

27 November 2008

SAREUM HOLDINGS PLC
("Sareum" or the "Company")

RESULTS FOR THE YEAR ENDED 30 JUNE 2008

Sareum (AIM: SAR), the specialist cancer drug discovery business, is pleased to announce its results for the year ended 30 June 2008.

- **Financial highlights:**
 - Revenues from activities (discontinued post year end): £1.5 million (2007: £2.5 million)
 - Loss on ordinary activities for period (after taxation): £1.7 million (2007: £0.53 million)
 - Cash in bank at period end: £0.48 million (2007: £0.66 million)

- **Business highlights:**
 - Commenced three additional in-house cancer drug discovery programmes
 - Five patent applications filed
 - Initiated a strategic review of the business, culminating (post year end) to a focus on drug discovery and development

- **Post year end highlights:**
 - Completed the sale of the service business and other assets, for £0.52 million cash after lease termination payments.
 - Proceeds from asset disposal, plus R&D tax credit claim, expected to provide at least 12 months working capital.
 - Three further patent applications filed

Dr Paul Harper, Chairman of Sareum, said: "During the period under review Sareum undertook a strategic review of the business which resulted in the sale of its service business and associated assets in August 2008. In parallel with this review, the Company made major cost savings largely through staff reductions. This was necessary due to difficult trading conditions arising from the current economic climate, as reflected in our financial results.

The Company now has an exciting opportunity to concentrate solely on the development and licensing of cancer drug candidates from a strong pipeline of established in-house programmes, which are the key value driver for the Company. The Company is actively continuing three out of six of its cancer research programmes with a view to generating sufficient data to initiate licensing discussions with third parties. It is our aim to be finalising at least one such deal by the end of the next financial period."

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For further information please contact:

Sareum Holdings plc

Tim Mitchell, Chief Executive Officer

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Results for the year ended 30 June 2008

Chairman's Statement

Background

The key value creator for Sareum's shareholders is in the development and commercialisation of drug candidates from the Company's in-house drug development pipeline.

Progress within Sareum's in-house research programmes, which focus on treatments for cancer, have led to the decision to continue to invest in this drug discovery activity, adding new programmes and increasing the resources applied to existing programmes. This in-turn has led directly to the filing of several patent applications to protect families of promising compounds developed in three of Sareum's research programmes, including its collaboration with the Institute of Cancer Research and Cancer Research Technology Limited. During the period, Sareum has been engaged in a total of six in-house cancer drug discovery programmes.

Conversely, in the period under review, the current economic climate led to difficult conditions for Sareum's fee for service business. Customers and potential customers delayed spending on external research to conserve their cash. In addition, the Directors have also seen a high level of consolidation activity among the Company's key customer group which has resulted in delays or deferrals of spending decisions.

During the latter half of the period the downturn in market valuations, in common with most small cap and biotech stocks, and the slowdown in the fee for service business had a major impact on the Company. For these reasons, the Board undertook a strategic review of the business which culminated, in August 2008, in the sale of the service business and equipment assets together with a major cost and staff reduction programme.

Following the disposal, Sareum intends to concentrate solely on its in-house cancer drug discovery research. The Board estimates that, as a result of the disposal and the cost reductions, alongside a substantial R&D tax credit claim, it has sufficient cash resources to execute its business plan to develop and commercialise certain of its drug discovery programmes over the next 12 months.

In the absence of a licensing deal in the next 12 months the Company will need to raise further working capital to maintain its development work.

Fee for Service

Since the Company's formation in 2003, Sareum's business was based on its expertise in structure-based drug discovery, which is capable of rapidly producing novel candidate drug compounds. This led to a profitable fee-for-service business where collaborations with major pharmaceutical and biotechnology companies from around the world generated revenues to support Sareum's in-house research and help to build relationships with potential future licensees of its research programmes. Although the trading conditions were very difficult throughout the period, leading to the disposal of the fee for service business, the Company was able to renew contracts with key existing customers including Johnson & Johnson Pharmaceutical Research & Development, Genentech Inc. and H. Lundbeck A/S.

In-House Development

The Company's principal asset following the sale of the fee for service business is the intellectual property of its cancer drug discovery programmes which it intends to further develop using its cash reserves, the proceeds of the asset disposal and anticipated R&D tax credits. Sareum has six drug discovery programmes and is actively developing three of them at this present time.

During the period under review Sareum made significant advances in its in-house drug discovery programmes. In April 2008, Dr John Reader, VP of Chemistry, presented the latest results from Sareum's joint research collaboration with the Institute of Cancer Research and Cancer Research Technology Limited at the annual meeting of the American Association for Cancer Research ("AACR") held in San Diego, CA. The poster presentation described the development of multiple lead series of novel Checkpoint Kinase 1 (Chk-1) inhibitors with mechanism-based cellular activity and good pharmacokinetic properties. Drugs that impede Chk-1 reduce a cell's ability to repair the damage caused by current chemotherapy agents which in turn are used to treat many forms of cancer. Thus by combining drugs that inhibit Chk-1 with other anti-cancer drugs there is the opportunity to enhance the activity of the chemotherapy and possibly to reduce the dose and therefore the side effects of the treatment. The next key step in this programme is the demonstration of its effectiveness in in-vivo disease models. Initial results have been very promising.

In addition to the joint venture activities, we continue to work on a number of other quality cancer targets in the Company's in-house pipeline, including the Aurora and FLT kinase programmes that were announced in May 2007. In October 2007, the Company announced initial results from further cancer drug discovery programmes, targeting two important cancer drug discovery targets, PLK1 and B-raf kinases. Additionally, in March 2008, Sareum announced an additional research programme, and associated patent filings, targeting Fatty Acid Synthase.

The Company's intellectual property estate has been significantly enhanced during the period with the generation of a total of five patent applications from three of the in-house cancer drug discovery programmes.

Financial Review

During the period, revenues from the fee for service business (now discontinued) amounted to £1.5 million (2007: £2.5 million), a significant reduction from the previous year, as a result of the difficult trading conditions experienced by the Company. Accordingly, the loss after taxation increased to £1.7 million (2007: £0.53 million). The resultant cash position at the period end was £0.48 million (2007: £0.66 million). Since the year end the cash position has been significantly improved following the asset sale which was announced in August 2008. Along with the expected receipt of a substantial R&D tax credit, the Company believes it has sufficient funds to operate its business plan for at least the next 12 months.

Summary

Despite difficult economic conditions and the sale of its fee for service business the Company has demonstrated that it is able to progress its in-house research by advancing programmes according to plan and invest in strategic alliances to develop candidate drug molecules.

The latter half of this period was a difficult one for the Company, but demonstrated the capability of the Board to act decisively in the face of adverse market conditions.

Outlook

Sareum now has an exciting opportunity to concentrate solely on its in-house cancer drug discovery programme, to generate shareholder value. The research work for the ongoing programmes is being provided via third party providers, leaving the Company with a vastly reduced fixed cost base.

The Company will continue to build value from its in-house research and development by seeking to advance its cancer drug discovery programmes and the Board hopes to commercialise at least one of these programmes by the end of 2009.

The Company's shares were suspended from trading on AIM on 9 July 2008 pending clarification of the Company's financial position. The Company's strategy and its ability to implement that strategy in the short term have now been clarified, with sufficient cash resources to fund the ongoing business plan for at least the next 12 months on the basis of its existing resources and the anticipated tax credit. However, the Board is still finalising its longer term financial strategy with the help of its advisers and the Company's shares remain suspended pending completion of that process. Should the Company's shares remain suspended beyond 8 January 2009, its shares will be delisted from AIM. However, I look forward to updating shareholders before that time.

Dr Paul Harper
Chairman

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	2008 £	2007 £
Revenue	1,502,507	2,470,676
Cost of sales	<u>(2,122,491)</u>	<u>(1,852,626)</u>
Gross (loss)/profit	(619,984)	618,050
Administrative expenses	<u>(1,396,603)</u>	<u>(1,352,636)</u>
Operating loss	(2,016,587)	(734,586)
Interest receivable	33,234	28,712
Interest payable	<u>(36,236)</u>	<u>(16,953)</u>
Loss on ordinary activities before taxation	(2,019,589)	(722,827)
Tax on loss on ordinary activities	<u>327,232</u>	<u>195,441</u>
Loss on ordinary activities after taxation	(1,692,357)	(527,386)
Earnings per share (pence)		
	Basic	(0.28p)
	Diluted	(0.12p)
		(0.12p)

The loss on ordinary activities before taxation arises from the Group's operations all of which continued to the end of the period.

There are no recognised gains or losses other than as stated in the profit and loss account.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

	2008 £	2007 £
Non-current assets		
Intangible assets	25,836	30,681
Tangible fixed assets	723,843	1,014,835
	<u>749,679</u>	<u>1,045,516</u>
Current assets		
Debtors	608,272	837,179
Cash at bank	480,851	660,326
	<u>1,089,123</u>	<u>1,497,505</u>
Creditors: amounts falling due within one year	<u>312,712</u>	<u>1,017,165</u>
Net current assets	<u>776,411</u>	<u>480,340</u>
Total assets less current liabilities	<u>1,526,090</u>	<u>1,525,856</u>
Creditors: amounts falling due after more than one year	<u>125,656</u>	<u>159,965</u>
Net assets	<u>1,400,434</u>	<u>1,365,891</u>
Capital and reserves		
Called up share capital	204,524	114,952
Share premium account	5,401,631	3,764,303
Merger reserve	27	27
Profit and loss account	<u>(4,205,748)</u>	<u>(2,513,391)</u>
Equity shareholders' funds	<u>1,400,434</u>	<u>1,365,891</u>

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	2008 £	2007 £
Net cash outflow from operating activities	(1,847,123)	(369,575)
Returns on investment and servicing of finance	(3,309)	11,249
Taxation	198,103	128,040
Capital expenditure	(89,565)	(518,199)
Cash outflow before financing	(1,741,894)	(748,485)
Financing	1,562,419	880,335
(Decrease)/Increase in cash	(179,475)	131,850

NOTES TO THE FINANCIAL STATEMENTS

1 General

The financial information set out above does not constitute the company's statutory accounts within the meaning of section 240 of the Companies Act 1985.

The 2008 figures are based on unaudited accounts for the year ended 30 June 2008. The auditors do not expect to issue a qualified report on the statutory accounts which will be finalised on the basis of the financial information presented by the directors in the preliminary announcement and which will be delivered to the Registrar of Companies following the company's annual general meeting.

The 2007 comparatives are derived from the statutory accounts for 2007 which have been delivered to the Registrar of Companies and received an unqualified audit report and did not contain a statement under the Companies Act 1985, s237(2) or (3).

This statement will be made available online at www.sareum.co.uk

2 Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards.

3 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by 598.110 million being the weighted average number of ordinary shares outstanding during the period (2007: 459.809 million).

Diluted loss per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares. In Sareum's case these potential shares represent 21 million (2007: 20 million) options at 2 pence per share. Of these 14 million (2007: 13 million) are staff options which will have lapsed by March 2009 and the remaining 7 million (2007: 7 million) options are exercisable by Dowgate Capital plc and lapse in October 2009.