalled £1.1 million (2024: negative £4.8 million). Adjusted EBITDA adjusts for non-recurring items including exceptional items, impairment, share-based compensation charges, and gain or loss on disposal of assets and totalled negative £3.5 million (2024: negative £4.7 million). See note 27 for the reconciliation for continuing operations from operating profit to adjusted EBITDA.

Discontinued Operations incurred a loss after tax for the year of £0.3 million (2024: £5.1 million which included the exceptional impairment of £3.3 million). Revenue for the year totalled £1.4 million (2024: £3.4 million). Net increase in cash and cash equivalents for the year was £1.1 million (2024: net decrease of £3.6 million).

Balance Sheet Items: Current trade and other receivables decreased by £3.2 million to £0.6 million (2024: £3.8 million). Of this, £2.8 million is because there are no longer any receivables or prepayments for Tetris Pharma.

Deferred consideration totalled £0.7 million (2024: £nil). This represents monies expected under the Ligand royalty financing agreement during 2026.

Trade and other payables decreased by £1.7 million to £1.4 million (2024: £3.1 million). Of this, £1.9 million is the reduction in payables and accruals at Tetris Pharma.

David Ellam
Chief Financial Officer
10 April 2026

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. The Board reviews proposed Clinical Development Plans to ensure that they are aligned with the company's strategy.
Co-development	The Group intends to partner with an insulin device company or companies to co-develop AT278 in a pump. If there is a delay or inability to sign a co-development deal then the Group's ability to enter into Phase 2 clinical development is weakened.	The Group is ensuring that this is a key focus of the senior leadership team, including the CEO and is dedicated to securing a co-development deal.
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 maintains an active programme of patenting its innovations to protect them. The Group also continually seeks to strengthen the existing IP position via patent extensions, divisionals and continuations, combined with external legal opinions.
Key talent and succession planning	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 become profitable.	Necessary funding could include securing risk-sharing partnerships, out-licensing deals, equity raises or royalty finance agreements 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. The Group is seeking to onboard specialist investors during corporate fundraising.
Cyber breach/ hacking	Loss of vital confidential data, including hacking, ransomware attack.	Cyber procedures (including Penetration Testing) in place.

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 21 to 44 provide the framework of our engagement with 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 the short- and long-term 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 increasing value and meeting currently unmet need in patient populations. In particular in the year relating to (i) the development and commercialisation of its clinical-stage diabetes product portfolio including options for further development and strategic partnering and (ii) pre-clinical research into its new oral delivery platform.
Funding options and Royalty Financing Agreement	Ensuring that the Group is adequately funded to implement strategic objectives.	The Board reviewed funding options and subsequently the Royalty Financing agreement including upfront cash consideration and agreed that this non-dilutive monetisation was an appropriate means of funding.
AT278 pump company partnership and co-development agreement	Enabling critical-path activities to progress ahead of a Phase 2 clinical study for AT278.	The Board considered and accepted co-development funding and terms to progress AT278 towards value inflection points.
Tetris Pharma	Recognising and managing the impact of Tetris Pharma cash requirements on Arecor, employees, shareholders and vendors.	In January 2025 the Board decided to cease Tetris Pharma operations during 2025 to optimise group cashflow, and in 1H 2025 approved the sale of non-Ogluo products to Aspire Pharma.
QCA Code	Using the Code to develop a governance system with appropriate board processes to ensure a high standard of business conduct.	The Board held discussions and established a workplan during the year to ensure that corporate governance activities and disclosures are updated in line with the spirit of the QCA.
Employee well-being	Connecting as a single organisation.	Promoting an open corporate culture both internally and with external parties; communicating our strategy and assessing goals and performance; and considering staff motivation and fair remuneration.
Training	Corporate governance and responsibility.	Board members participated in refresher training with their Nominated Advisor on Director responsibilities in the application of AIM rules and the Takeover Code.

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
10 April 2026

Corporate Governance

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Dr Andrew Richards,
CBE, Ph.D.
(Non-Executive Chair and Chair of the Nomination Committee)

Andrew Richards brings extensive experience from the UK and global biotechnology sector, combining expertise in drug development, investment, commercial deals and scaling businesses. He has contributed significantly to Board discussions, using his background in commercial transactions and company growth to help shape strategy and assess partnership opportunities.

As Chair and director of a number of healthcare and life sciences organisations including Owlstone Medical, ieso.ai, RNAvate and Our Future Health (Trading), Andrew remains closely connected to sector developments, ensuring the Board benefits from current industry insight. His role with the UKRI Medical Research Council further strengthens his perspective on emerging R&D trends. Andrew, with the support of the Company, maintains his skills, experience and his valuable international network through attendance at sector specific events and investor conferences and via external briefings and online training.

Andrew's track record as both a founder of and investor in multiple life-science companies, and as a director of both private and public companies equips him with a practical understanding of risk, opportunity and value creation, which he brings to the Group's decision-making.

Dr Sarah Howell,
Ph.D.
(Chief Executive Officer and Executive Director)

Sarah Howell has served as Chief Executive Officer of Arecor since 2015, leading the company through its transformation into a publicly listed, clinical-stage biotech organisation. Under her leadership, Arecor has achieved significant growth, advanced its proprietary pipeline, and strengthened strategic collaborations with global partners.

Sarah brings extensive expertise in clinical and commercial pharmaceutical product development, manufacturing, supply, and licensing across diverse therapeutic areas. Her previous senior roles include Vice President of CMC and Technical Development at BTG Plc and Director of Outsourced Manufacturing at UCB-Celltech. She holds a BSc in Chemistry from the University of Birmingham and a Ph.D. in Physical Organic Chemistry from the University of St Andrews.

She actively maintains her professional development through industry conferences, executive leadership programmes and research, ensuring she remains informed on emerging biopharma trends and governance best practices.

David Ellam,
ACA
(Chief Financial Officer and Executive Director)

David Ellam joined the Board in September 2025 as Chief Financial Officer, having worked in senior Finance roles within Biotech for 25 years. David has prior senior experience working for UK and US listed entities as well as UK and international private companies. These include BioMarin Pharmaceutical Inc., Silence Therapeutics Plc, and Juvenescence Limited.

David has contributed significantly to Board discussions, using his background in both financial and operational matters to guide the cessation of the Tetris business and the delivery of the Royalty Financing Agreement. He is a Chartered Accountant and completes the Continuing Professional Development requirements of the ICAEW. This involves undertaking a significant amount of annual training, including on ethics and technical accounting matters.

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. His role allows him to be close to all the key trends in the biotech sector, including financings and developments in the diabetes and metabolic diseases arena.

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 and Chair of the Remuneration Committee)

Jeremy Morgan is a highly experienced commercial leader with more than two decades in the international biopharma industry. As President & CEO of Kyowa Kirin International he successfully built out a new organisation launching two rare disease medicines with annual revenue of $500 million. During his time at Eli Lilly's diabetes franchise (rising to VP International, Diabetes) Jeremy successfully launched several products. As COO of PHMR he led a team developing and implementing market access and pricing strategies. In various Business Development roles he has been part of many teams on asset acquisition (both small molecule and company). Organisationally he has led an international organisation of 2,000 people and possesses seasoned experience of talent retention, development planning and compensation & benefits.

Jeremy has a BSc. in Applied Biology from Coventry University.

Simon Ormiston,
(Non-Executive Director and Chair of the Audit & Risk Committee)

Simon Ormiston joined the Board in September 2025 and brings significant, recent and relevant financial experience to his role as the Chair of the Audit & Risk Committee and to the Board more widely. As an audit partner at PwC for over 15 years, he specialised in accounting and reporting matters for life sciences and technology companies, and this means that he is well-placed to offer constructive challenge on financial matters and to evaluate the work of the external auditors. He is a Chartered Accountant and adheres to the Continuing Professional Development requirements of the ICAEW. This involves undertaking a significant amount of annual training, including on ethics and financial reporting. He also regularly attends biotechnology-specific events, to ensure that he keeps up to date with emerging sector trends and risks.

Corporate Governance Statement

Chair's Introduction

As Chair of the Board of Arecor Therapeutics plc, it is my primary responsibility to lead the Board, ensure that it is performing effectively and to oversee the adoption, delivery and communication of the Company's corporate governance framework.

Ultimate responsibility for the quality and effectiveness of the Board lies with me as Chair. The Board ensures that the Group operates in line with its purpose, culture and values while delivering the strategy. Arecor's purpose, business model and strategy is set out within the Strategic Report in these annual accounts and incorporates specifics on how the company intends to deliver shareholder value in the medium to long-term whilst simultaneously protecting the company from unnecessary risk and thereby securing its long-term future for the benefit of all its stakeholders. We believe that a sound and well understood governance structure is essential to maintain the integrity of the Company in all its actions, to enhance performance and to impact positively on our shareholders, staff, patients and suppliers.

Andrew Richards
Non-Executive Chair

Corporate governance statement and compliance with the principles of the QCA code

The Company's shares are traded on the Alternative Investment Market ("AIM") on the London Stock Exchange and as such Arecor is subject to the ongoing requirements of the AIM rules for companies. The Board endorses the value of good corporate governance not only for accountability and risk management but also in providing a positive contribution towards the delivery of enhanced shareholder value. The Board has adopted the 2023 corporate governance principles set out in the Corporate Governance Code published by the Quoted Companies Alliance (QCA). The Board believes that the QCA Code provides an appropriate and suitable governance framework for a group of our size and complexity. 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).

Principle 1
Establish a purpose, strategy and business model which promotes long-term value for shareholders

The Board meets bi-annually to review and approve the strategy for the Company. The strategic plan and business model are reviewed by the senior leadership team on an ongoing basis with relevant operational and management updates being reported to demonstrate delivery and progress. Decisions of the Board are made in line with the strategic plan and business model for the Group. The Company's purpose is to focus on developing innovative drugs for diabetes and other cardiometabolic diseases that deliver meaningful improvements in patient outcomes, and the strategy is to concentrate resources on two core product areas: diabetes and the oral development of peptides, both of which are high growth multi-billion-dollar markets where our technology gives us an edge. Key challenges in executing the strategy, and how these are being addressed, are reflected in the principal risks and uncertainties, which are set out on page 18.

Principle 2
Promote a corporate culture that is based on ethical values and behaviours

The Company's culture is founded on its purpose of transforming patient lives and is guided by the core values: passionate innovation, accountable ownership, smart & dynamic, bold & courageous, and respect & trust. These values shape decisions and behaviours across the Group and support the Company's purpose, strategy and business model.

The Board, supported by the CEO and the senior leadership team, recognises its role in establishing ethical values and behaviours and as such sets the tone from the top displaying visible commitment to these values, as well as ensuring communication and accountability for the conduct of the Company. The Board seeks to make sure that responsible business practice is fully integrated into the management of all its operations and into the culture of all parts of its business. It believes that the consistent adoption of responsible business practice is essential for operational excellence, which in turn is expected to ensure the delivery of its core objectives of bringing innovative new drugs to market.

Principle 3
Seek to understand and meet shareholder needs and expectations

The Board remains committed to transparent and ongoing engagement with shareholders. During the year, engagement took place through:

- Formal reporting: publication of the Annual Report and Accounts, interim and full-year results, and regular business updates.
- Engagement with significant shareholders: the Chair, Chief Executive Officer and Chief Financial Officer held numerous meetings with institutional investors and analysts, as well as attending multiple investor and sector conferences where shareholders met in a networking environment.
- Annual General Meeting (AGM): formal shareholder presentation, with shareholders provided the opportunity to ask questions and engage directly with the Board.

Formal feedback as to the views of shareholders during shareholder meetings is provided by the Company's broker and NOMAD and discussion of this feedback is a regular item on the Board's agenda. Key topics discussed with shareholders included execution of the Group's strategy, realisation of value from its innovative products, financing options, and Board development. In response to feedback from shareholders, the Board sharpened its focus on gaining optimal value from AT278 and in exploring and then progressing with royalty financing as an alternative to equity financing to support AT278 development and partnerships during 2025. The Chair remained available for discussions with shareholders as required, and feedback from engagement activities was reported to the Board to inform its decision-making.

Principle 4
Consider wider stakeholder interests, including social and environmental responsibilities and their implications for long-term success

The Board values the opinions of key stakeholders in the business and regularly seeks to ensure that the views of its employees, suppliers, customers, patients and partners are known and where relevant to the success of our business they are acted upon. In addition, whilst Arecor does not have direct contact with patients the company aims through its innovations to improve outcomes for patients and the healthcare professionals who look after them.

The Company recognises its responsibility to promote its success for the benefit of its stakeholders and understands that the business has a responsibility towards its shareholders, employees, patients, partners, customers, suppliers and to the local community. The Board seeks to maintain and improve its relationships with these groups and regularly obtains, and acts on, feedback as to how best it can maintain and improve its interactions. During the year, this included initiatives focussed on employee wellbeing and training.

The Board has assessed the relevance of environmental, social and governance ("ESG") matters to the Group's purpose, strategy, business model and current operations. At present, given the nature and size of its operations, ESG factors are not deemed to have a significant impact on the Group.

The Board will continue to monitor ESG and CSR developments and will report proportionately, reassessing their significance as expectations and regulatory requirements evolve.

Principle 5
Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation

The Audit and Risk Committee, on behalf of the Board, is responsible for overseeing management's activities in identifying, evaluating and managing the risks facing the Group and recording them on the Group risk register, and overseeing and reviewing the effectiveness of the Company's system of internal controls. The system is designed to manage, rather than eliminate, the risk of failing to achieve the execution of the Company's strategic objectives and business model. The Board monitors financial controls through the setting and approval of an annual budget and the regular review of management accounts.

The Board recognises that sound risk management and internal controls are essential to delivering the Group's strategy and fulfilling its corporate purpose. Risk management is embedded in decision-making to ensure that the Group can pursue its objectives while managing potential threats effectively.

The Board has identified the principal risks facing the Group, which are set out in the Strategic Report on page 18. Risk management is embedded into decision-making through:

- A structured review process to identify, assess, and monitor both current and emerging risks across the business;
- Allocation of clear ownership of risks to the senior leadership team, with regular reporting to the Board; and
- Consideration of risk and internal control implications as part of investment, operational, and strategic decisions.

The Board's risk governance framework also encompasses non-financial considerations, ensuring that any factors which could affect the Group's future prospects, resilience, and ability to deliver its strategy are identified and monitored. This framework supports the Board's assessment of the Group's viability over the medium term.

Based on the review undertaken since the last Annual Report, the Board is satisfied that the Group's risk management and internal control framework is effective and provides a sound basis for the delivery of its strategic objectives and corporate purpose.

Principle 6
Establish and maintain the Board as a well-functioning, balanced team led by the Chair

The purpose of the Board is to ensure that the business is managed for the long-term benefit of all shareholders, whilst at the same time having regard for employees, customers, suppliers and our impact on the environment and the patient communities in which Arecor operates. The full Board is responsible and accountable to the shareholders for the management and success of Arecor and to provide effective controls to assess and manage risks in the Company.

There is a formal schedule of matters specifically reserved for the Board that includes matters relating to strategy and management; structure and capital; financial reporting and controls; internal controls; contracts; communications; board membership and other appointments; delegation of authorities and corporate governance.

Key details of each Director's skills, experience, external appointments and Committee memberships are set out on pages 22 to 23. 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 2025, the Board comprised six directors: the Chair, Chief Executive Officer, the Chief Financial Officer and three Non-Executive Directors. In accordance with the principles of the QCA Code, Simon Ormiston, Jeremy Morgan, and Sam Fazeli are regarded as independent. Andrew Richards has served on the Board for more than nine years and is not considered independent.

Board and Committee attendance is set out on page 29.

The Board believes it has an appropriate mix of experience, skills, and capabilities to inform and oversee the execution of the Group's strategy for the benefit of shareholders over the medium to long term. The collective competencies of the Board include sector and innovation knowledge, financial and accounting expertise, as well as risk management, governance, commercial and operational experience.

The QCA code states that it is healthy for membership of the Board to be periodically refreshed: during 2025 two new Directors were appointed to the Board and two existing Directors departed. In line with QCA code recommendations, all Directors are put forward for re-election at the Company's AGM. The Nomination Committee is also seeking to nominate a further Non-Executive Director with experience of either the US Medical Device industry or international business development.

Succession planning is considered at every Nomination Committee meeting and throughout the year succession has been discussed in individual meetings between Board members and the Chair.

The composition of the Board of Directors in relation to diversity is set out in the Nomination Committee Report.

The Board is supported by its principal committees, which are the Audit and Risk Committee, Remuneration Committee and Nomination Committee. During the year the Board and its committees did not seek external advice on any significant matters, with all decisions and oversight undertaken using the Board's own experience, skills and judgement. Each committee has written terms of reference that set out specific authorities and duties.

Principle 7
Maintain appropriate governance structures and ensure that, individually and collectively, the Directors have the necessary up-to-date experience, skills and capabilities

The Board has established effective processes to sustain its governance structures and works to ensure Directors maintain the skills and knowledge necessary to discharge their responsibilities effectively.

Professional development is supported through regular updates from the Company Secretary, as well as external advisers where appropriate, including the Nominated Advisor. During the year, Directors received various updates including on the QCA Code. Directors with professional qualifications are also required to continue their independent professional development.

The Chief Financial Officer and Company Secretary acts as secretary to the Board and the majority of the Committees, advising on governance and ensuring effective information flow. All Directors are able to take independent professional advice in the furtherance of their duties.

Updates on employment law, accounting and auditing standards and other regulatory matters were provided by external advisers and members of the senior leadership team.

The Board has established Committees, including Audit and Risk, Remuneration and Nomination, details of which are set out on pages 31 to 41. These Committees are supported by independent advisers as required. The Board annual assessment specifically identifies aspects of governance that could be improved and also assesses along with the Nomination Committee discussions any additional skills or expertise that would benefit the Board and the Company.

Through these arrangements, the Board ensures it has the resources and advice necessary to remain effective and well informed.

Principle 8
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board is clear that it benefits from continually monitoring its performance and identifying ways in which it can improve its effectiveness and its impact on the success of the Company.

Evaluation of the Board and the contributions of individual Directors is carried out annually through an internally managed annual assessment process plus feedback from individual directors in one-on-one sessions sought by the Chair. The output of the annual review, along with suggested actions and areas for improvement is collated and circulated to all Board members before being openly discussed, with agreed actions.

During the past year, the Board assessed that it continues to operate effectively, with strong engagement and constructive challenge from all members. A review of actioned outcomes of the past 4 years of annual assessments has identified a significant number of impactful implemented changes. Recent implemented actions have included:- enhanced Board engagement on specific transactions, improved agenda setting to focus on strategic issues and updated structuring of Board papers and financial reports. No in-year events triggered a separate review.

The Board has concluded that the current evaluation process is robust, effective and cost effective with an updated Board assessment questionnaire covering areas for improvement identified in 2025. It was concluded that an externally facilitated board review was not necessary at the current time.

Principle 9
Establish a remuneration policy which is supportive of long-term value creation and the Company's purpose, strategy and culture

The Board is supported by a Remuneration Committee that is formed of independent Non-Executive Directors, and which establishes appropriate policies aligned to long-term value creation.

The Company's Remuneration Policy is disclosed in its Annual Report as part of the Remuneration Committee's report. The Committee reviews the Remuneration Policy of the Company on an annual basis to ensure that it is aligned to the Company's purpose and strategy, provides incentive and performance-related reward across the business, including that of the senior leadership team, and motivates the Arecor team in the creation of long-term shareholder value. Further details are set out in the Remuneration Committee Report on pages 31 to 36 of this Annual Report. The remuneration report and remuneration policy are put to an advisory vote at the AGM each year.

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

The Board ensures that all stakeholders relevant to the business are actively engaged with through the most suitable communication channel, and in the most appropriate manner. This includes making sure that the business as a whole upholds its values and monitors behaviour for acceptability.

The Company recognises that meaningful engagement with its shareholders is integral to the continued success of the Group and the Company has actively engaged with both larger and smaller shareholders through meetings, presentations and roadshows. All shareholders are encouraged to attend the AGM.

The Board considers that the Annual Report and the Interim Report published at the half-year play an important part in presenting all shareholders with an assessment of the Company's position and prospects.

All RNS press releases are published on the Company's website. The Annual General Meeting is an opportunity for shareholders to meet and discuss the Company's business with the Directors. Within the Annual Report, a report from each of the Committees of the Board is included which explains the role of each Committee, the activity it has undertaken throughout the year, its delegated responsibility and how it interacts with the Board.

Board composition, skills and independence

The Board has a collective responsibility and legal obligation to promote the interests of the Group and to define the corporate governance framework.

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

	Board meeting	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Andrew Richards	9/9	-	-	2/2
Sarah Howell	9/9	3/3*	3/3*	2/2*
David Ellam	2/2	1/1*	1/1*	-
Sam Fazeli	7/9	2/3	2/3	1/2
Jeremy Morgan	9/9	2/3	3/3	2/2
Alan Smith	4/5	-	-	1/1
Christine Soden	5/7	2/2	2/2	1/2
Simon Ormiston	2/2	1/1	1/1	-

*Attended at the invitation of the Chair.

Division of responsibilities

The responsibilities of both the Chair and CEO are clearly defined and understood:

- The Non-Executive Chair has primary responsibility for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the shareholders. In addition, he maintains a strong focus on governance to ensure good practice is embedded in the day-to-day operations with good flows in communication and reporting. He maintains a regular dialogue with the CEO to ensure the business receives the support from the Board necessary to progress the strategy. The Chair also meets with the Non-Executive Directors as required. Shareholders have an opportunity to engage with the Chair and the Board at the Company's AGM.
- The CEO is responsible for the day-to-day running of the business which includes implementation of the strategy. She is supported by a senior leadership team who have management responsibility for business operations and support functions. In addition to the Executive Directors, the senior leadership team is Jan Jezek (Chief Scientific Officer) and David Gerring (Chief Development Officer). Relevant matters are reported to the Board by the CEO and, as appropriate, the CFO and other senior leadership team members.

The role of the independent Non-Executive Directors is to:

- provide oversight and scrutiny of the performance of the Executive Directors;
- constructively challenge to help develop and execute on the agreed strategy;
- satisfy themselves as to the integrity of the financial reporting systems and the information they provide;
- satisfy themselves as to the robustness of the internal controls;
- ensure that the systems of risk management are robust and defensible; and
- review corporate performance and the reporting of performance to shareholders.

Internal controls

There is a clearly defined delegation of authority from the Board to the individual Executive Directors. The Board has maintained procedures for the delegated authorisation of operational expenditure, capital expenditure and other investments.

Under its terms of reference, the effectiveness of internal controls continues to be reviewed by the Audit Committee annually to provide reasonable assurance of the custodianship of assets, the recognition and measurement of liabilities, the maintenance of proper accounting records and the reliability of financial information used within the business.

The CFO manages the financial reporting process to ensure that there is appropriate control and review of the financial information including the production of timely monthly financial information for Board meetings as well as for annual and half-yearly financial reporting responsibilities.

The Group continues to have a suite of codes and policies to promote good governance principles, ensure strong internal control processes and embed the culture throughout the Group. These include policies on anti-bribery and corruption, fraud, share dealing, the use of social media and business travel arrangements. These policies are communicated directly to all personnel by email, are re-enforced through periodic training and are available on the Group's intranet site.

Although the Board itself retains the ultimate power and authority in relation to decision making, the Audit Committee meets at least three times a year and with external auditors to review specific accounting, reporting and financial control matters. The Committee also reviews the interim and final accounts and has primary responsibility for making a recommendation on the appointment, reappointment and removal of external auditors. The Board consider that the Group is not of a size to necessitate internal audit resource.

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.

Remuneration Committee Report

This report includes unaudited disclosures of directors' remuneration required by AIM listed companies.

On behalf of the Remuneration Committee, I am pleased to introduce the Remuneration Committee Report. As a company admitted to AIM, we are guided by the QCA's Remuneration Committee Guide and, when appropriate to do so, look to the UK Corporate Governance Code and to investor guidelines for best practice.

Jeremy Morgan
Chair of the Remuneration Committee

The Remuneration Committee is responsible to develop remuneration packages which are aligned with the Company's strategy and culture (whilst giving consideration to the wider workforce) and support the delivery of business objectives in the short, medium and long-term. It 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 senior 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. Sam Fazeli resigned from the Committee on 29 January 2026 due to other commitments and will be replaced in due course.

In this report we set out the Committee's responsibilities and report on the activities of the Committee during the year. In line with the new QCA Code, we will also put putting advisory resolutions to approve the Remuneration Policy and the Remuneration Report as set out below at our 2026 AGM. The terms of reference of the Committee are set out on the Group website.

Membership ..... Jeremy Morgan and Simon Ormiston - both are deemed to be independent.
Committee Chair ..... Jeremy Morgan

Remuneration Committee actions in the year

During the course of the year, the main activities of the Committee were:

- Approving bonus payments for the year to December 2024
- Approving annual salary increases from April 2025
- Approving the change in the annual salary cycle to 1 January starting January 2026
- Review of the 2024 Remuneration Committee Report
- Approving annual bonus structure and targets for the year to December 2025
- Approval of performance criteria for the LTIP for options granted to the Executive Directors and senior leadership of the Group for the year to December 2025
- Decided on the final vesting for LTIPs granted December-2022 and on the measurement to date of performance conditions to LTIPs issued in 2024 and 2025
- Considered the provisions of the new QCA Code relating to remuneration
- Approval of the grant of AESOP awards across the Group

Post year end, the Committee has:

- Approved annual salary increases from January 2026
- Approved annual bonus structure and targets for the year to December 2026
- Determined the executive annual bonus outcome for the year to December 2025
- Approved the Remuneration Policy
- Reviewed the Remuneration Committee Report, including the Remuneration Policy, in the Annual Report and Accounts 2025

New QCA Code and Remuneration Policy

During the year, the Committee considered the matters on remuneration included in the new QCA Code which became effective for the Company for the year ended December 2025. In the light of this decision, the Committee implemented a new Remuneration policy. It determined to change the policy in respect of bonuses such that the maximum bonus payable is x1 salary, and also that the extraordinary maximum long term incentive award an executive may receive during the year is x1.5 salary. The normal maximum remains at x1 salary.

Remuneration decisions during the year

Reflecting performance during 2024, the CEO received a bonus in respect of the year ended 31 December 2024 at 50% of salary, and the base salary was increased by 3% on 1 April 2025. The Executive Directors were granted long-term incentive awards during 2025 as detailed later in this report.

2025 AGM

At our AGM on 2 June 2025, 91.31% of votes were cast in favour of the resolution to approve our Remuneration Report with 8.69% votes cast against. The Remuneration Committee believes the larger part of this adverse voting was associated with one shareholder whose policy is to vote against remuneration reports where there are LTIPs that vest annually over the 3 years rather than after 3 years. LTIP awards made by the company since 2022 now only vest at the end of three years.

Remuneration Policy

The Group's remuneration structure has been designed to bring the Company in line with best remuneration practice and to improve the alignment of senior leadership with shareholder interests, thereby supporting future value creation. The Committee's aim, as in previous years, is that the rewards that can be earned provide a competitive level of incentive and are appropriate for a Group of comparable size and complexity at each level of performance.

The Committee considers appropriate goals from time to time which it believes will best ensure delivery of the Group's short and long-term objectives and ensure alignment with stakeholder interests.

Policy table

Element	Link to Remuneration Policy & Strategy	Operation	Maximum Opportunity
Base Salary	To ensure we can recruit and retain high performing Executive Directors	Base salary is benchmarked and reviewed annually with reference to each Executive Director's performance and contribution, Group performance, and consideration of competitive pressures	The Committee is guided by the general increase for the broader employee population but has discretion to decide on a lower or a higher increase
Benefits	To ensure we can recruit and retain high performing Executive Directors	Executive Directors benefit from private medical and life assurance cover	Maximum benefit is four times base salary in the case of life assurance
Pension	To ensure we can recruit and retain high performing Executive Directors	Employer's pension contribution	The Company may contribute up to 8% of base salary for the Executive Directors
Annual Bonus Plan*	To incentivise and reward performance. To align the interests of the Executives and shareholders in the short and medium term	The annual bonus is earned by the achievement of one-year performance targets set by the Remuneration Committee. The parameters, performance criteria, weightings and targets are ordinarily set at the start of each financial year. Awards are subject to malus and clawback provisions	The maximum bonus opportunity for the CEO and CFO is 100% and 50% of base salary respectively
Long Term Incentive Plan (LTIP)**	To incentivise and reward long-term performance and value creation. To align the interests of Executive Directors and shareholders in the long term	Executive Directors are eligible to receive awards under the LTIP at the discretion of the Committee. Awards are granted as conditional nil-cost options which vest after three years subject to the meeting of objective performance conditions specified at award. Awards are subject to malus and clawback provisions	The normal maximum award in any financial year is 100% of base salary. The maximum in exceptional circumstances is 150% of salary
All employee share option plan (AESOP)	To encourage all employees to make a long-term investment in the Company's shares in a tax efficient way	The Executive Directors may participate in the AESOP on the same terms as other eligible employees	The maximum participation level will be aligned to HMRC limits
Non-executive Director remuneration	To provide fees appropriate to time commitments and responsibilities of each role	Non-Executive Directors are paid a base fee in cash. Fees are reviewed periodically. In addition, reasonable business expenses may be reimbursed	There has been no change in NED pay since the IPO in 2021

*Performance measures may include financial, non-financial, personal and strategic objectives. Performance criteria and weightings may be changed from year to year.

**Performance criteria and weightings may be changed from year to year. For awards granted in FY25, 67% of the award was subject to share price performance versus an index and 33% to time.

Service contracts and letters of appointment

The CEO and CFO's employment contracts are subject to twelve and six months' notice respectively from either the Executive or the Group, given at any time.

All Non-Executive Directors have a remuneration agreement on a rolling basis subject to three months' notice by either the Non-Executive Director or the Group, given at any time. In the event of termination of their appointment they are not entitled to any compensation.

Remuneration of the Non-Executive Directors is determined by the Chair and the CEO. They may be paid additional fees in the event that their workloads are significantly in excess of their contractual obligations. The Chair's remuneration is determined by the Remuneration Committee in conjunction with the CEO. However, the Chair is not entitled to vote on the matter.

Malus and clawback

In respect of bonus and long-term incentives, the Remuneration Committee has the authority to apply malus and clawback within two years of payment or vesting. This authority may be exercised in cases, *inter alia*, of financial misstatement, data or calculation errors in performance assessments, fraud or misconduct.

Leaver provisions

If an employee ceases employment before the bonus payment date, their entitlement to an annual bonus will generally lapse. However, in the case of a "good leaver," the Remuneration Committee may exercise discretion to award a pro-rata bonus based on the period worked and performance achieved before the termination date. Any bonus payment to a good leaver is subject to the usual performance conditions and Company discretion.

Under the LTIP, if an award holder leaves employment before their award vests, the award will ordinarily lapse. However, in good leaver circumstances, a portion of the award may still vest, subject to performance assessment and time apportionment. The Committee has the discretion to waive the performance conditions and/or time apportionment. Good leavers will ordinarily have a period of 90 days to exercise vested options.

Change in control provisions

In the event of a corporate event such as a change of control, scheme of arrangement, voluntary winding-up or delisting, the treatment of the annual bonus is at the discretion of the Remuneration Committee. Typically, the bonus will be pro-rated based on time served and performance achieved up to the date of the corporate event. The Committee may also decide to accelerate payment. Under the LTIP, if a corporate event occurs, outstanding awards will be time-pro-rated, unless the Remuneration Committee determines that a lesser (or no) reduction is appropriate. Additionally, the Committee will assess the extent to which performance conditions have been met at the time of the event. The Committee may also decide to waive performance conditions.

Remuneration during the year ended December 2025

The aggregate remuneration payable to the Directors in respect of the period was as follows:

	Salary £000	Bonus £000	Pension £000	Benefits £000	2025 £000	Salary £000	Bonus £000	Pension £000	Benefits £000	2024 £000
Sarah Howell	282	211	25	2	520	273	136	23	2	434
David Ellam*	59	88	5	-	152	-	-	-	-	-

* David Ellam costs represent amounts earned since his appointment to the Board as Executive Director on 29 September 2025. The bonus amount is the amount paid in 2026 in respect of calendar year 2025. Including remuneration before his appointment to the Board, his aggregate remuneration for 2025 was £332k.

Salaries

The annual pay increase cycle was previously in April but from January 2026 it has changed to January. As at 1 January 2025 the salary of the Chief Executive Officer was £275,625. The Group annual pay rise for April 2025 was 4% but the CEO and the senior leadership team agreed to take a 3% increase. The CEO salary increased to £283,894 on 1 April 2025. In 2026 the date for the annual pay rise was changed from 1 April to 1 January, and so the agreed annual rise of 3.5% was pro-rated to 2.625% for the year. The new CEO salary for 2026 is £291,346.

The CFO joined on an interim contract in November 2024 on a salary of £200,000 which increased to £230,000 on his permanent appointment in February 2025. The CFO became an Executive Director in September 2025, and in January 2026 his salary increased 2.65% to £236,038.

The salaries for NED's have remained unchanged since the IPO in 2021. The Chair's salary is £80,000. Other NED's have a base salary of £35,000 with an additional £5,000 for acting as a Committee Chair.

	2025 £'000	2024 £'000
Andrew Richards	80	80
Simon Ormiston	10	-
Christine Soden	30	40
Jeremy Morgan	40	40
Sam Fazeli	35	35
Alan Smith	15	35

Annual bonus

The Committee considered the performance of the Executive Directors in the financial year against the criteria of the Annual Bonus Plan. Performance criteria included the orderly cessation of the Tetris business, commercial deals, pipeline progress and funds raised. The maximum bonus opportunity for 2025 for the CEO was 100% of salary (100% Corporate Goals, 0% personal goals). The maximum bonus opportunity for 2025 for the CFO was 50% of salary (50% Corporate Goals, 50% personal goals). The Remuneration Committee recommended a Corporate Goal achievement of 75%. In February 2026 the CEO received a bonus of £211,370 for FY25, and the CFO received a bonus of £87,635.

For 2026 the Remuneration Committee has undertaken a review of bonus percentage awards for the Executive Directors and the senior leadership team. The annual CEO max bonus remains at 100% of base salary and is calculated 100% on corporate goals. The CFO annual max bonus is 50% and is 75% Corporate and 25% Personal.

Long-term incentives

The December 2022 LTIP grant reached the end of its vesting period in December 2025. Share price performance versus the FTSE: AIM all share index accounted for 60% of the grant and commercial deals for 40% of the grant. The Remuneration Committee recommended an award of 0% for share price performance, and 30 out of 40 for commercial deals. Overall, this is a 30% award, and 24,000 options vested for the CEO.

The Company made awards under its LTIP to Executive Directors during 2025 subject to three-year vesting with share price performance targets versus the FTSE: AIM all share index and also with length of time served. For 2026 onwards, LTIPs will be awarded at a maximum annual value of x1 base salary (up to x1.5 in exceptional circumstances, including sign-on awards).

Details of awards held by Executive Directors under the AESOP and the LTIP as at 31 December 2025 are set out below:

	Option Type	Exercise price	Number of options held at 31/12/2025	Number of options held at 31/12/2024
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	24,000	80,000
Sarah Howell	AESOP 2024	£1.585	66,000	66,000
Sarah Howell	LTIP 2024	£0.01	320,000	320,000
Sarah Howell	AESOP 2025	£0.435	66,000	-
Sarah Howell	LTIP 2025	£0.01	125,000	-
David Ellam	AESOP 2025	£0.38	40,000	-
David Ellam	LTIP 2025	£0.01	190,000	-
			1,204,000	**839,000**

Total awards granted since the IPO (and thus within the last 10 years) which have been exercised for new shares or remain outstanding are within the conventional UK dilution limit of 10%. The Company is committed to operating within this limit.

Directors' interests

Directors' shareholdings as at 31 December 2025 were as follows:

Director	Number of shares held at 31/12/2025	% of total shares in issue	Number of shares held at 31/12/2024	% of total shares in issue
Sarah Howell	905,481	2.40%	884,404	2.34%
David Ellam	-	-	-	-
Andrew Richards	318,361	0.84%	251,611	0.67%
Sam Fazeli	143,485	0.38%	143,485	0.38%
Simon Ormiston	-	-	-	-
Jeremy Morgan	27,169	0.07%	27,169	0.07%
	1,394,496	**3.69%**	**1,306,669**	**3.46%**

Annual Bonus Plan 2026

The Annual Bonus Plan applies to Executive Directors, the senior leadership team, and all other eligible employees. Performance targets for 2026 include AT278 development and funding thereof, pipeline development, and employee and culture achievements.

Long-term incentives 2026

The Committee intends to make LTIP awards to its Executive Directors and senior leadership team members during FY26. These will operate in line with the Company's remuneration policy.

Annual General Meeting

The Committee will put advisory resolutions on its Remuneration Report and the Remuneration policy to its 2026 AGM.

Jeremy Morgan
Chair of the Remuneration Committee
10 April 2026

Audit and Risk Committee Report

I am pleased to present the Audit and Risk Committee's ("the Committee") annual report on its activities for the period up to the review of our 2025 Annual Report and Accounts.

Simon Ormiston
Chair of Audit & Risk Committee

The primary role of the Audit and Risk Committee is to assist the Board in providing effective governance over the Group. It meets not less than three times a year and otherwise as required, and reviews significant financial reporting issues, key judgements and accounting policies and disclosures in financial reports, reviews the effectiveness of the Group's internal control procedures and risk management systems, and also reviews the independent auditor's audit strategy and implementation plan and its findings in relation to the Annual Report and Interim financial statements. It monitors the relationship with the Group's independent auditor including the consideration of audit fees and independence.

Membership: ..... Simon Ormiston and Jeremy Morgan - both are deemed to be Independent
Committee Chair..... Simon Ormiston

The Chairman of the Committee works closely with the CFO and the finance team to ensure papers for meetings are comprehensive and relevant. When appropriate to do so, the Committee seeks the support of external advisers and consultants.

Appointments to the Committee are made by the Board following recommendations from the Nomination Committee. Only members of the Committee have the right to attend meetings. The Committee members have a mix of knowledge and skills gained through their experience of business, management practices including risk, the industry sector and the Committee as a whole has recent and relevant financial experience. The Executive Directors may be invited to attend meetings, and other senior people will attend as appropriate. The external auditor also attends meetings to discuss the planning and conclusions of their work and meet with the Committee. Sam Fazeli resigned from the Committee on 29 January 2026 due to other commitments and will be replaced in due course.

The Committee reviews and updates the terms of reference regularly, to conform to best practice, which are subject to approval by the Board. The terms of reference are available on the Group's website. Each year, the Committee works to a planned programme of activities, which are focussed on key events in the annual financial reporting cycle and other matters that are considered in accordance with its terms of reference.

It provides oversight and guidance to contribute to the ongoing good governance of the business, particularly by providing assurance that shareholders' interests are being properly protected by appropriate financial management, reporting and internal controls. The Committee approves the terms of all audit and non- audit services provided by the Group's auditors to ensure audit objectivity is maintained.

The main activities of the Committee during the period since the last report were as follows:

- Reviewing the management and reporting of financial matters including key accounting policies
- Reviewing the Annual Report and Accounts and advising the Board on whether, when taken as a whole, it is fair, balanced, and understandable and provides shareholders with the information necessary to assess the Group's position and performance, business model and strategy
- Overseeing the relationship with, and the independence and objectivity of, the external auditors, including in relation to any non-audit services
- Reviewing the Group's risk management and internal control systems and their effectiveness, including reviewing the Delegated Authority framework
- Reviewing the Group's procedures for detecting and preventing fraud, bribery and corruption and ensuring the Group's whistle-blowing procedures are adequate for employees to raise concerns
- Reviewing the findings of external audit reviews, ensuring that they are analysed and improvement plans are implemented

Risk management and Internal Controls

The Committee reviewed the Group's risk assurance framework in the year. The responsibilities surrounding risk management and internal control systems are designed to meet the needs of the size and complexity of the business. Internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material loss or misstatement.

The key components of the current systems of internal controls are:

- Clearly communicating Arecor's values and strategy to ensure these are understood and people know what is expected
- All employee communication sessions and employee engagement surveys
- Developing business and financial plans that support the strategy

- Reviewing policies and procedures to ensure these remain fit for purpose
- Continuous monitoring of controls and internal processes to identify opportunities for strengthening and improvement
- Regular reporting of actual performance relative to business plans, budgets and forecasts
- Ensuring there is a structure of accountability
- Training and monitoring
- Board-approved remediation activities in response to internal control review findings

Whistleblowing

The Group has a Whistleblowing Policy and has developed procedures to help with the detection and prevention of fraud. The policy provides all employees access to a confidential forum in which it is possible to raise concerns about potential and perceived improprieties. If required, concerns can be directly raised with the Chair of the Audit and Risk Committee. The outcomes of any investigations carried out in accordance with the policy are reported to the Committee. There were no whistleblowing notifications or events during the period to publication of this report.

Fair, balanced and understandable

The content and disclosures made in the Annual Report are subject to a verification exercise by management to ensure that no statement is misleading in the form and context in which it is included, no material facts are omitted which may make any statement of fact or opinion misleading, and implications which might be reasonably drawn from the statement are true. The Committee was satisfied that it was appropriate for the Board to approve the financial statements and that the Annual Report taken as a whole is fair, balanced and understandable such that it allows shareholders to assess the Group's position and performance against the Group's strategy and business model.

Significant accounting issues

The Committee reviewed and approved the key judgements applied to several significant accounting issues in the preparation of the financial statements. The review included consideration of the following:

Service Revenue (Accuracy & Cut-Off) & Deferred Revenue (Completeness)
Was revenue correctly accounted for in accordance with IFRS 15 – Revenue from Contracts with Customers?
Gain on sale of assets (royalty financing agreement)
Was the transaction correctly accounted for under IAS38 "gain or loss on the derecognition of an intangible asset"?
Discontinued Operations
Were costs and revenues for discontinued operations correctly identified and disclosed in the financial statements?
Other income – recharge of co-development costs to Sequel Med Tech
Were costs and income correctly accounted for?
Going Concern
Review forecasts and cashflow projections, ensuring they are aligned with strategy
Valuation of parent's intercompany loans to subsidiaries
Evaluate management's assessment of impairment under the 'expected credit loss' model
Charge for share-based payments
Review all management estimates with regard to actual and future vesting of share options, specifically around performance obligations

Shareholders' attention is drawn to the section titled 'Auditor's responsibilities for the audit of the financial statements' in the Report from the independent auditor on pages 50 and 51, about specific areas as reported by the independent auditor to provide its opinion on the financial statements as a whole.

Independent auditor

The appointment of the independent external auditor is approved by shareholders annually. The independent auditor's audit of the financial statements is conducted in accordance with International Standards on Auditing (UK) ('ISAs'), issued by the Financial Reporting Council ('FRC'). There are no contractual obligations that act to restrict the Committee's choice of external auditor. During 2025 the audit committee conducted an audit tender process resulting in the appointment of PKF Littlejohn LLP as auditors to the Group.

The assessment of the effectiveness of external auditors is an ongoing process involving regular discussion with key stakeholders within the Group, engagement with and feedback from the external auditors themselves, and consideration by the Committee of the performance of the external auditors. Having considered the effectiveness and performance of the independent auditor for the financial year ended 31 December 2025, the Committee recommended to the Board the reappointment of PKF Littlejohn LLP as independent auditor of the Group for the next financial year, which will be subject to approval by the shareholders at the AGM to be held on 28 May 2026.

Independent auditor: services, independence and fees

The independent auditor provides the following deliverables as part of its statutory audit services:

- A report to the Committee giving an overview of the results, summary of work undertaken and findings, estimates, judgements and observations on the control environment
- An opinion on whether the Group and Company financial statements are true and fair

The Committee regularly reviews all fees for non-audit work paid to the independent auditor. Details of these fees can be found in note 7 to the financial statements. Non-audit fees were £3k in 2025 (2024: £13k to the previous auditor). The independent external auditor reports to the Committee on matters including independence and non-audit work on an annual basis.

The objective of this report is to explain the work of the Audit and Risk Committee and how it contributes to the maintenance of governance standards at the Group. The activities of the Committee are kept under review in line with regulatory and market developments and current thinking on best practice. The Board welcomes communication from shareholders; should any have suggestions regarding the scope and activity of the Audit and Risk Committee they should address them to the Chair of the Audit Committee at Arecor Therapeutics plc.

Simon Ormiston
Chair of the Audit and Risk Committee
10 April 2026

Nomination Committee Report

The committee reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and makes recommendations to the Board with regard to any changes.

The main responsibilities of the committee are as follows:

- regularly reviewing the structure, size and composition of the Board, including assessing the skills, knowledge, experience and diversity of the Board;
- giving full consideration to succession planning for directors and other senior executives and employees;
- keeping under review the leadership needs of the organisation;
- identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- reviewing the results of the Board performance evaluation process that relate to the composition of the Board;
- considering feedback on Board composition from investors and advisors;
- formulating plans for succession for both Executive and Non-Executive Directors;
- nominating membership of the Audit and Remuneration Committees; and
- any matters relating to the continuation in office of any director at any time including the appointment or removal of any director to Executive or other office.

Arecor Therapeutics plc is a small business with a relatively small number of employees and directors and within that a need for high levels of specialism. Unlike larger organisations it can therefore be challenging to set and then meet meaningful targets for diversity. However, the Board recognises the benefits of diversity in its broadest sense and the value it brings to the business and seeks to achieve beneficial diversity through its recruitment and HR policies.

The Committee met on two occasions during the year to review Board composition and succession as well as to progress the appointment of both Simon Ormiston as a new Non-Executive Director and David Ellam as the Chief Financial Officer and Executive Director to the Board. The Committee is additionally seeking to nominate a further Non-Executive Director with experience of either the US Medical Device industry or international business development. The Board and Committee intend to make an appointment at the appropriate time in due course.

Andrew Richards
Chair of the Nomination Committee
10 April 2026

Membership: ..... Andrew Richards, Simon Ormiston and Jeremy Morgan
Committee Chair..... Andrew Richards

Directors' report

The Directors present their report and the financial statements for the Group and Parent Company for the year ended 31 December 2025.

The Corporate Governance statement on pages 24 to 30 and the governance section on pages 22 to 44 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
David Ellam (appointed 29 September 2025)

Non-Executive

Andrew Richards
Sam Fazeli
Alan Smith (resigned 2 June 2025)
Christine Soden (resigned 29 September 2025)
Simon Ormiston (appointed 29 September 2025)
Jeremy Morgan

Directors' biographies are set out on pages 22 to 23. 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 21.

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
Political donations	None made for 2025 (2024: none)
Qualifying indemnity provisions	Directors' insurance against claims arising in their capacity is in place
Financial risk management	Principal Risks and Uncertainties (Strategic Report) – page 18
Future developments	Chair's Statement (Strategic Report) – pages 4 to 5
Risks & uncertainties	Principal Risks and Uncertainties (Strategic Report) – page 18
Directors' shares held	Directors' Remuneration Report (Corporate Governance) – pages 31 to 36

Business review

The Strategic Report on pages 3 to 21 is a review of the business and the Group's trading for the year ended 31 December 2025. 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 including discontinued operations

The Group's profit after tax for the year was £0.7 million (2024: loss £10.2 million). The Directors do not recommend the payment of a dividend (2024: £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 31 to 36.

Research and development for continuing operations

The Group continues to invest in research and development with expenditure of £2.7 million (2024: £3.0 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 21, 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 31 of the Consolidated Financial Statements.

Independent Auditor

PKF Littlejohn LLP have expressed their willingness to continue in office as Independent Auditor. An ordinary resolution to reappoint PKF Littlejohn 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 28 May 2026. Included in the Notice of Annual General Meeting will be details of the AGM format, together with an explanation of the resolutions to be proposed at the meeting.

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

Sarah Howell
Chief Executive Officer
10 April 2026

Arecor Therapeutics plc
Chesterford Research Park
Little Chesterford
Saffron Walden
CB10 1XL

Company registration number: 13331147

Directors' Responsibility Statement

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
10 April 2026

Group Consolidated Financial Statements

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

Opinion

We have audited the financial statements of Arecor Therapeutics plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2025 which comprise the consolidated income statement, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including 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 2025 and of the group's profit 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 FRS 101 reduced disclosure framework (United Kingdom Generally Accepted Accounting Practice) and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and 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 regarding going concern. Whilst the group had generated an operating profit from continuing operations for the year, it has incurred net operating losses since inception except for the year ended 31 December 2025 and expects such losses in future periods. The group have prepared cash flow forecasts which show that on a sensitised downside basis, the group and parent company will be required to raise further funding in or before quarter 2 2027. Although the group has a history of raising finance through share issuances and partnering or royalty arrangements, future funding is dependent on external stakeholders and market conditions and is not guaranteed.

As stated in note 3, these events or conditions, along with the other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the group 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's cash flow forecasts which extend for a period of at least 12 months from the date the financial statements are approved;
- Reviewing actual results with historical forecasts to determine accuracy of forecasting;
- Challenging management's assumptions and performing sensitivity analysis thereon;
- Assessing post balance sheet events including a review of post year end board minutes to ensure that any new developments that could impact the group's ability to continue as a going concern have been considered appropriately;
- Obtaining details of the latest cash position and performance post period end;
- Considering external information which could impact the going concern assumption; and
- Ensuring that the disclosures surrounding going concern are clear and accurately reflect the consideration management have given to 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 application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage, materiality is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes during the audit.

Our calculated level of overall materiality has been calculated at 4% of adjusted EBITDA as our basis for overall group materiality, this is due the one-off items such as the gain on sale of royalty rights and the associated deferred consideration and its impact on the financial statements.

Adjusted EBITDA is considered an appropriate benchmark because it isolates operating performance by removing non-cash charges, which is particularly relevant for a research-intensive business. It is widely used in the biotech sector as it provides a stable, comparable measure unaffected by one-off items. Management also use EBITDA as a key performance indicator when assessing funding needs. Given the one-off transactions in the period, EBITDA offers a more normalised performance benchmark than profit before tax.

The group was audited to a level of overall materiality of £213,000, the parent company overall materiality was based on 1% of net assets capped at 95% of overall group materiality, being £202,300. We consider the parent company's net assets to be the most appropriate benchmark because the entity is a non-trading holding company. Performance materiality has been set at £149,000 for the group and £141,600 for the parent company, being 70% of materiality of the group and parent company financial statements as a whole. The performance materiality is based on our assessment of the relevant risk factors, including previous experience of misstatements, management's attitude towards proposed adjustments, and the level of estimation inherent within the group and parent company.

We agreed with the Audit Committee that we would report to the committee all audit differences identified during the course of our audit in excess of our triviality level of £10,500 for the group and £10,500 for the parent company as well as differences below that threshold that we believe warranted reporting on qualitative grounds.

Our approach to the audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we considered the areas involving significant accounting estimates and judgements by the directors, including the valuation of loans receivable (parent company), the accounting treatment of the gain on sale of royalty rights and associated deferred consideration and revenue recognition. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. Procedures were then performed to address the risks identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined below in the Key audit matters section of this report. We re-assessed the risks throughout the audit process and concluded that the scope remained in line with that determined at the planning stage of the audit.

An audit was performed on the financial information of the group's full and specific scope components which, for the year ended 31 December 2025, were located in the United Kingdom (UK) and the Netherlands (NL).

As a result of our materiality and risk assessments, we determined which components required a full scope audit of their financial information with consideration to their significance to the group based on their contribution to adjusted EBITDA, the presence of material classes of transactions and account balances, and other risk characteristics. On this basis, three components required a full scope audit of their financial information. One component was subject to a specific scope audit whereby procedures were performed on one or more classes of transactions, account balances or disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our scope addressed this matter
Accounting treatment of the gain on sale of royalty rights and associated deferred consideration (Note 6) There is a risk that the gain on the sale of royalty rights and the associated deferred consideration is misstated due to the complexity of applying the correct accounting standards. Management is required to determine whether the transaction represents a sale of an asset, a revenue arrangement, includes financing components, and allocate consideration appropriately. Deferred consideration introduces further judgment in discounting future cash flows, assessing the likelihood and timing of receipt and recognising interest components. Incorrect application of these standards could result in material misstatement of profit, financial position, and related disclosures.	Our work in this area included: • Obtaining and reviewing the sales agreement to confirm terms of upfront payment, deferred consideration, warrants issued and assets sold; • Obtaining management's assessment of the accounting treatment and calculation of the gain on sale and performing a critical analysis of the assessment ensuring the correct accounting treatment and accurate calculation of the gain ensuring all appropriate amounts are included; • Challenging managements assumptions of the deferred consideration through a review of the products historical performance, the discount rate used and the probability assumptions applied; • Reviewing the appropriateness of the associated disclosures in the financial statements.

Key Audit Matter	How our scope addressed this matter
Valuation of Loans Receivable (Parent - Note 4) There is a risk that loans receivable are not valued accurately in accordance with IFRS 9 'Financial Instruments'. This could occur due to incorrect assessment of expected credit losses (ECL). Management's ECL model includes significant assumptions specifically around the future profitability of AT278 and the Oral Delivery Peptide Platform (ODPP), this gives rise to a heightened risk of material misstatement.	Our work in this area included: • Obtaining the loan agreement(s) and reviewing the key terms of the loans issued. • Reviewing the movement of the loan balances in the year to determine if the loan balance is complete and accurate. • Evaluating and challenging management's assessment of the ability of Arecor Limited / Tetris Pharma Limited to make payment of the full amount due by considering the financial metrics of the subsidiary and determining if the subsidiary has the financial capability to settle the amounts owed • Evaluating management's assessment of impairment under the 'expected credit loss' model and testing the underlying assumptions and methodology in line with the requirements of IFRS 9; and • Reviewing the appropriateness of the associated disclosures in the financial statements

Other information

The other information comprises the information included in the annual report, 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 group and parent company 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 course of 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 this gives rise to 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

Matters on which we are required to report by exception

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

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, the directors are responsible for the preparation of the group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group 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. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, and our experience of the biotechnology sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
  - Companies Act 2006 (UK)
  - UK adopted IAS
  - AIM listing rules
  - QCA Corporate Governance Code
  - UK Medicines and Healthcare products Regulatory Agency
  - Local tax and employment law where each member of the group operates
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
  - Making enquiries of management
  - Reviewing Board minutes
  - Reviewing Regulatory News Services announcements
  - Reviewing legal expenses
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the potential for management bias in relation to the accuracy and cut-off of service revenue recognition. We addressed this risk through challenging assumptions and judgements made by management when auditing these significant accounting estimates and our substantive audit procedures performed.

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

Daniel Hutson
(Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

10 April 2026

Consolidated income statement

for the year ended 31 December 2025

	Notes	31 December 2025 £000	31 December 2024 restated £000
Revenue	5	**1,714**	1,643
Cost of sales		**(448)**	(724)
Gross profit		**1,266**	919
Other operating income	6	**5,534**	267
Research and Development expenses		**(2,694)**	(3,041)
General & Administrative expenses		**(3,174)**	(3,321)
Operating profit/(loss)		**932**	(5,176)
Finance income	9	**73**	101
Finance expense	10	**(11)**	(18)
Profit/(loss) before tax		**994**	(5,093)
Taxation charge	11	**(62)**	(70)
Profit/(loss) for the financial year – Continuing operations		**932**	(5,163)
Loss for the year – Discontinued operations	26	**(268)**	(5,073)
Profit/(loss) for the year		**664**	(10,236)
Basic and diluted earnings per share (£) – Continuing operations	12	**0.02**	(0.16)
Basic and diluted earnings per share (£) – Total Group	12	**0.02**	(0.31)

The results for the year ended 31 December 2024 have been re-presented to reflect that the results of parts of the business are now reported as discontinued operations. See note 26 'Discontinued operations' for more information.

A statement of other comprehensive income has not been presented as the only item is foreign exchange movements of £203k debit (2024: £120k credit).

The accompanying accounting policies and notes on pages 56 to 79 form an integral part of these financial statements.

Consolidated statement of financial position
at 31 December 2025

	Notes	31 December 2025 £000	31 December 2024 £000
Non-Current assets			
Intangible assets	13	**16**	33
Property, plant and equipment	14	**298**	400
Other receivables	15	**85**	55
Total non-current assets		**399**	488
Current assets			
Trade and other receivables	15	**628**	3,845
Current tax receivable		**240**	654
Cash and cash equivalents	16	**3,001**	3,239
Short-term investments	17	**3,129**	18
Inventory	18	**-**	478
Deferred consideration	19	**704**	-
Total current assets		**7,702**	8,234
Current liabilities			
Trade and other payables	20	**(1,415)**	(3,069)
Lease liabilities	21	**(96)**	(121)
Provisions	22	**(99)**	(66)
Total current liabilities		**(1,610)**	(3,256)
Non-current liabilities			
Lease liabilities	21	**(2)**	(111)
Provisions	22	**(35)**	(6)
Total non-current liabilities		**(37)**	(117)
Net Assets		**6,454**	5,349
Equity attributable to equity holders of the Group			
Share capital	24	**378**	378
Share premium account	24	**34,684**	34,684
Share-based payments reserve	24	**2,320**	1,676
Other reserves	24	**11,455**	11,455
Merger relief reserve	24	**2,014**	2,014
Foreign exchange reserve	24	**(103)**	100
Retained losses	24	**(44,294)**	(44,958)
Total equity attributable to equity holders of the Group		**6,454**	5,349

The financial statements of Arecor Therapeutics plc, registered number 13331147, were approved by the Board of Directors and authorised for issue on 10 April 2026.

Signed on behalf of the Board of Directors by:

Sarah Howell
Director

Consolidated statement of changes in equity

for the year ended 31 December 2025

	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 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
Equity as at 31 December 2024	**378**	**34,684**	**11,455**	**2,014**	**1,676**	**100**	**(44,958)**	**5,349**
Equity as at 1 January 2025	378	34,684	11,455	2,014	1,676	100	(44,958)	5,349
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	664	664
Foreign exchange movements	-	-	-	-	-	(203)	-	(203)
Transactions with owners:								
Share-based compensation	-	-	-	-	324	-	-	324
Issue of warrants	-	-	-	-	320	-	-	320
Equity as at 31 December 2025	**378**	**34,684**	**11,455**	**2,014**	**2,320**	**(103)**	**(44,294)**	**6,454**

The accompanying accounting policies and notes on pages 56 to 79 form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2025

	31 December 2025 £000	31 December 2024 restated £000
Cash flow from operating activities		
Profit/(Loss) before taxation from continuing operations	**994**	(5,093)
Finance income	**(73)**	(101)
Finance costs	**11**	18
Gain-on-Sale of Intangibles	**(4,968)**	-
Gain-on-Sale of Property, Plant and Equipment	**(9)**	-
Share-based payment expense	**324**	156
Depreciation	**201**	216
Amortisation	**14**	139
	(3,506)	(4,665)
Changes in working capital		
(Increase)/decrease in trade and other receivables	**(366)**	381
Increase/(decrease) in trade and other payables	**315**	(1,065)
Increase/(decrease) in provisions	**40**	(85)
Decrease/(increase) in RDEC receivable	**69**	(267)
Tax Received	**364**	-
Net cash used in operating activities – continuing operations	**(3,084)**	(5,701)
Net cash generated from / (used in) operating activities – discontinued operations	**721**	(3,629)
Cash flow from investing activities		
Purchase of property, plant and equipment	**(99)**	(8)
(Purchase)/Maturity of short-term investments	**(3,111)**	1,641
Sale of intangibles	**5,186**	-
Sale of property, plant and equipment	**9**	-
Interest received	**73**	101
Net cash generated from investing activities – continuing operations	**2,058**	1,734
Net cash generated from / (used in) investing activities – discontinued operations	**399**	(15)
Cash flow from financing activities		
Issue of ordinary shares	**-**	6,417
Share issue costs	**-**	(637)
Repayment of loans	**-**	9
Capital payments on lease liabilities	**(88)**	(89)
Interest paid on lease liabilities	**(11)**	(18)
Net cash (used in)/generated from financing activities – continuing operations	**(99)**	5,682
Net cash used in financing activities – discontinued operations	**(49)**	(36)
Net decrease in cash and cash equivalents	**(54)**	(1,965)
Exchange (losses)/gains on cash and cash equivalents	**(184)**	111
Cash and cash equivalents at beginning of financial year	**3,239**	5,093
Cash and cash equivalents at end of financial year	**3,001**	3,239

The accompanying accounting policies and notes on pages 56 to 79 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 subsidiaries; Arecor Limited (a trading company) 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:

- Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability

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 2026:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- Annual Improvements to IFRS Accounting Standards – Volume 11

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 2025. 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 income statement 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 2025, the Group recorded an operating profit for continuing operations of £0.9 million, or a loss of £4.1 million excluding the one-off gain-on-sale of intangible assets. Cash used in operating activities for continuing operations was £3.1 million. As a clinical stage biotech Group, Arecor has incurred net operating losses since inception except for FY25 and expects such losses in future periods. At 31 December 2025, the Group's retained losses were £44.3 million and it held £6.1 million of cash and short-term investments.

Research & Development expenditure totalled £2.7 million in 2025. The majority of external research and development expenditure is not committed, and the timing and extent of uncommitted expenditure afford flexibility in the allocation of resources.

The Group finances its operations through share issuances, partnering revenue and royalty financing arrangements. In the second half of 2025, the Group received £5.2 million in proceeds from a royalty financing agreement.

The Group's base case cash flow forecast suggests that it could continue to operate with cash currently held until May 2027, which is just over a year from the date of approval of these financial statements. Therefore, the Group will need to raise additional funding in or before Q2 2027 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 April 2027, requiring Arecor to raise additional funding in or before Q2 2027. While the Group has historically succeeded in securing further cash, financing from share issuances, partnering revenue and royalty financing 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 managed research and development expense credit (RDEC) scheme
Where research and development expenditure is incurred that is eligible under the new UK Government Managed 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. Where research and development expenditure is incurred that is eligible under the Enhanced Research and Development Intensive Support (ERIS) mechanism, a tax credit is recognised.

Other income – cost-share recharge
Where the Group enters into co-development or collaboration arrangements under which another party shares specific research and development expenditure, amounts receivable from the counterparty that represent reimbursement of its share of jointly incurred costs are recognised as other income.

These arrangements do not fall within the scope of IFRS 15 Revenue from Contracts as the Group does not provide goods or services that are an output of its ordinary activities in exchange for consideration, nor does the arrangement create a performance obligation. Instead, the counterparty is settling its contractual share of development costs. Accordingly, the reimbursements are accounted for as cost recovery rather than revenue.

Cost-share income is recognised in the consolidated income statement in the period in which the related eligible research and development expenditure is incurred, reflecting the substance of the arrangement and consistent with IAS 1's presentation principles and the matching concept.

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 consolidated income statement over the vesting period. Further details on share-based payments are provided in note 25.

Warrants
The Group may issue equity-settled warrants as part of commercial, financing or other strategic arrangements. Warrants give the counterparty the right, but not the obligation, to subscribe for ordinary shares of the Company at a fixed exercise price for a defined term.

Where warrants are issued, the fair value of the warrants is measured at the grant date using an appropriate valuation model that reflects the specific terms and conditions of the instrument, including any market-based features and relevant non-vesting conditions. The fair value of the warrants is recognised directly in equity within the Share-based Payment Reserve, as no future service is required and the warrants are equity-settled instruments. After initial recognition, no remeasurement of fair value is performed.

Where warrants in the Company are issued to a counterparty in connection with an arrangement undertaken by a subsidiary company, the fair value recognised in the Parent is treated as a capital contribution to the subsidiary, with the corresponding credit recorded in the Group's Share-based Payment Reserve.

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 consolidated income statement.

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.

Short term investments
Short-term investments are measured at amortised cost as the Group's objective is to hold these instruments to collect the contractual cash flows. Interest income is recognised on an effective interest basis within finance income. The short-term investments are deposits held at banks with a short-term credit rating of at least F2 from Fitch.

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 and trade and other payables.

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 consolidated income statement.

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, as well as the fair value of warrants issued
- "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

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:

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 AESOP 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 senior 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 a portion of the active LTIP agreements, there is also a performance obligation for the signing of a significant commercial deal currently weighted at 75% chance of success. If this was amended to 100%, then there would have been a further charge to the Income Statement of £34k in the year. If this was amended to 0% then the current charge to the Income Statement would have been reduced by £103k in the year.

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 for continuing operations

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

	31 December 2025 £000	31 December 2024 £000
UK	**-**	122
USA	**702**	466
Europe (excl. UK) & Middle East	**1,012**	1,055
	1,714	1,643

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

	31 December 2025 £000	31 December 2024 £000
UK	**399**	488
	399	488

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. 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 maker 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 2025 £000	31 December 2024 £000
Revenue recognised from contracts with partners – point in time	**50**	125
Revenue recognised from contracts with partners – over time	**1,664**	1,518
Total revenue	**1,714**	1,643

For the year ended 31 December 2025, revenue includes £85k (2024: £232k) included in the contract liability balance at the beginning of the period.

At 31 December 2025, the balance of receivables due from contracts with partners totalled £144k (2024: £509k). At the reporting date, the aggregate amount of revenue remaining to be recognised on signed agreements totalled £619k (2024: £571k). This balance is forecast to be recognised during 2026 and 2027. 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 for continuing operations

	31 December 2025 £000	31 December 2024 £000
Gain-on-sale of intangible assets	**4,968**	-
Gain-on-sale of property, plant and equipment	**9**	-
RDEC Claim	**320**	267
Clinical cost share	**237**	-
	5,534	267

Other operating income totalled £5.5 million (2024: £0.3 million). The Government R&D Expenditure Scheme ("RDEC") income was £0.3 million (2024: £0.3 million).

During the year, the Group recognised Other Income of £237k (2024: £nil) relating to a cost share agreement entered into with Sequel Med Tech. Under the terms of this agreement, the Group and Sequel have agreed to share equally the costs incurred in relation to certain AT278 related activities. The Group initially incurs the full cost and subsequently recharges 50% of the eligible expenditure to Sequel.

The amount recognised as Other Operating Income represents Sequel's agreed share of the costs incurred by the Group during the year.

The gain-on-sale of intangible assets relates to the agreement entered into with Ligand whereby Arecor sold certain global royalty rights. The transaction included an immediate upfront payment of $7 million, with up to $4 million in additional contingent milestone payments, including $1 million expected in 2026, dependent on the achievement of commercial milestones. Contingent milestone consideration is recognised only when it becomes highly probably that the associated conditions will be met.

The transaction represents a sale of future economic rights (royalties and milestone fees) over which the Group no longer retains control. Accordingly, the Group derecognised the associated intangible-asset components with a carrying value of nil and recognised a gain-on-sale in accordance with IFRS 15 and IAS 38.

In line with IFRS requirements, all directly attributable costs have been offset against the proceeds received in determining the net gain on sale. This approach ensures that only the net economic benefit of the transaction is recognised in the Consolidated Income Statement.

This included recognising the fair value charge associated with the warrants issued to Ligand, recorded in accordance with applicable share-based payment standards. These warrants meet the definition of an equity instrument under IAS 32 as they are contracts that will be settled through the issue of a fixed number of the Company's own equity instruments in exchange for a fixed exercise price. Equity-classified warrants are recognised at their fair value at the date of grant and are not subsequently remeasured. The fair value was determined using the Black-Scholes option pricing formula and assumptions laid out in the table below. The resulting fair value is recognised directly in equity within the Share-based payment reserve.

	Issued on 25 September 2025
Share price at date of issue	£0.725
Exercise price (30-day VWAP)	£0.6739
Volatility (per annum)	40%
Expected dividends	Nil
Risk-free rate of return	3.87% pa – 4.85% pa
Fair value as at date of issue	£0.319
Number of warrants	1,002,739

The consideration was allocated between:

- Upfront non-refundable proceeds, recognised on completion;
- Contingent milestone-based consideration, recognised only when the relevant milestone becomes highly probable.

Calculation of gain-on-sale on intangible assets	31 December 2025 £000	31 December 2024 £000
Upfront cash consideration received	**5,186**	-
Contingent milestone-based consideration	**695**	-
Directly attributable costs, including warrants	**(913)**	-
	4,968	-

7. Operating profit for continuing operations

	31 December 2025 £000	31 December 2024 £000
Operating profit is stated after charging:		
Audit fees (excluding for discontinued operations, see below)	**140**	232
Non-audit services	**3**	13
Depreciation of property, plant and equipment:		
- Owned assets	**113**	117
- Right of use assets under leases	**88**	95
Amortisation of intangible assets	**14**	139
Foreign exchange (gains)/losses	**(64)**	13
Directors and employee costs (Note 8)	**3,465**	3,509

Auditors' remuneration

	31 December 2025 £000	31 December 2024 £000
Audit of the Group and Parent Company accounts	**85**	104
Audit of the accounts of the Company's subsidiaries by the Group auditors	**55**	56
Audit fees for the current year	**140**	160
Additional audit fees for the prior year	**-**	72
Total audit fees for continuing operations	**140**	232
Total audit fees for discontinued operations	**18**	65
Total audit fees	**158**	297
Non-audit services	**3**	13
Total non-audit fees	**3**	13

8. Remuneration of Directors and employees for continuing operations

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

	31 December 2025 £000	31 December 2024 £000
Wages and salaries	**2,720**	2,850
Share-based payments	**324**	156
Social security	**268**	319
Pension costs	**153**	184
	3,465	3,509

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

	31 December 2025 Number	31 December 2024 Number
Research, Development and Operations	**20**	24
General and Administration	**7**	8
Executive and Non-Executive Directors	**6**	7
	33	39

Directors' remuneration for Companies Act purposes amounts to:

	31 December 2025 £000	31 December 2024 £000
Emoluments and fees for qualifying services	**849**	762
Compensation for loss of office	**-**	119
Company contributions to money purchase pension schemes	**30**	41
Other Benefits	**2**	2
	881	924

Remuneration of the highest paid Director

	31 December 2025 £000	31 December 2024 £000
Emoluments and fees for qualifying services	**493**	410
Company contributions to money purchase pension schemes	**25**	24
Other Benefits	**2**	2
	520	436

Full details of Director's remuneration can be found within the Remuneration Committee Report on pages 31 to 36.

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 2025 £000	31 December 2024 £000
Short-term employment benefits	**1,620**	1,503
Termination benefits	**-**	119
Post-employment benefits	**72**	87
Share-based payments	**250**	128
	1,942	1,837

Key Management Personnel consists of the Directors and the senior 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 were two Directors (2024: two) to whom retirement benefits accrued under money purchase schemes.

9. Finance income for continuing operations

	31 December 2025 £000	31 December 2024 £000
Bank interest received	**64**	100
Other interest received	**9**	1
	73	101

10. Finance expense for continuing operations

	31 December 2025 £000	31 December 2024 £000
Lease interest	**11**	18
	11	18

11. Taxation for continuing operations

The total tax credit within the consolidated income statement is as follows:

	31 December 2025 £000	31 December 2024 £000
Profit/(loss) before tax	**994**	(5,093)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2024: 25.00%)	**248**	(1,273)
Tax effects of:		
Expenses not deductible for tax purposes	**119**	39
Enhanced R&D relief	**-**	(200)
Surrender of losses at a different rate of tax from R&D tax credits	**-**	260
R&D tax credits	**63**	-
Prior period adjustment to R&D tax credits	**-**	213
Unrecognised deferred tax	**-**	763
Movement in deferred tax not recognised	**(216)**	-
Group Relief	**(152)**	243
Origination and reversal of timing differences	**-**	25
Total tax charge	**62**	70

The group is eligible for UK managed research and development expense credit (RDEC) tax credits and further credits under the enhanced research and development intensive support (ERIS) mechanism. Tax credits relating to the ERIS scheme are recognised within the total tax above, and the RDEC 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 2025, the Group has accumulated tax losses of £27,960,011 (2024: £30,272,586). No deferred tax asset was recognised in respect of these accumulated tax losses due to uncertainty regarding the timing of recoverability in future years (2024: 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.

12. Basic and diluted earnings per share

A reconciliation of the weighted average number of ordinary shares used in the measures is given below:

	31 December 2025 Number	31 December 2024 Number
For basic EPS calculation	**37,756,601**	33,439,766
For diluted EPS calculation	**39,437,536**	33,439,766

The reconciliation of the earnings used in the measures is given below:

	31 December 2025 £000	31 December 2024 £000
Profit/(loss) used in the calculation of basic EPS and diluted EPS (total Group)	**664**	(10,236)
Profit/(loss) used in the calculation of basic EPS and diluted EPS (continuing operations)	**932**	(5,163)
Loss used in the calculation of basic EPS (discontinued operations)	**(268)**	(5,073)

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.

	31 December 2025 £	31 December 2024 £
Basic Earnings Per Share (total Group)	**0.02**	(0.31)
Basic Earnings Per Share from continuing operations	**0.02**	(0.16)
Basic Earnings Per Share from discontinued operations	**(0.01)**	(0.15)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all dilutive potential ordinary shares. Potential ordinary shares include share options, LTIPs, AESOP awards and warrants. These are converted using the treasury stock method, which calculates the incremental number of shares that would be issued for no consideration based on the average market price of the Company's shares during the year.

For periods in which the Group reports a loss, all potential ordinary shares are considered anti-dilutive because their inclusion would reduce the loss per share. Accordingly, diluted loss per share is equal to basic loss per share in such periods.

	31 December 2025 £	31 December 2024 £
Diluted Earnings Per Share (total Group)	**0.02**	(0.31)
Diluted Earnings Per Share from continuing operations	**0.02**	(0.16)

13. Intangible assets

	Patents £000	Licenses £000	Software £000	Total £000
Cost				
At 1 January 2024	150	1,933	49	2,132
At 31 December 2024	150	1,933	49	2,132
Disposals	-	(1,933)	-	(1,933)
At 31 December 2025	**150**	-	**49**	**199**
Amortisation				
At 1 January 2024	137	171	12	320
Charge for the year	8	121	9	138
Impairment for the year	-	1,641	-	1,641
At 31 December 2024	145	1,933	21	2,099
Charge for the year	5	-	10	15
Impairment for the year	-	-	2	2
Disposals	-	(1,933)	-	(1,933)
At 31 December 2025	**150**	**-**	**33**	**183**
Net book value				
At 31 December 2024	5	-	28	33
At 31 December 2025	**-**	**-**	**16**	**16**

Amortisation is recognised within administrative expenses. Disposals of £1,933k relate to the derecognition of licences that had been previously fully impaired to a carrying value of nil, resulting in an equal reduction in cost and accumulated depreciation.

Software is amortised over 5 years (2.1 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 £2k (2024: £1,640k) would be recognised on software that related to Tetris Pharma Ltd.

14. 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 2023	143	626	256	1,168	2,193
Additions	15	8	5	8	36
Transfers	-	-	(245)	245	-
At 31 December 2024	**158**	**634**	**16**	**1,421**	**2,229**
Additions	-	-	1	98	99
Disposals	(18)	-	-	(133)	(151)
At 31 December 2025	**140**	**634**	**17**	**1,386**	**2,177**
Depreciation					
At 31 December 2023	106	304	247	702	1,359
Charge for the year	16	116	9	166	307
Impairment	-	41	-	122	163
Transfers	-	-	(245)	245	-
At 31 December 2024	**122**	**461**	**11**	**1,235**	**1,829**
Charge for the year	18	86	2	95	201
Disposals	(18)	-	-	(133)	(151)
At 31 December 2025	**122**	**547**	**13**	**1,197**	**1,879**
Net book value					
At 31 December 2024	36	173	5	186	400
At 31 December 2025	**18**	**87**	**4**	**189**	**298**

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 no impairment was necessary (2024: £163k).

15. Trade and other receivables

Non-current receivables	31 December 2025 £000	31 December 2024 £000
Amounts receivable from employees	**35**	6
Other receivables	**50**	49
	85	55

Current receivables	31 December 2025 £000	31 December 2024 £000
Trade receivables	**144**	2,531
Other receivables	**201**	37
Amounts receivable from employees	**76**	66
Accrued income	**-**	240
Prepayments	**207**	971
	628	3,845

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 (2024: £ 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.

16. Cash and cash equivalents

	31 December 2025 £000	31 December 2024 £000
Cash at bank (GBP)	**2,092**	3,068
Cash at bank (USD)	**865**	25
Cash at bank (EUR)	**44**	146
	3,001	3,239

17. Short-term investments

	31 December 2025 £000	31 December 2024 £000
Short-term investments held in notice accounts	**19**	18
Short-term investments held in fixed-term accounts	**3,110**	-
	3,129	18

The Group holds surplus cash balances in a range of low-risk short-term investment products to optimise returns while maintaining adequate liquidity. These balances are presented within short-term investments as they are not classified as cash or cash equivalents under IAS 7 due to their maturity profiles or withdrawal terms.

Notice accounts are interest-bearing deposit accounts that allow withdrawal of funds - although the Group can access these balances, the requirement to give notice before withdrawal means they do not meet the definition of cash equivalents.

Fixed-term deposits are interest-bearing investment products with a contractual maturity date. Funds are placed for a predetermined term, at a fixed interest rate agreed at inception. The Group has no ability to withdraw funds early without incurring penalties, and accordingly these deposits do not qualify as cash equivalents. Where the remaining contractual maturity at year-end is less than twelve months, the balances are presented within short-term investments. The short-term investments are fixed-term deposits held at banks with a short-term credit rating of at least F2 from Fitch.

18. Inventory

	31 December 2025 £000	31 December 2024 £000
Finished goods or goods for re-sale	**-**	443
Goods for packaging and packaging materials	**-**	35
	-	478

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

During the year £1,638k of inventory was recognised as an expense (2024: £2,786k).

19. Deferred consideration

	31 December 2025 £000	31 December 2024 £000
Deferred Consideration	**704**	-
	704	-

As part of the royalty financing agreement with Ligand, the Group is entitled to receive deferred consideration amounts linked to predefined performance milestones within the agreement. These amounts represent contingent, milestone-based consideration, which is recognised only when the relevant milestone becomes highly probable of being achieved.

At the reporting date, management notes that one receipt for $0.5 million has already been received in 2026 and that a second receipt is highly probable of being received within 2026.

The deferred consideration receivable is classified as a financial asset under IFRS 9 Financial Instruments and is measured at net present value (NPV). The NPV reflects management's estimate of the expected future cash inflows discounted using a market-appropriate discount rate to reflect both the time value of money and the associated risk of the cash flows. Changes in the NPV are recognised in profit or loss at each reporting date.

20. Trade and other payables

	31 December 2025 £000	31 December 2024 £000
Trade payables	**304**	1,023
Other tax and social security	**78**	93
Other creditors	**29**	92
Contract liabilities	**69**	85
Accruals	**935**	1,776
	1,415	3,069

As at 31 December 2025 amounts paid in advance of £0.1 million (2024: £0.1 million) were reported as contract liabilities. These are expected to be recognised within the next financial year.

21. Lease liabilities

Right of use assets

The Group has leasing arrangements with a maximum term of three years (2024: four 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 2025	173	5	**178**
Additions	-	1	**1**
Depreciation charge in the year	(86)	(2)	**(88)**
NBV as at 31 December 2025	87	4	**91**
Balance as at 1 January 2024	322	9	**331**
Additions	8	5	**13**
Depreciation charge in the year	(116)	(9)	**(125)**
Impairment	(41)	-	**(41)**
Balance as at 31 December 2024	173	5	**178**

Outstanding lease liabilities

	Leasehold Property £000	Equipment £000	Total £000
Balance as at 1 January 2025	226	6	**232**
Additions	-	1	**1**
Interest applied	12	-	**12**
Payments in the year	(144)	(3)	**(147)**
Balance as at 31 December 2025	94	4	**98**
Repayments:			
Within 1 year	98	1	**99**
2-5 years (inclusive)	-	3	**3**
Less:			
Future finance charges	(4)	-	**(4)**
Present lease obligations	94	4	**98**
In the statement of financial position:			
Due within 12 months (current)	94	1	**95**
Due in more than 12 months (non-current)	-	3	**3**
As at 31 December 2025	94	4	**98**

	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**

22. Provisions

	NIC Liability Provision £000	Other Provisions £000	Total Provisions £000
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 1 January 2025	72	-	**72**
Provision created in the year	-	69	**69**
Use of provision	-	-	**-**
Increase in provision	40	-	**40**
Release of provision		(47)	**(47)**
Balance as at 31 December 2025	112	22	**134**
Balance expected to be utilised within 12 months (current)	77	22	**99**
Balance expected to be utilised in more than 12 months (non-current)	35	-	**35**

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 £112k for the year ended 31 December 2025 (2024: £72k).

23. 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 2025 £000	31 December 2024 £000
Trade receivables	**144**	2,531
Other receivables	**201**	37
Accrued income	**-**	240
Cash, cash equivalents and short-term investments	**6,130**	3,257
	6,475	6,065

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

Financial liabilities at amortised cost	31 December 2025 £000	31 December 2024 £000
Trade payables	**304**	1,023
Lease liabilities	**98**	232
Accruals	**935**	1,777
	1,337	3,032

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 (2024: 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 substantial banks with high credit ratings.

The Group's maximum credit risk amounts to the total of trade and other receivables, cash and cash equivalents and short-term investments. 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's major concentration of credit risk includes cash and cash equivalents, short term investments and 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 (2024: 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 2025, 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 £58k (2023: £61k).

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 2025 and 2024 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 2025						
Trade payables	304	304	-	-	-	-
Lease liabilities	98	23	23	50	1	1
Accruals	935	842	93	-	-	-
	1,337	**1,169**	**116**	**50**	**1**	**1**

	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	232	26	41	65	98	2
Accruals	1,777	638	1,116	-	23	-
	3,032	**1,687**	**1,157**	**65**	**121**	**2**

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.

24. Share capital

	31 December 2025 Number	31 December 2025 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 2025	**37,756,601**	**378**

	31 December 2024 Number	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

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

The following shares were in issue in the periods presented:

	Number	Share Capital £000	Share Premium £000
As at 1 January 2025	37,756,601	378	34,684
As at 31 December 2025	**37,756,601**	**378**	**34,684**

	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**	**378**	**34,684**

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-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, as well as the fair value of the warrants issued by the Company to Ligand in connection with the royalty financing transaction completed on 25 September 2025.

Other reserves
Other reserves reflect the balance of the investment by the Company in its subsidiaries. On 24 May 2021, the Company 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.

25. 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 April 2025 at an exercise price of £0.38 per share, and also on 02 June 2025 at an exercise price of £0.44 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 model using the following assumptions:

	Grant on 22 April 2025	Grant on 02 June 2025	Grant on 22 May 2024
Exercise price	£0.38	£0.44	£1.59
Volatility (per annum)	35%	35%	45%
Expected dividends	Nil	Nil	Nil
Risk free interest rate	3.75% pa – 4.66% pa	3.96% pa – 4.77% pa	4.35% pa
Fair value per share	£0.16	£0.19	£0.55
Option life (from date of grant)	10 years	10 years	10 years

The risk-free interest rate has been determined with reference to the yield available on UK Government zero-coupon bonds, consistent with the currency of the option and the expected term from the grant date to the assumed exercise date.

Volatility has been derived by taking data from LSEG Datastream for the Company and comparator index. Volatility in the Company share price return and comparator index return for various rolling periods to each date of grant was calculated. Correlation between movements in the share price return for the Company and the comparator index has also been analysed and utilised in the model.

The Company's Long Term Incentive Plan (LTIP) is principally used to grant options to Executive Directors and the senior leadership team. Grants of options under the LTIP were made on 22 April 2025 and 2 June 2025, both at an exercise price of £0.01 per share. The LTIP options will vest after three years, subject to meeting defined performance criteria.

For the FY25 grants, 30% of the total option grant vests at the end of the performance period, based on tenure. The remaining 70% of the total option grant vests at the end of the performance period if the Arecor share price return target in relation to the FTSE AIM All-Share Index is achieved.

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

The value of the service condition tranche was calculated using a Black-Scholes pricing formula. The value of the share price performance tranche was calculated using a Monte Carlo model.

For the LTIP option grants the following assumptions were used:

	Grant on 22 April 2025	Grant on 02 June 2025	Grant on 22 May 2024	Grant on 02 December 2024
Share price at date of grant	£0.38	£0.44	£1.59	£0.77
Exercise price	£0.01	£0.01	£0.01	£0.01
Volatility (per annum)	35%	35%	45%	45%
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	3.75%	3.96%	4.35% pa	4.06% pa
Fair value per share – market performance objectives	£0.21	£0.24	£1.40	£0.66
Fair value per share – Service Condition (FY25) / Commercial objectives (FY24)	£0.37	£0.43	£1.58	£0.76
Option life (from date of grant)	10 years	10 years	10 years	10 years

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 2024	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**
AESOP options granted	279,600
LTIP options granted	485,000
Options lapsed (AESOP and LTIP)	(377,000)
Balance as at 31 December 2025	**2,659,600**

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

31 December 2025	Directors Number of Options	WAEP £	Staff Number of Options	WAEP £
Outstanding at the beginning of the year	1,029,000	0.41	1,243,000	0.96
Issued	421,000	0.11	343,600	0.22
Exercised	-	-	-	-
Expired	(56,000)	0.01	(321,000)	0.66
Outstanding at the year end	**1,394,000**	**0.33**	**1,265,600**	**0.83**
Number vested and exercisable at 31 December 2025	587,000		445,000	
Weighted average remaining contractual life (years)	7.4		7.7	

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		325,000	
Weighted average remaining contractual life (years)	7.8		8.4	

The Group recognised total share-based expenses of £0.3 million (2024: £0.2 million) for options. Also included in the share-based payment reserve was an expense of £0.3 million in relation to the warrants issued to Ligand in connection with the royalty financing transaction completed on 25 September 2025.

26. Discontinued operations

On 10 January 2025 the group announced its intention to cease operations with the Group's subsidiary Tetris Pharma as part of the Group's strategic focus. The following financial information relates to the operations discontinued by the Group in the year ended 31 December 2025.

The results of Tetris Pharma Ltd and Tetris Pharma B.V. for the year are presented below.

	31 December 2025 £000	31 December 2024 £000
Revenue	**1,449**	3,410
Cost of sales	**(1,611)**	(2,786)
Gross profit/(loss)	**(162)**	624
Other operating income	**399**	-
Sales, General & Administrative expenses (including exceptional items)	**(502)**	(6,144)
Operating loss	**(265)**	(5,520)
Finance expense	**(3)**	(5)
Loss before tax	**(268)**	(5,525)
Taxation credit	**-**	452
Loss for the financial year – Discontinued operations	**(268)**	(5,073)

Revenue in the discontinued operation relates to the sale of pharmaceuticals generated by Tetris Pharma up to the date the business ceased operations. Revenue recognition followed the same policies as continuing operations.

Other operating income for the discontinued operation includes a gain-on-disposal of £399k arising from the sale of a portion of the product portfolio to Aspire Pharma Limited, a third-party acquirer. The gain represents the excess of the consideration received over the carrying value of the related intangible assets transferred as part of the transaction.

Exceptional items of £nil (2024: £3.3 million) included within Sales, General & Administrative expenses relate solely to the impairment of the non-current assets of Tetris Pharma Limited in full in 2024.

The net cash flows of the discontinued operations were as follows:

	31 December 2025 £000	31 December 2024 £000
Net cash flows generated from/ (used in) operating activities	**721**	(3,629)
Net cash flows received from / (used in) investing activities	**399**	(15)
Net cash flows used in financing activities	**(49)**	(36)
Net cash inflow/(outflow)	**1,071**	(3,680)

27. Non-GAAP measures income statement reconciliation for continuing operations

The Group presents the adjusted profit measure of Adjusted EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) by making adjustments for costs and profits, which management believes to be significant by virtue of their size, nature or incidence. Such items may include, but are not limited to, share based payments expense, impairments, fair value movements on investments, restructuring, gain or loss on disposal of assets and exceptional items. The group uses this adjusted measure to evaluate performance and as a method to provide shareholders with clear and consistent reporting. See below reconciliation of operating profit (EBIT), EBITDA and Adjusted EBITDA.

	31 December 2025 £000	31 December 2024 £000
Operating profit (EBIT)	**932**	(5,176)
Depreciation	**201**	216
Amortisation	**14**	139
EBITDA	**1,147**	(4,821)
Share-based payments	**324**	156
Gain or loss on disposal of assets	**(4,977)**	0
Adjusted EBITDA	**(3,506)**	(4,665)

28. Financial commitments

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

29. Dividends

No dividends were paid or approved during the year (2024: £nil).

30. Ultimate controlling party and related party transactions

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

During May 2025, Andrew Richards purchased 35,000 shares at 41.0p per share and 31,750 shared at 47.0p per share, Sarah Howell purchased 21,077 shares at 47.0p per share, and Jan Jezek purchased 10,000 shares at 47.0p per share.

31. Post balance sheet events

Management has assessed events occurring between the balance sheet date and the date these financial statements were authorised for issue. No adjusting or non-adjusting events have been identified that require disclosure in the financial statements.

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Company statement of financial position
at 31 December 2025

	Note	31 December 2025 £000	31 December 2024 £000
Non-current assets			
Investment in subsidiaries	3	**7,496**	6,852
Intercompany loan receivable	4	**10,071**	9,357
Total non-current assets		**17,567**	**16,209**
Current assets			
Trade and other receivables	5	**4**	40
Cash and cash equivalents	6	**1,169**	2,528
Short-term investments	7	**1,234**	18
Total current assets		**2,407**	**2,586**
Current liabilities			
Trade and other payables	8	**(17)**	**(278)**
Total current liabilities		**(17)**	(278)
Net Assets		**19,957**	**18,517**
Equity attributable to equity holders of the Company			
Share capital	9	**378**	**378**
Share premium account	9	**34,684**	34,684
Share-based payments reserve	9	**2,320**	1,676
Merger relief reserve		**2,014**	2,014
Other reserves	9	**(167)**	(167)
Retained earnings		**(19,272)**	(20,068)
Total equity attributable to equity holders of the Company		**19,957**	**18,517**

The Company's profit for the year was £0.80 million (2024: loss of £16.46 million).

The financial statements of Arecor Therapeutics plc, registered number 13331147, were approved by the Board of Directors and authorised for issue on 10 April 2026.

Signed on behalf of the Board of Directors by:

Sarah Howell
Director

Company statement of changes in equity
for the period ended 31 December 2025

	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 2024	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
Equity at 31 December 2024	**378**	**34,684**	**1,676**	**2,014**	**(167)**	**(20,068)**	**18,517**
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	796	796
Transactions with owners							
Share-based compensation	-	-	324	-	-	-	324
Issue of warrants	-	-	320	-	-	-	320
Equity at 31 December 2025	**378**	**34,684**	**2,320**	**2,014**	**(167)**	**(19,272)**	**19,957**

The accompanying accounting policies and notes on pages 83 to 88 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. The going concern assessment for the Group, which also applies to these parent company financial statements, discloses material uncertainties relating to the need for further financing and can be found in Note 3 of the Consolidated 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.

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 income statement.

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 income statement 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.

Warrants
The Group may issue equity-settled warrants as part of commercial, financing or other strategic arrangements. Warrants give the counterparty the right, but not the obligation, to subscribe for ordinary shares of the Company at a fixed exercise price for a defined term.

Where warrants are issued, the fair value of the warrants is measured at the grant date using an appropriate valuation model that reflects the specific terms and conditions of the instrument, including any market-based features and relevant non-vesting conditions. The fair value of the warrants is recognised directly in equity within the Share-based Payment Reserve, as no future service is required and the warrants are equity-settled instruments. After initial recognition, no remeasurement of fair value is performed.

Where warrants in Arecor Therapeutics plc are issued to a counterparty in connection with an arrangement undertaken by a subsidiary company, the fair value recognised in the Parent is treated as a capital contribution to the subsidiary, with the corresponding credit recorded in the Group's Share-based Payment Reserve.

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 2025 £000	At 31 December 2024 £000
Investment in Arecor Limited	**7,496**	6,852
Investment in Tetris Pharma Ltd	**-**	-
	7,496	6,852

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 2025, 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 2025, 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 Chesterford Research Park, Little Chesterford, CB10 1XL	England and Wales	100%	Ceased Operating	Direct
Tetris Pharma BV Element Offices, Bargelaan 200, 2333 CW Leiden	The Netherlands	100%	Ceased Operating	Indirect

4. Intercompany Loan receivable

	Arecor Limited £000	Tetris Pharma Ltd £000	Total £000
Gross Loan Balance			
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**
Additions / Releases	1,307	(691)	616
At 31 December 2025	**19,526**	**8,771**	**28,297**
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**
Decrease in the year	-	(98)	(98)
At 31 December 2025	**9,455**	**8,771**	**18,226**
Net Loan Balance			
At 31 December 2024	8,764	593	9,357
At 31 December 2025	**10,071**	**-**	**10,071**

The interest charged on loans to subsidiaries is at market rates (decreasing from 7.75% to 6.75% 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.

Where loans are considered Stage 3 under IFRS 9, interest is charged on the net balance rather than gross.

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 the loan is not recoverable in entirety due to the cessation of the business, and a less likely scenario is that an arbitrary amount is recoverable. The provision of £8.77m covers the lifetime expected credit losses on the balance due. This equates to 100% of the balance due at 31 December 2025. During the year the outstanding loan balance reduced, resulting in a decrease in expected credit losses. This reduction has been recognised as an impairment gain within the Income Statement.

For Arecor Limited, the methodology prescribed under IFRS 9 was used and there was no change deemed necessary to the provision of £9.46m which was created in FY24 to cover the lifetime expected credit losses on the balance due. This equates to 48.4% of the balance due at 31 December 2025.

5. Trade and other receivables

	31 December 2025 £000	31 December 2024 £000
Trade and other receivables	**4**	40
	4	40

A credit loss assessment has been performed, and management have concluded that no expected credit losses (2024: £nil) exist in relation to the Company's receivables at any of the reporting dates presented.

6. Cash and cash equivalents

	31 December 2025 £000	31 December 2024 £000
Cash at bank and cash equivalents	**1,169**	2,528
	1,169	2,528

7. Short-term investments

	31 December 2025 £000	31 December 2024 £000
Short-term investments held in notice accounts	**19**	18
Short-term investments held in fixed-term accounts	**1,215**	-
	1,234	18

The short-term investments are fixed-term deposits held at banks with a short-term credit rating of at least F2 from Fitch.

8. Trade and other payables

	31 December 2025 £000	31 December 2024 £000
Trade payables	**-**	27
Other payables	**17**	-
Accruals	**-**	251
	17	278

9. Share capital

	31 December 2025 Number	31 December 2025 £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 2025	**37,756,601**	**378**

	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**

The following shares were in issue in the periods presented:

	Number	Share Capital £000	Share Premium £000
At 1 January 2025	37,756,601	378	34,684
At 31 December 2025	**37,756,601**	**378**	**34,684**

	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**	**378**	**34,684**

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 (2024: £nil).

11. Share capital and reserves

The movements on share capital and share premium accounts are disclosed in Note 24 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 25 - Share-based payments, Note 31 - 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)

Simon Ormiston
(Non-Executive Director)

David Ellam
(Chief Financial Officer)

Company Secretary
David Ellam

Company registration number
13331147

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