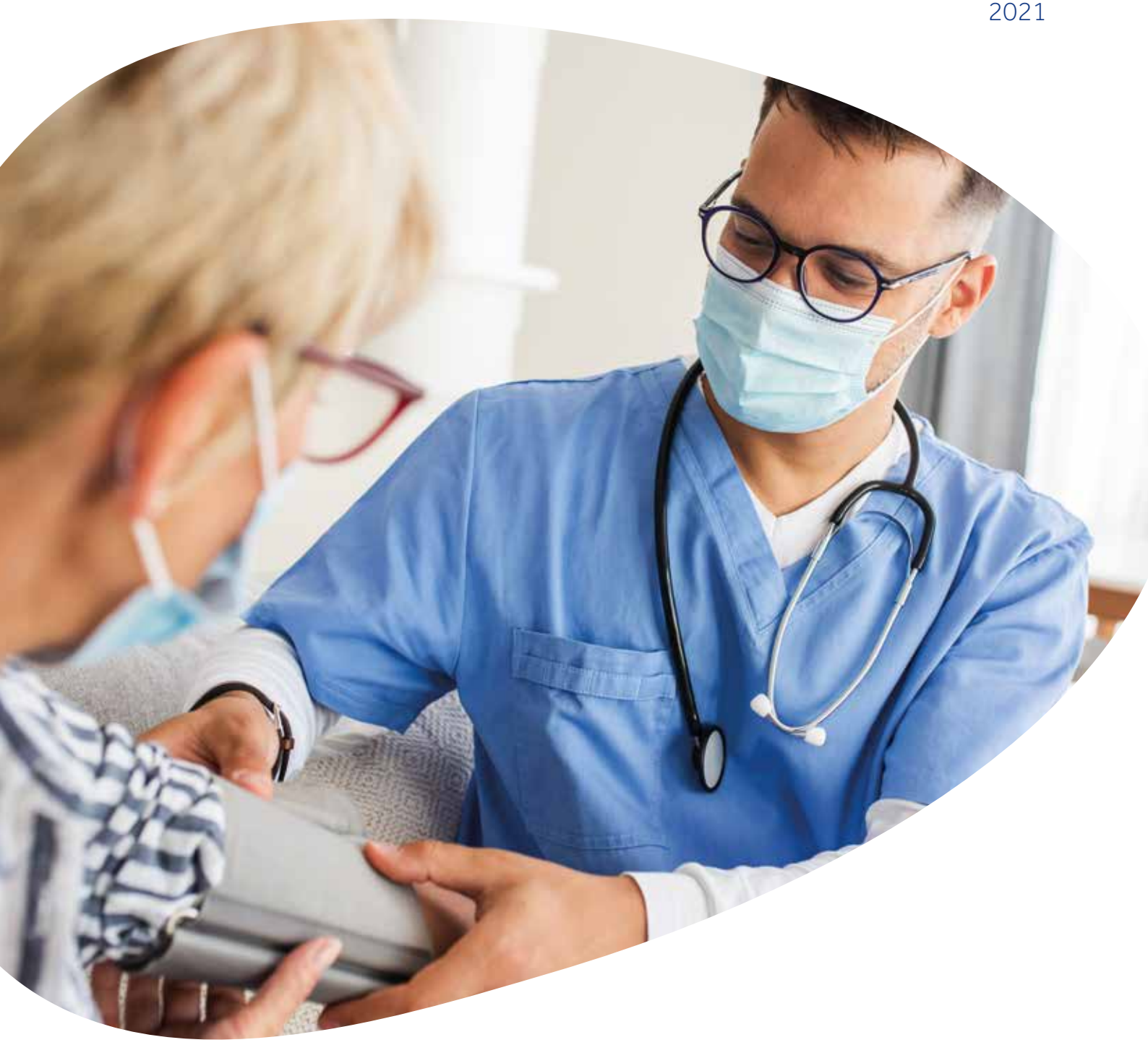
Developing novel medicines to treat cancer and autoimmune diseases

Sareum Holdings plc
Annual Report and Accounts
2021



Sareum

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Operational highlights

Proprietary Programmes – Selective TYK2/JAK1 Inhibitors
SDC-1801 (autoimmune diseases and severe Covid-19)

- Progress made advancing SDC-1801 with preclinical phase nearing completion
- Development of improved drug product underway for first clinical studies; decision made to develop potentially higher-value capsule formulations rather than orally dosed solutions or suspensions means this stage is expected to complete during H1 2022
- Consultants appointed to assist in developing the plan for initial clinical studies
- Exploratory Clinical Trial Application ("CTA") now expected to be filed mid-2022 owing to the additional time needed to manufacture capsule drug product, and subject to successful completion of final toxicity and safety studies
- First clinical studies targeted to begin shortly thereafter, subject to drug product supply, gaining the requisite approvals and additional funding
- Promising cellular and in-vivo results from completed UK Research & Innovation ("UKRI") -funded research project suggest therapeutic potential of SDC-1801 in severe phase Covid-19
- Encouraging preclinical data reported with Sareum's TYK2/JAK1 inhibitors in systemic lupus erythematosus disease models – studies conducted by co-development partner SRI International under a US Department of Defense grant

SDC-1802 (cancer immunotherapy)

- Translational studies underway to define the optimal cancer application prior to completing toxicology and manufacturing studies
- Two new US patents granted (January and September 2021) strengthening patent protection, which is now in place across all major territories

Licensed Programmes
SRA737: A Selective Chk1 inhibitor (cancer)

- Sierra Oncology, Inc. ("Sierra") continues to explore options for continuing development and Sareum believes that the licensing agreement amendment (noted below) will prove important in expediting this development
- In November 2020, Sierra and CRT Pioneer Fund LP ("CPF") amended the 2016 licensing agreement for SRA737: revised milestone schedule includes $2.0m payment upon the dosing of the first patient in the next clinical trial, and slightly reduced overall outstanding milestones payable by Sierra (reduced from $319.5m to $290.0m)
- Sareum remains eligible to receive 27.5% of the economics of the Licence Agreement
- Post period-end, Sierra announced the in-licensing of the BET inhibitor AZD5153 (now known as SRA515) from AstraZeneca and noted potential combinations with SRA737 as a possible pipeline expansion opportunity and that first clinical studies could start in H1 2022

FLT3+Aurora Inhibitors (haematological cancers)

- Licensing partner for FLT3+Aurora kinase inhibitor programme discontinued development as it was unable to achieve required bioavailability and returned worldwide rights to Sareum; the programme remains available for further licensing whilst the Board considers alternative routes to progress the programme

Financial highlights

- Raised £2.37m before expenses in June 2021 through two subscriptions by a high net worth individual
- Post period end raised a further £2.18m (before expenses) in July and August 2021 through share subscriptions by two additional high net worth individuals plus an exercise of warrants
- Cash at bank as of 30 June 2021 of £2.7m (£1.3m as at 31 December 2020; £1.8m as at 30 June 2020)
- R&D tax credit of £0.13m received in January 2021, expect to receive a further £0.22m in tax credit in January 2022
- Loss on ordinary activities (after taxation) for the year ended 30 June 2021 of £1.5m (2020: loss of £0.99m), reflecting the increased R&D expenditure required for preclinical development
- Cash at bank as of 30 September 2021 of £4.4m
- The Directors' salary deferral scheme announced by the Company on 17 December 2019. and updated on 1 July 2020, ended in August 2021 with a total of £0.16m, representing all amounts outstanding, being settled in cash. This follows the significant £4.6m improvement in the Company's financial position arising from the share subscriptions and warrant exercises between June and August

AT A GLANCE

The year to end June 2021 has seen us continue to make good progress advancing our internal proprietary TYK2/JAK1 programmes through preclinical development, with the aim of being able to file a exploratory Clinical Trials Approval ("CTA") for SDC-1801 in mid-2022. We are also encouraged by recent announcements from Sierra Oncology regarding opportunities for new clinical trials with SRA737 starting in the first half of 2022.

What we do

Sareum is a specialist drug development company delivering targeted small molecule therapeutics to improve the treatment of cancer and autoimmune diseases. The Group aims to generate value through licensing its candidates to international pharmaceutical and biotechnology companies at the preclinical or early clinical trials stage.

Proprietary programmes

Selective TYK2/JAK1 inhibitors in autoimmune diseases and cancer

Sareum's internal programmes focus on distinct dual TYK2/JAK1 Inhibitors, which are progressing through preclinical development as therapies for autoimmune diseases (SDC-1801) and cancers (SDC-1802). TYK2 and JAK1 are both members of the Janus kinase (JAK) family of protein kinase enzymes with important roles in maintaining a healthy immune system. Both kinases have well-documented roles in promoting inflammatory responses in autoimmune diseases, respiratory infections and tumour cell proliferation in certain cancers. There is notable interest in the pharmaceutical industry for novel molecules that can selectively target TYK2 and JAK1, and particularly for those that can avoid side effects from inadvertent activity via JAK2 or JAK3.

These differentiated programmes therefore represent unique licensing opportunities for pharmaceutical partners as there are currently no marketed products with the selectivity profile of SDC-1801 and SDC-1802.

SDC-1801 – targeting autoimmune diseases

SDC-1801 and related molecules have previously shown promising activity in autoimmune disease models, including psoriasis, rheumatoid arthritis, inflammatory bowel disease and systemic lupus erythematosus (lupus). Sareum has progressed SDC-1801 through preclinical studies that have shown the compound to have excellent tolerability in toxicology studies in two species, and the company is now finalising the longer-term toxicology studies that are required in order to commence human clinical trials. There is some further manufacturing and formulation work to finish in early 2022, which if successfully completed, will allow us to submit an exploratory Clinical Trial Application for first-in-human trials in mid-2022.

Sareum has also successfully conducted preliminary studies to explore the potential of SDC-1801 to treat severe Covid-19 symptoms under a UK government grant from UK Research and Innovation.

Read more on page 5

SDC-1802 – targeting cancers

SDC-1802 and related TYK2/JAK1 inhibitors have previously shown encouraging anti-tumour activity in multiple cancer disease models. SDC-1802 is advancing behind SDC-1801 in preclinical development. Translational studies are underway to define the optimal cancer application prior to completing toxicology and manufacturing studies.

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Licensed programmes

Chk1 kinase inhibitor SRA737 – targeting solid cancers

SRA737 is a potent, highly selective, orally bioavailable small molecule inhibitor of checkpoint kinase 1 (Chk1), a key regulator of important cell cycle checkpoints and central mediator of the DNA damage response (DDR) network. SRA737 is licensed to Sierra Oncology, and has demonstrated encouraging preliminary results in Phase 1/2 clinical trials, particularly in anogenital cancer. SRA737 has also shown promising data from preclinical studies in combination with a range of other therapeutic approaches, including PARP inhibitors and immune checkpoint inhibitors.

Sierra has disclosed it may initiate new clinical trials in 2022 with SRA737 in combination with SRA515, a BET inhibitor it recently in-licensed from AstraZeneca, and with other compounds, as a possible pipeline expansion opportunity.

Read more on page 6

Drug development progress this year

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

July 2020
Encouraging data were reported from preclinical studies with Sareum's TYK2/JAK1 inhibitors in disease models of lupus. These studies were conducted by co-development partner SRI International (Menlo Park, CA, USA) under a US Department of Defense grant and published on the website of the Defense Technical Information Center.

October 2020
In its full-year results, Sareum noted that it had successfully produced a high-dose formulation of SDC-1801 to advance into the toxicology studies needed prior to investigating SDC-1801 in human trials.

December 2020
Sareum was notified by UK Research and Innovation (UKRI) that its application for £174,000 grant funding to investigate the therapeutic potential of SDC-1801 in preclinical models of severe Covid-19 had been approved.

Later in the month, Sareum noted a paper in *Nature* had been published that identified TYK2 as a key causative genetic mechanism for the over-active inflammatory response (cytokine storm) associated with Covid-19 and thus a potential target for therapy.

January 2021
Sareum's US patent covering SDC-1802 was granted, completing the patent protection of this compound in all major territories.

April 2021
In its half-year results, Sareum noted that initial results from its Covid-19 studies were encouraging and demonstrate that SDC-1801 reduces the levels of cytokines associated with Acute Respiratory Distress Syndrome in human lung cells infected with SARS-CoV-2.

July 2021
Sareum announced that it had completed its Covid-19 studies and that the final results confirmed the encouraging findings announced in April.

October 2021
Sareum's US patent was granted covering SDC-1802 and pharmaceutical preparations thereof as a therapeutic to treat cancer selected from pancreatic, colorectal and kidney cancers, melanoma, and B-cell lymphoma by inhibiting TYK2 kinase, further strengthening its patent protection around this programme.

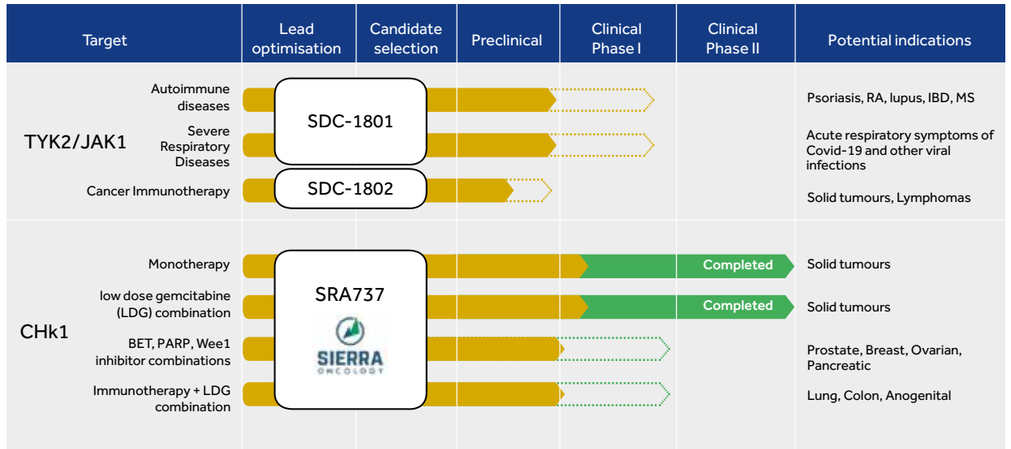
In its full-year results, Sareum reported that preclinical toxicology studies with SDC-1801 were nearing completion and that the Company had decided to develop a potentially higher-value capsule formulation for clinical trials rather than orally dosed solutions or suspensions. This work is expected to be completed during the first half of 2022 and, if successful, a Clinical Trial Authorisation (CTA) is expected to be submitted during mid-2022 to gain approval to start first in human trials shortly thereafter.

Progress with Chk1 kinase inhibitor SRA737

September 2020
Sierra reported on clinicaltrials.gov that its two Phase 1/2 trials investigating SRA737 as a monotherapy and in combination with low dose gemcitabine were complete.

November 2020
Sierra and CRT Pioneer Fund LP ("CPF") amended their 2016 licensing agreement for SRA737. The new agreement included a revised milestone schedule with a $2.0m payment to be paid upon the dosing of the first patient in any new clinical trial, and slightly reduced overall outstanding milestones payable by Sierra (reduced from $319.5m to $290.0m). Sareum remains eligible for 27.5% of all milestone and royalty payments.

August 2021
Sierra noted that it was considering new clinical trials with SRA737 in combination with SRA515, its newly in-licensed BET inhibitor from AstraZeneca, as well as new clinical trials with SRA737 in combination with other compounds.



CHAIRMAN'S AND CEO'S STATEMENT

Stephen Parker DPhil
Chairman

Tim Mitchell PhD
Founder and CEO

We are close to completing the preclinical development of SDC-1801 with the aim of starting the clinical development of this novel compound in the second half of 2022. This is clearly a very important milestone for the Company.

Sareum continues to make progress advancing its proprietary, selective dual tyrosine kinase 2 ("TYK2") / Janus kinase 1 ("JAK1") inhibitors, SDC-1801 and SDC-1802, through preclinical development.

We are pleased to report that we are approaching an important milestone with SDC-1801, the start of human clinical development, targeting autoimmune diseases.

As noted in the Company's Trading Update of 19 August 2021, we expect to complete the toxicology studies required for this phase of the preclinical programme for SDC-1801 by the end of 2021 and have initiated the process to manufacture drug product for clinical trials.

We made the decision to develop a capsule formulation of SDC-1801 for these first-in-human trials rather than orally dosed solutions or suspensions, which requires additional time, but the Board believes will add value to the programme and remove the need to develop capsules at a later stage.

We have appointed consultants to advise on the design of these clinical trials, which will form a key element of the exploratory Clinical Trial Application ("CTA") we aim to file. The filing of this CTA is now targeted for mid-2022 to allow us to complete the necessary work. The CTA approval is a key step to allow the first human studies with SDC-1801 to begin shortly thereafter, subject also to drug product supply and additional funding.

In addition, we were delighted to receive grant funding from the UK government in late 2020 to investigate SDC-1801 as a potential treatment for the severe respiratory symptoms of Covid-19. We have since completed the research programme and generated encouraging preliminary results. These results in infected lung cells and in vivo disease models demonstrate that SDC-1801 reduces levels of key inflammatory agents known to play a role in the serious and potentially life-threatening hyper-inflammatory response that affects some Covid-19 patients.

We are now considering how we might make use of the UK government's AGILE clinical trial platform, or other equivalent programmes, to providing funding and support for Phase 1 trials with SDC-1801 for Covid-19 applications and potentially fast-track its development. The timing and design of these clinical trials will be determined following consultations with experts in the field.

It is evident that that there is still a clear need for new therapies to treat severe respiratory inflammation arising from viral infections such as Covid-19 despite the success of the UK vaccination programme and the availability of vaccines around the world. With TYK2 acknowledged as a key therapeutic target for severe Covid-19 in an article published in December 2020 in the leading scientific journal, *Nature**, we believe that SDC-1801 could have a role to play in this area in the future and we look forward to updating shareholders on further progress.

Turning to our licensed pipeline, we have been encouraged by events occurring at Sierra Oncology, Inc. ("Sierra") regarding SRA737, a clinical-stage inhibitor of Checkpoint Kinase 1 ("Chk1"), in which Sareum has an economic interest.

We believe that the amended licensing deal between Sierra and CRT Pioneer Fund LP ("CPF") on SRA737 signed in November 2020 represents a key step in restarting the clinical development of this promising candidate. Further, Sierra noted that SRA737 may have potential in combination with SRA515, a novel BET inhibitor it in-licensed from AstraZeneca in August 2021, and now anticipates that it could begin combination studies including SRA737 in the first half of 2022. The dosing of the first patient with SRA737 in one of these clinical trials would trigger a US$2.0m milestone payment from Sierra, of which Sareum would receive a 27.5% share equating to approximately $0.55m. We look forward to further updates from Sierra.

In terms of business development, we are continuing to keep potential partners informed of our progress with a view to securing commercial licences for our TYK2/JAK1 programmes that balance cost and risk with maximising shareholder value. We will, as usual, keep shareholders updated in this regard as appropriate.

*Pairo-Castineira, E. et al. Genetic mechanisms of critical illness in COVID-19. Nature. 2021 Mar;591(7848):92-98. doi: 10.1038/s41586-020-03065-y. Epub 2020 Dec 11.

PROGRAMME UPDATES

SDC-1801 (autoimmune diseases, such as psoriasis, lupus, inflammatory bowel disease, rheumatoid arthritis, etc)

Sareum is nearing the completion of preclinical development with its novel oral TYK2/JAK1 inhibitor SDC-1801 and is conducting the final set of toxicology and safety studies. Consultants have been appointed to advise on the design of Phase 1 clinical trials, and this design will form a key element of the exploratory Clinical Trial Application ("CTA") for SDC-1801.

A robust manufacturing route has been developed to produce the SDC-1801 active ingredient (drug substance) under Good Manufacturing Practice ("GMP") conditions, and a specialist Contract Manufacturing Organisation has been appointed to provide GMP drug product for clinical trials.

SDC-1801 drug product is being developed as a formulation in capsules, rather than the orally dosed solutions or suspensions that are often used in Phase 1 clinical trials. While development of a capsule-based drug product requires additional time at this stage, the Board believes it will add value to the programme by removing the need to develop capsules at a later stage, making the programme more attractive to potential development partners.

The time needed to produce drug product in capsule form, combined with the effects of Covid-19 being experienced by several of our contracting companies, has meant that CTA filing is now expected in mid-2022. The first clinical trials are anticipated to begin shortly thereafter, subject to gaining the requisite approval, drug product supply and additional funding. These studies would investigate the safety of SDC-1801 in healthy volunteers during which time the Company will assess the initial indications for further study.

During the period, Sareum noted that encouraging data had been reported from preclinical studies with its TYK2/JAK1 inhibitors in disease models of systemic lupus erythematosus, an autoimmune disease with significant unmet need. These studies were conducted by Sareum's co-development partner SRI International under a US Department of Defense grant and published on the website of the Defense Technical Information Center.

SDC-1801 (severe phase Covid-19)

Sareum began its Covid-19 programme with SDC-1801 in December 2020 following the award of a £0.17m grant by UK Research & Innovation ("UKRI") to investigate whether SDC-1801 can down-regulate or block the TYK2/JAK1-mediated Interferon Type 1 pathway in cells infected with SARS-CoV-2. It has been observed that this pathway is over-active in severe Covid-19 patients and this can lead to life-threatening Acute Respiratory Distress Syndrome ("ARDS").

The six-month project was completed on schedule, generating promising results. The project found that SDC-1801 reduced the levels of cytokines associated with ARDS in human lung cells infected with SARS-CoV-2 and demonstrated a profile that was superior to the anti-inflammatory steroid dexamethasone and similar to baricitinib, a JAK1/JAK2 inhibitor.

The early preclinical results we have seen with SDC-1801 in our Covid-19 programme suggest that it may have potential to address the hyper-inflammatory response that some patients experience, and we are looking at the next steps to advance development in this indication.

CHAIRMAN'S AND CEO'S STATEMENT (CONTINUED)

Furthermore, results from in-vivo studies supported the initial cellular results and provide strong evidence that expression of Type 1 interferons (IFNa and IFNb) is reduced by SDC-1801 treatment in a dose-responsive manner.

An increase in viral load is a potential concern when some anti-inflammatory agents are used to dampen down an over-active immune response; however, these studies also showed that viral loads did not increase after SDC-1801 administration, indicating that increased SARS-CoV-2 virus levels should not be an issue in any clinical studies of SDC-1801.

The Company aims to commence Phase 1 clinical trials for SDC-1801 in mid-2022, subject to successful completion of the ongoing preclinical toxicology studies, receipt of GMP drug product, gaining the requisite approval and financing.

> *"The possibility that clinical combination studies of SRA737 could be initiated by Sierra in the first half of 2022 is very encouraging and would represent a significant advance in the development of the SRA737 programme.*

The design and timing of the clinical trials for Covid-19 applications will be determined following consultations with experts in the field. The trial may be eligible for further UK government funding from the recently launched AGILE clinical development platform, or equivalent programmes, which have been established to fund Phase 1 trials and fast-track the development of potentially ground-breaking Covid-19 treatments.

SDC-1802 (cancer)

Sareum continues to advance the preclinical development of an oral formulation of SDC-1802 and has designed and initiated translational studies to define the optimal cancer application prior to completing toxicology and manufacturing studies.

Intellectual property

The Company had two new US patents granted during 2021 (in January and September) that reinforce the patent protection for SDC-1802 and its use in treating certain cancers (including pancreatic, colorectal and kidney cancers, melanoma, and B-cell lymphoma) by inhibiting TYK2 kinase.

Additionally, a patent application describing a number of crystalline forms of a TYK2 inhibitor for medicinal applications, filed by Sareum in April 2020, was published on 14 October 2021. This type of patent is standard pharmaceutical industry practice and an important step to fully protect the intellectual property surrounding the Company's research programmes and to extend the life span of its patent portfolio.

LICENSED PROGRAMME

SRA737 (cancer)

SRA737, a potent, highly selective, orally bioavailable small molecule Chk1 inhibitor, is licensed to Sierra Oncology. SRA737 has shown positive preliminary safety and efficacy data in combination with low-dose gemcitabine ("LDG") in a broad Phase 1/2 clinical development programme in solid cancers, particularly anogenital cancer, as well as very promising results in preclinical studies in combination with LDG and an immune checkpoint inhibitor.

Development of SRA737 has been on hold since the second half of 2019 as Sierra prioritised its resources on the development of its Phase 3 candidate momelotinib. Since then, Sierra has been exploring options to support the continued development of SRA737 and has made several disclosures that point to future opportunities for advancing this programme internally.

In November 2020, Sierra and CPF agreed an amendment to their original 2016 licence agreement (the "Licence Agreement") that slightly reduces the aggregate outstanding milestone payments payable by Sierra from up to $319.5m to up to $290.0m. The amendment also reduced potential near-term payments from Sierra and now includes a milestone payment of $2.0m upon the dosing of the first patient in the next clinical trial of SRA737. Post the amendment, Sareum continues to be eligible for 27.5% of the economics of the Licence Agreement.

Encouragingly, in August 2021, Sierra announced the in-licensing of the BET inhibitor AZD5153 (now known as SRA515) from AstraZeneca and noted potential combinations with SRA737 as a possible pipeline expansion opportunity. In September 2021, Sierra provided an update that referred to the initiation of additional clinical studies with pipeline agents including SRA737 in other haematologic and solid tumour indications in the first half of 2022. Specifically, reference was made to a potential role for SRA737 in combination studies in solid tumours, including pancreatic cancer, where patients have become resistant to PARP inhibitors.

Sareum continues to believe that, based on preclinical and early clinical data, SRA737 holds great promise for the treatment of cancer, particularly in combination settings, and that that the amended licensing agreement and update regarding SRA515 could expedite the advancement of the SRA737 programme.

Sareum will provide updates on progress as and when Sierra makes further disclosures in relation to the development of SRA737.

IMPACT OF COVID-19 ON OPERATIONS

Restrictions from the pandemic and knock-on effects have impacted on the Company's network of Contract Research Organisations, with lead times increasing for new experiments. This has caused some delays to the conduct of some of the final preclinical studies the Company is required to complete with SDC-1801 prior to CTA filing.

GENERAL FINANCIAL REVIEW

Sareum ended the full year to 30 June 2021 with a robust cash position following two subscriptions by a high-net-worth individual that raised £2.37m before expenses in June 2021.

As a result, cash at bank was £2.7m as of 30 June 2021 (£1.3m as at 31 December 2020; £1.8m as at 30 June 2020).

Post period-end (in July and August 2021), the Company raised a further £2.18m (before expenses) through share subscriptions by two additional high net worth individuals plus an exercise of warrants, bringing the total raised to approximately £4.6m to fund the further development of SDC-1801 and SDC-1802. Cash at bank was £4.4m as at 30 September 2021.

The Company also received an R&D tax credit of £0.13m in January 2021 and expects to receive £0.22m in R&D tax credit in January 2022.

Loss on ordinary activities (after taxation) for the year ended 30 June 2021 was £1.5m (2020: loss of £0.99m), reflecting the increased R&D expenditure required for preclinical development.

Salary deferral scheme

The Salary Deferral Scheme announced by the Company on 17 December 2019 and updated on 1 July 2020 ended in August 2021 with a total of £0.16m, representing all amounts outstanding, being settled in cash. This follows the significant c.£4.6m improvement in the Company's financial position arising from the share subscriptions and warrant exercises between June and August.

OUTLOOK

Sareum continues to advance the preclinical development of its proprietary dual TYK2/JAK1 inhibitor programmes SDC-1801 and SDC-1802, supported by a robust cash balance following the recent financing events.

The preclinical programme for SDC-1801 is nearly complete, and an exploratory CTA to gain approval to start first-in-human trials is expected to be submitted in mid-2022, which could enable first clinical trials to begin shortly thereafter if the requisite approval, drug product supply and further funding is secured. Achieving these milestones would mark a significant step forward for the Company.

The Company is also in discussions around the clinical development of SDC-1801 in Covid-19 and is considering the possibility of applying for further UK government funding from the recently announced AGILE clinical development platform to advance the programme into the clinic.

Regarding SRA737, we continue to monitor Sierra's activities as it explores clinical settings for the future development of this novel compound. We are encouraged by the recent disclosures Sierra has made and are confident that these will enable the SRA737 programme to advance, with the potential for new clinical trials including SRA737 to start in the first half of 2022. We are following this with great interest and will provide further updates on this programme when information becomes available.

Overall, we are looking forward with optimism to 2022, during which we expect to report on continued progress with our proprietary programmes, in particular the advancement of SDC-1801 into the clinic.

In addition, we continue to deploy funds to advance our TYK2/JAK1 programmes and build a robust data package to support ongoing partnering activities for these differentiated assets. For both TYK2/JAK1 inhibitor programmes, the Directors will continue to review the potential higher value of a later-stage licensing deal versus the requirement for any additional funding.

The Board continue to employ rigorous capital allocation criteria in the development of internal assets and the overall business, with a clear focus on generating value for shareholders.

We would like to thank our shareholders, suppliers, contractors and other stakeholders for their continued support and look forward to providing further updates on progress as we move forward in 2021 and 2022.

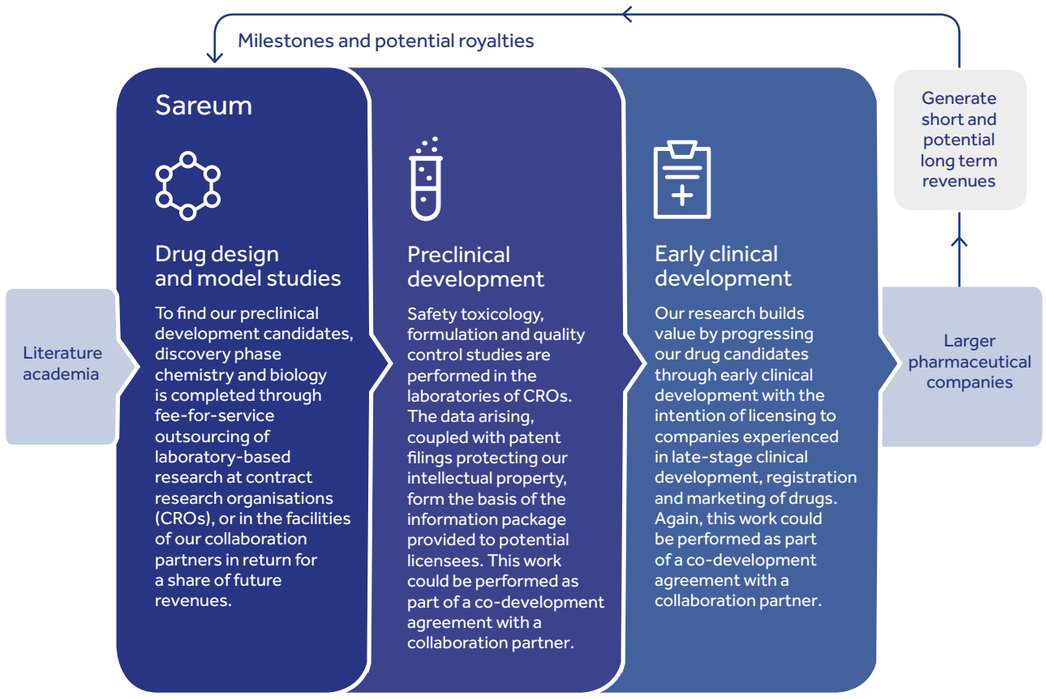
Dr Stephen Parker
Chairman

Dr Tim Mitchell
Chief Executive Officer

22 October 2021

BUSINESS MODEL

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



Our key strengths

Drug development expertise

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

Outsourced research model

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

Co-development collaborations

Sareum's co-development collaborations with world-class research institutes provide access to expertise and the ability to progress several programmes simultaneously whilst reducing research costs. Typically, Sareum offsets a share of future licence income and ongoing royalties in exchange for research funding, use of facilities and access to expertise.

OUR MARKETS

Sareum discovers and develops innovative drug candidates aimed at cancers and autoimmune diseases. Our drug development programmes aim to improve outcomes for patients with serious medical conditions and where current therapies are inadequate.

Licensing our products

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

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

* Deloitte LLP, 2020.

Outlook

The Group is fully focused on advancing the preclinical development programmes on its TYK2/JAK1 kinase inhibitor programmes. The programme for SDC-1801 is expected to complete in the first half of 2022, enabling a CTA to be filed in mid-2022 to begin first clinical trials thereafter subject to successful progress, CTA approval and financing.

We believe that the amended licensing deal between Sierra and CPF on SRA737 signed in November 2020 represents a key step in restarting the clinical development of this promising candidate. Sierra has also noted that new clinical studies with SRA737 could begin in the first half of 2022. The dosing of the first patient with SRA737 in any future clinical trial would trigger a US$2.0m milestone payment from Sierra, of which Sareum would receive a 27.5% share equating to approximately $0.55m.

Our strategic goal

The Group's stated value-generating strategy is to secure commercial licences when its assets reach late preclinical or early clinical stages and management is engaged in continuing discussions with several potential partners.

OUR STRATEGY

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

1 Pursue multiple programmes

- Increase potential success rate
- Mitigate development risk

2021 updates
We have been very encouraged by the good progress with our TYK2/JAK1 inhibitors SDC-1801 (targeting autoimmune diseases and Covid-19) and SDC-1802 (targeting cancer) in formal preclinical development. SDC-1801 has completed dose-ranging studies in two preclinical toxicology species. The high exposure levels required for these experiments has been achieved and the final set of toxicology studies required for exploratory CTA submission are expected to complete in Q4 2021. The initial Covid-19 research project began in December 2020, supported by a £0.17m grant by UKRI and completed on schedule six months later with encouraging results.
Sierra Oncology, the licence holder for SRA737, reported in September 2021 that it was considering new clinical studies with SRA737 in the first half of 2022, with a specific reference made to PARP-resistant pancreatic cancer.

2022 objectives
Depending on successful completion of preclinical studies with SDC-1801, we intend to submit a CTA for first-in-human studies in mid-2022, with the aim of commencing clinical studies later in the year. We expect to advance the preclinical development of an oral formulation of SDC-1802 and to progress the design and translational studies to define the optimal cancer application for further study. We continue to monitor Sierra's activities in relation to the development of SRA737 and will provide further progress updates when Sierra makes further disclosures.

2 Seek collaboration partners

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

2021 updates
The Chinese licensing partner for the FLT3+Aurora kinase inhibitor programme discontinued development as it was unable to achieve required bioavailability and returned worldwide rights to Sareum.

2022 objectives
We will continue to explore the potential of engaging collaboration partners to progress our internal research programmes.

3 Develop programmes to preclinical/early clinical development

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

2021 updates
The toxicology studies required for the preclinical programme for SDC-1801 are expected to complete by the end of 2021 and the process to manufacture drug product for clinical trials has been initiated. Consultants have been appointed to advise on the design of these clinical trials, which will form a key element of the exploratory CTA we aim to file. The filing of this CTA is now targeted for mid-2022 and is a key step to allow the first human studies with SDC-1801 to begin shortly thereafter, subject also to drug product supply and additional funding.

Experts are also being consulted regarding how we might make use of the UK government's AGILE clinical trial platform, or other equivalent programmes, to provide funding and support for Phase 1 trials with SDC-1801 for Covid-19 applications and potentially fast-track its development. Two new US patents were granted in January and September 2021, respectively, that further strengthen the patent protection for SDC-1802 in major territories.

2022 objectives
An exploratory CTA to gain approval to start first-in-human trials with SDC-1801 is expected to be submitted in mid-2022, which could enable first clinical trials to begin shortly thereafter if the requisite approval, drug product supply and further funding is secured. Achieving these milestones would mark a significant step forward for the Company. The Company is also in discussions around the clinical development of SDC-1801 in Covid-19 and is considering the possibility of applying for further UK government funding from the recently announced AGILE clinical development platform to advance the programme into the clinic.

4 License drug candidates to pharmaceutical company partners

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

2021 updates
Through our ongoing Business Development activities, potential partners continue to be kept informed of our progress with a view to securing commercial licences for our TYK2/JAK1 programmes that balance cost and risk with maximising shareholder value.

The licence agreement between Sierra and CPF, amended in November 2020, now includes a $2.0 million milestone payment on the dosing of the first patient dosed in any future clinical trial, of which Sareum would receive a 27.5% share equating to $0.55m.

2022 objectives
We continue our discussions with potential licence partners with respect to our TYK2/JAK1 programmes.

Sierra has disclosed that it could begin new clinical combination studies including SRA737 in the first half of 2022, thus triggering a $0.55m milestone payment to Sareum.

KEY PERFORMANCE INDICATORS (KPIs)

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

R&D spend

£1.24 million

2021	**£1.24 million**
2020	£0.55 million
2019	£0.94 million

Sareum undertakes research and development on its cancer and autoimmune research programmes. The investment in R&D in 2021 has shown an increase over the prior year reflecting the higher cost of the research activities required for SDC-1801 preclinical development.

Loss on ordinary activities

£(1.50) million

£(1.50) million	**2021**
£(0.99) million	2020
£(1.45) million	2019

The Company's management aims to minimise Group overheads through a low cost base and a lean operating model. However, R&D investment for the period was increased, resulting in an increased loss for the year.

Cash at bank

£2.69 million

2021	**£2.69 million**
2020	£1.80 million
2019	£0.92 million

Sareum requires cash for working capital purposes and to advance its development programmes. The cash balance for 2021 includes proceeds from share subscriptions that raised £2.37million before expenses in June 2021. A further £2.18m was raised post period end.

RISK MANAGEMENT AND PRINCIPAL RISKS

Principal risks and uncertainties

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

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

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

Risk management framework

Risk management

The Board has established a risk register relating to the Group's business. At least twice a year, it meets to consider the appropriateness of the risks identified and the mitigating action taken by management on a risk-by-risk basis focusing on those deemed most critical.

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

Risk	Description and mitigation	Risk change	Link to strategy
Financial	The principal financial risks are the ability to raise sufficient funds to support the Company through to profitability and failure to secure licensing agreements. The Group's low cost base ensures that funds are used in the most efficient way. Sareum has historically raised the majority of its funds from private client broker and wealth management networks.	We believe the recent share placings to high net worth individuals, totalling £4.6m, added to Sierra Oncology's disclosures that it may continue clinical development of SRA737 in 2022 thereby triggering a milestone payment, decreases our financial risk.	**1, 2, 3, 4**
Research and development	There are a number of risks in developing drug candidates due to a long and complex development process. Any programme must undergo extensive research to get to preclinical or clinical stage. This process takes several years and is very costly. R&D programmes can fail at any point. We undertake extensive early research and create a dossier of information that enables us and our advisers to evaluate the potential of a candidate before we seek to progress to preclinical or clinical phases. We also seek collaboration partners whose own due diligence reaffirms our assessment of a candidate's potential.	We believe the progress to date through preclinical toxicology and formulation studies reduces our R&D risk.	**1, 2, 3, 4**
Intellectual property	Our ability to stop others exploiting our intellectual property, without first obtaining a licence, is critical to our long-term success. Therefore, we file patent applications in the patent offices of the major commercial territories. To obtain patent protection, our inventions must be considered novel, inventive and useful. However, some, or all, of the patent offices may reject or seek to modify our patent applications. Intellectual property protection is fundamental to our strategy of developing novel drug candidates and underpins our R&D programmes and we invest appropriately in this area.	Reduced risk due to the recent SDC-1802 and other TYK2 compound patent grants in the USA and elsewhere.	**1, 3, 4**
Collaboration	Working with third parties carries a risk of loss of control on progress and can lead to research delays. This can increase Sareum's own financial commitment as a result of continued spend on fixed costs during a delay and potential additional financial contributions required in order to progress a programme. We work closely with our partners to anticipate and plan around any likely delays. Collaboration contracts clearly outline responsibilities and key milestones as well as cost, licensing and revenue sharing.	We believe challenges associated with the Covid-19 pandemic have led to increased lead times for new experiments being conducted by our research partners and thus an increase in Collaboration risk.	**1, 2**
Competition	There always remains the possibility that a similar drug is being developed by a competitor that demonstrates greater efficacy or a better safety profile. Alternatively, a similar drug in development may conclude a licensing deal or reach a later stage of development before we are able to, thus reducing the likelihood of Sareum securing a licensing agreement. The management and advisory boards gather as much information as possible on competitive products and programmes. Progress and key milestones are monitored to understand how these may affect our own programmes. Sareum also pursues more than one development programme in order to mitigate the overall risk to the Group.	We believe the increased clinical activity in the TYK2 and TYK2/JAK1 space increases the competition in this area and hence also increases our risk.	**1, 3, 4**

DIRECTORS

Stephen Parker DPhil
Non-executive Chairman

Key skills
Dr Stephen Parker, aged 63, has a career in the healthcare and pharma sector that spans over 30 years, including 10 years in the City in advisory roles. He has sector corporate finance experience having been an investment banker focusing on pharma and biotechnology with Barings, Warburg and Apax Partners and has previously held roles as a partner at Celtic Pharma and chief financial officer of Oxford GlycoSciences. Stephen is also currently a non-executive director at MGC Pharma.

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

Other appointments
Stephen is chairman of Drishti Discoveries Limited, a non-executive director of MGC Pharma and Eternans and a director of sp2 Consulting Limited.

Tim Mitchell PhD
Founder and CEO

Key skills
Dr Tim Mitchell, aged 61, has over 30 years' experience in the industry with key management and business expertise gained from his positions at Cambridge Discovery Chemistry Ltd and his roles at Millennium Pharmaceuticals Research and Development Ltd as a member of the management team and in forming the integrated Structure-Based Discovery department. As director of the Millennium Structure-Based Discovery department, Tim was responsible for global provision of protein structure and high throughput chemical synthesis for Millennium as well as for local computational chemistry, informatics and automation capabilities. Prior to that, he was director of computational chemistry at Cambridge Discovery Chemistry Ltd and a team leader in the Computational and Structural Sciences department at SmithKline Beecham Pharmaceuticals. Tim has a PhD in computational chemistry and a BSc in chemistry.

Committee responsibilities
None

Other appointments
None

John Reader PhD
Founder and CSO

Key skills
Dr John Reader, aged 54, has over 25 years' experience within the industry and was formerly associate director, chemical technologies at Millennium Pharmaceuticals Research and Development Ltd, prior to which he worked with Pharmacopeia Inc. and Cambridge Discovery Chemistry Ltd in the provision of high throughput chemistry services to external and internal clients. John has extensive experience of leading large research teams and in the invention and application of new technologies to the drug discovery process, with an excellent track record of delivering successful projects to clients and has authored or co-authored many patents and publications. The majority of patents granted to John cover composition of matter discovered in the multiple projects in which he has worked, with further patents covering technological innovations in the field. John is a member of the EPSRC Peer Review College and has a PhD in chemistry and a BSc in applied chemistry.

Committee responsibilities
None

Other appointments
None

Michael Owen PhD
Non-executive Director

Key skills
Dr Michael Owen, aged 70, has worked in biomedical research, and in the pharmaceutical and biotechnology industries for nearly 40 years. He is the co-founder and first CSO of Kymab Ltd, a biopharmaceutical company based in Cambridge, UK, which was acquired by Sanofi for up to £1.45 billion in 2021. Prior to Kymab, he worked for GSK where he was SVP and head of research for biopharmaceuticals R&D. In addition, to the board roles listed below, Michael is chairman of ReNeuron's and Avacta's scientific advisory boards and an adviser to Abingworth LLP and was until recently an adviser to the CRT Pioneer Fund. Michael received an MA from Oxford University and a PhD from Cambridge University, and is an elected member of the European Molecular Biology Organisation and a Fellow of the Academy of Medical Sciences.

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

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

Clive Birch
Non-executive Director

Key skills
Clive Birch, aged 68, is an independent non-executive director of Cambridge Innovation Capital plc, a Cambridge-based builder of technology and healthcare companies. He is a retired partner of PricewaterhouseCoopers where his role was that of an auditor and reporting accountant with an industry specialism in early stage technology and healthcare companies. He was also part of the teams involved in fundraising and listing those clients on various markets. Clive was also partner in charge of PwC's Cambridge office for 15 years up to 2010, during which time he was responsible for all aspects of that stand-alone business.

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

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

GROUP STRATEGIC REPORT

for the year ended 30 June 2021

The Directors present their Strategic Report for the Company and the Group for the year ended 30 June 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the year under review were those of a holding company. The principal activity of the Group is the discovery and development of new therapeutic drugs by a combination of skills in biology, computational chemistry and medicinal chemistry.

FAIR REVIEW OF THE BUSINESS

The loss for the year was £1,500,383 (2020: £985,913) and at 30 June 2021 cash and cash equivalents amounted to £2,686,158 (2020: 1,802,857).

In the year ended June 2021 the Group raised £2,420,000, before expenses from high net worth individuals and the exercise of share options. These funds will be used to progress the Group's drug discovery programmes as well as for general working capital purposes.

Throughout the period under review the Group continued to develop its drug discovery programmes using outsourced biology and chemistry resources as well as exploring commercial opportunities with potential partners. In the future the Group will continue to build value from its in-house research and development by seeking to advance and commercialise its drug discovery programmes.

On 26 March 2020, Sareum announced that it had entered a global licensing deal for its FLT3+Aurora kinase inhibitor programme targeting blood cancers with a China-based specialty pharmaceutical company. In January 2021, Sareum announced that the licence partner had decided not to exercise its option to continue the development of the programme and all rights to the programme reverted back to Sareum.

In 2016 the Group announced that its co-investment partner, the CRT Pioneer Fund ("CPF"), had licensed the rights to the Chk1 project to Sierra Oncology, Inc. ("Sierra"). Under the terms of the agreement an upfront payment of US$7.0 million and an additional fee of US$2.0 million (following the successful transfer of the two ongoing Phase 1 clinical trials to Sierra) were received by the co-investment partner. Additional payments of up to US$319.5 million may become payable upon achievement of certain milestones and Sierra will pay royalties on the net sales of any product successfully developed. Sareum is entitled to receive 27.5% of all payments made and/or that become due under the license.

Sierra stated in August 2020, that it was exploring internal and external options to support the continued development of the project and in November 2020 it was announced that amended licence terms had been agreed by CPF and Sierra.

Under the amended terms, the additional milestone payments are decreased to $290.0 million and include a payment of $2.0 million upon the dosing of the first patient in the first clinical trial of SRA737 following the amendment. Royalty payments and Sareum's 27.5% share of the economics of the agreement are unchanged.

Post-period end, in September 2021, Sierra noted the intention to initiate clinical studies including SRA737 in the first half of 2022.

SECTION 172(1) STATEMENT

The Directors have had regard for the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 s172(1) when performing their duty under section 172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also having regard to the s172(1) matters referred to below:

- Likely consequences of any decision in the long term
- Interests of the Group's employees
- Need to foster the Group's business relationships with suppliers and other partners
- Impact of the Group's operations on the community and environment
- The Group's reputation for high standards of business conduct
- Need to act fairly between members of the Group
- Culture is consistent with the Company's objectives, strategy and business model, and
- The need for the Directors to keep their skill set up to date.

Engagement with stakeholders, and consideration of their respective interests in the Group's decision making process, took place during the year as described below:

Board

Our Board consists of 5 Directors who hold monthly board meetings, remote where required, to ensure strategies are aligned. The Board is comprised of individuals with an appropriate mix of technical, financial, industry and corporate governance experience commensurate with the activities of the Company and Group.

Shareholders

The Board keeps shareholders abreast of any developments and regular communication, via RNS documents in line with the requirements of the AIM, listing is maintained to ensure interests are aligned.

Employees

Our employees, consisting largely of Directors, continue to be kept abreast of any developments via board meetings. A number of employees are offered share options via our Group share option scheme, which keeps them vested in the future success of the business.

Suppliers and other partners

Our suppliers and other partners are central to the continuation of our business. We work closely with our professional advisors, research and development service providers and other key suppliers promoting transparency and clear, on-going communication in order to continue building on our working relationships with them.

Community and the environment

We recognise the importance of our impact on the environment and wider community and seek to operate as a Group in a way that minimises our carbon emissions. The Group's landlord provides reputable agents to recycle waste as appropriate.

Government and regulators

As a Group, we recognize the importance of continuous and open communication with regulatory bodies that govern our business. All our employees have been trained on anti-bribery, corruption and whistle blowing procedures to mitigate breaches in laws and regulations. We have regular communication throughout the year with HMRC to ensure compliance. We also seek support from our professional advisors to ensure that any key transactions of the business are compliant with necessary laws and regulations.

Key decisions

Key decisions are made by Directors via monthly board meetings and communicated to relevant stakeholders in a timely manner.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Group are the following:

- the drug discovery programmes undertaken may fail due to fundamental scientific uncertainty;
- the Group may not complete sufficient commercial partnerships to create a sustainable business; and
- it may not be possible to raise sufficient funding to support the Group through to sustained profitability.

A specific current risk is the Covid-19 crisis. From an operational perspective, Sareum has remained fully functional during the Covid-19 pandemic although there has been some impact on the Group's network of suppliers with delays to the conduct of some of the final preclinical studies they are undertaking for the Group. However, the Directors do not expect the on-going pandemic to significantly impact the operations of the Group.

The Directors address these uncertainties by reviewing reports on scientific progress, business development and financial status at the monthly Board meetings and implementing alternative plans to reduce the risks if these are considered necessary.

KEY PERFORMANCE INDICATORS

The Directors consider cash and spending on research and development to be the Group's key performance indicators. A budget is approved by the Board at the beginning of each financial year and performance is regularly monitored against budget with significant variances investigated.

FUTURE OUTLOOK

In addition to potential future revenue from the out-licensed Chk1 project, the Group will continue to develop its TYK2/JAK1 programmes targeting cancer and autoimmune diseases. Commercially, significant licensing deals will be sought to realise the high value inherent in the Group's IP.

On behalf of the Board:

T Bunn FCMA
Secretary
22 October 2021

REPORT OF THE DIRECTORS

for the year ended 30 June 2021

The Directors present their report together with the financial statements of the Company and the Group for the year ended 30 June 2021.

Directors
The Directors shown below have held office during the whole of the period from 1 July 2020 to the date of this report.

C Birch FCA
T Mitchell PhD
M Owen PhD
S Parker DPhil
J Reader PhD

Dividends
No dividends will be distributed for the year ended 30 June 2021 (2020: £nil).

Licensed programmes
The principal activity of the Group is innovative research and development. It does this in its own right and in collaboration with other organisations. The costs relating to this, which have been written off during the year, amounted to £1,238,925 (2020: £549,348).

Financial instruments
Details regarding the Group's use of financial instruments and their associated risks are given in note 16 to the consolidated financial statements.

Matters of strategic importance
The future outlook of the group is considered to be a matter of strategic importance and included in the strategic report on page 3.

Streamlined energy and carbon reporting
The Directors confirm that Sareum Holdings plc and its subsidiaries are exempt from the Streamlined Energy and Carbon Reporting requirements by virtue of being a low energy user and have consumed less than 40 MwH during the year.

Post balance sheet events
On 20 July 2021, 6,428,581 new Ordinary Shares of 0.025 pence were issued at 2.8 pence per share in respect of a warrant exercise that raised, in aggregate, £180,000 before expenses.

On 23 July 2021, 14,285,714 new Ordinary Shares of 0.025 pence were issued at 7 pence per share in respect of a fundraise that raised, in aggregate, £1,000,000 before expenses.

On 17 August 2021, 12,121,212 new Ordinary Shares of 0.025 pence were issued at 8.25 pence per share in respect of a fundraise that raised, in aggregate, £1,000,000 before expenses.

Statement of directors' responsibilities
The Directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

Statement as to disclosure of information to auditors
So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

On behalf of the Board:
T Bunn FCMA
Secretary
22 October 2021

CORPORATE GOVERNANCE REPORT

Introduction
The Quoted Companies Alliance Corporate Governance Code (the QCA Code) makes clear it is the prime responsibility of the Chairman to ensure the Company applies the QCA Code to the best advantage of all stakeholders.

The Group is an established operation with a clear business model and growth strategy. Our objective is to deliver targeted small molecule therapeutics to treat cancer and autoimmune diseases. We seek to build value through licensing the Group's candidates to international pharmaceutical and biotechnology companies at the preclinical or early clinical trials stage. Applying the appropriate corporate governance practices can only help achieve our goals.

A requirement of the QCA Code is to highlight any areas where we are not in compliance and to provide our reasons why not. An area of non-compliance is that Dr Stephen Parker, Nonexecutive Chairman, Dr Michael Owen, Non-executive Director, and Mr Clive Birch, Non-executive Director, are beneficiaries under the Company's share option scheme.

Participation by Non-executive Directors in share-based incentive arrangements, while against the provisions of the QCA Code, is common for companies with shares quoted on AIM. Stephen, Michael and Clive provide the Company with a wealth of industry and corporate finance experience. Their participation in the share option scheme provides them with upside at no cash cost to the Company as the value of the Company increases. The arrangement suits the Company and Non-executive Directors and we do not currently intend to amend it.

We trust that the result of our efforts to date provides stakeholders with access to the information they need and the confidence that the Board holds corporate governance compliance in the highest regard.

Dr Stephen Parker
Non-executive Chairman
22 October 2021

Principle 1 – Establish a strategy and business model which promote long term value for share-holders

Our goals:
As a public company we are focused on delivering value for our shareholders as well as new medicines to treat patients with unmet medical needs. Our goals are to build value by progressing our research programmes through early clinical development and generate revenues by licensing them to pharmaceutical company partners.

Vision:
The Group's vision is, over the longer term, to build a rich pipeline of clinical-stage medicines with licence deals that produce self-sustaining revenues. Such medicines could have been discovered in house or be in licensed.

Purpose:
The Group exists to discover and develop innovative drug candidates as new therapies for cancers and autoimmune diseases. Our drug development programmes aim to improve outcomes for patients with serious medical conditions and where current therapies are inadequate.

Strategy:
Our strategy is to develop programmes to the early clinical stages to take advantage of the higher asset values associated with licensing programmes at these stages, but without us incurring the cost and risk of conducting late-stage clinical trials.

Principle 2 – Seek to understand and meet shareholder needs and expectations

Sareum is committed to open communication with all its shareholders. Copies of the Annual Report and Accounts are issued to all shareholders who have requested them and copies are available on Sareum's website (www.sareum.com). Our interim results are also made available on the Company's website. We make full use of our website to provide information to shareholders and other interested parties.

Shareholders are given the opportunity to raise questions at the Annual General Meeting and the Directors are available after the meeting for further discussion with shareholders. In compliance with best practice, the numbers of proxy votes (for, against and vote withheld) logged on each resolution will be declared at all future general meetings and subsequently announced.

The CEO is primarily responsible for updating the market with developments. Meetings via the Company's broker are offered to investment institutions and private client brokers to discuss progress and financial performance immediately after the full year and interim results announcements. All the Directors are available for these meetings if requested. Feedback from these meetings is requested by the broker and provided to the Board to ensure the Directors have a balanced understanding of the issues and concerns of current and potential future shareholders.

CORPORATE GOVERNANCE REPORT (CONTINUED)

This feedback is discussed at subsequent Board meetings and actions are taken as appropriate. Trading updates and press releases are issued as appropriate. Sareum also uses its Twitter account, @sareumplc, to share non-price-sensitive information related to its research and other activities to interested parties.

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long term success

The Company regards its shareholders, employees, collaborators, potential licence partners, suppliers and advisers as its key stakeholders.

Management prioritises its relationships with collaborators and suppliers and effort is directed to ensuring they are managed appropriately. Regular reviews are undertaken to ensure any issues are addressed promptly.

The Executive Directors are in regular dialogue with collaborators and potential licence partners regarding the data requirements for a drug licence package. Feedback from these discussions is fed into future development plans as part of an ongoing process.

The Group's internal stakeholders are its employees. The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, gender reassignment, race, disability, sexual orientation, pregnancy and/or maternity, marital or civil partner status, religion or belief or age.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has established a risk register relating to the Group's business. At least twice a year, the Audit and Risk Committee meets to consider the appropriateness of the risks identified and the mitigating action taken by management on a risk by risk basis focusing on those deemed most critical.

Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chair

The Board, chaired by Dr Stephen Parker, comprises two Executive and three Non-executive Directors and is supported by the Company Secretary. It oversees and implements the Company's corporate governance programme. As Chairman, Stephen is responsible for the Company's approach to corporate governance and the application of the principles of the QCA Code. Further details pertaining to the Board and the roles carried out by each member are set out in the Governance section of the Annual Report and Accounts.

Each Board member commits sufficient time to fulfil their duties and obligations to the Board and the Company. They attend monthly Board meetings, join ad hoc Board calls and offer availability for consultation when needed

Detailed Board packs include information on business, technical and financial performance and are circulated ahead of Board meetings. Key issues are highlighted and explained, providing Board members with sufficient information to enable a relevant discussion in the Board meeting. The Board is supported by its Audit and Risk, Remuneration and Nominations Committees. Links to the terms of reference for each of the Board Committees can be found in the Corporate Governance section of the Company's website, www.sareum.com.

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

Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Chairman believes that, as a whole, the Board has a suitable mix of skills and competencies covering all essential disciplines bringing a balanced perspective that is beneficial both strategically and operationally and will enable the Company to deliver its strategy. The Company is, however, looking to build on those skills through selective appointments. The Board consists of two Executive Directors and three Non-executive Directors, ranging in age from 54 to 70 years old.

The nature of the Group's business requires the Directors to keep their skillset up to date. The Directors attend training courses and conferences as appropriate in order to do this.

In addition to the support provided by the Company's retained professional advisers (Nomad, broker, investor relations, lawyers and auditor), external consultants have been engaged to advise on a number of matters including research and development strategy and intellectual property management.

Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Board performance effectiveness process

The assessment of the Board's performance has to date been largely focused on the achievement of the Group's strategic and financial objectives. Each Executive Board member is subject to an annual review by the Remuneration Committee based on the performance of the Group as a whole and their personal contribution. The outcome of these reviews feeds directly into the award of salary increases, bonuses and share options.

It is proposed that the Company also adopts annual evaluation for Non-executive Director performance, although there is no current intention that such Non-executive Directors receive regular bonus payments. The performance of the Board as a whole may be judged in part by the attainment of financial measures including profit/loss for the year, research and development expenditure and cash at bank.

Succession planning and Board appointments

The Board meets as and when necessary to consider the appointment of new Executive and Non-executive Directors and the Board takes responsibility for succession planning. Board members all have appropriate notice periods so that if a Board member indicates his/her intention to step down, there is sufficient time to appoint a replacement, whether internal or external.

Each Director is required to offer themselves for re-election at least once every three years as per the Company's Articles of Association. The CEO and CSO are currently the longest serving Board members, having been appointed in 2004. Board appointments are made after having completed due diligence and consultation with advisers.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

Sareum is a small, motivated team of professional people, which operates to high standards. These standards include a commitment to best practice in meeting the Company's social responsibilities.

The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, gender reassignment, race, disability, sexual orientation, pregnancy and/or maternity, marital or civil partner status, religion or belief or age. In line with best practice, health and safety matters are discussed at each Board meeting.

The Group's environment and health and safety policies are as follows:

Environment

Sareum disposes of its waste products using reputable agents. The Group's landlord provides these agents to enable it to recycle its waste as appropriate.

Health and safety

The Group is proactive in considering the safety of staff, visitors and the public. It has had no notifiable safety incidents during the year and no working days were lost due to accidents.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Executive members of the Board have overall responsibility for managing the day-to-day operations of the Group and the Board as a whole is responsible for monitoring performance against the Group's goals and objectives. The Chairman chairs the meeting and business and operational, technical and financial reports are provided by the CEO, CSO and Company Secretary respectively and discussed by the Board and actions, as appropriate, are minuted and taken. Decisions concerning the day-to-day running of the Group are taken by the Executive team (and reported to the Board as appropriate), whilst decisions regarding strategic matters are taken at Board level.

The roles of the Audit and Risk Committee and the Remuneration and Nominations Committees are set out in the corporate governance section of the Company's website at www.sareum.com/investors/corporate-governance as well as in this report. The appropriateness of the Group's governance structures are continually reviewed as the Company evolves.

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

The Company maintains a regular dialogue with stakeholders including shareholders to enable interested parties to make informed decisions about the Group and its performance. The Board believes that transparency in its dealings offers a level of comfort to stakeholders and an understanding that their views will be listened to.

The Board already discloses the results of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. In future, in the event that a significant portion of voters have voted against a resolution, an explanation of what actions it intends to take to understand the reasons behind the vote will be included.

REMUNERATION COMMITTEE REPORT

Michael Owen PhD
Chairman

The Company recognises and follows the QCA Code 2018

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

Members
Michael Owen PhD, Clive Birch, Stephen Parker DPhil

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

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

Executive directors' service contracts
The two executive directors have executive service agreements with the Company dated 7 July 2004. The service agreements are subject to termination upon six months' notice being given by either party and are subject to standard terms in the event of termination. For the year from 1 July 2020 a directors' bonus scheme was in effect to reward the directors based on performance targets that build shareholder value. No payments were made under this scheme, however.

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

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

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

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

Salary deferral scheme
On 17 December 2019 the Company announced that all directors had entered into a salary deferral scheme, whereby 33% of directors' salaries were being deferred until further notice (the "Salary Deferral Scheme"). On 1 July 2020 the Company announced that it had agreed to issue, in aggregate, 13,680,485 new Ordinary Shares (the "Deferred Salary Shares") to the directors at a price of 0.6p, being equal to the recent placing pricing, in satisfaction of the deferred salaries, after deducting all applicable taxes which were settled by the Company, that accrued under the Salary Deferral Scheme to 30 June 2020. The number of shares issued to each director under this arrangement was as follows:

	Number of shares
Executive Directors	
T Mitchell	5,118,679
J Reader	5,100,880
Non-executive Directors	
S Parker	2,160,686
M Owen	548,846
C Birch	751,394
Total	**13,680,485**

With effect from 1 July 2020, the Directors decided to further defer between 20% and 33% of their salaries.

The salary deferral scheme set out above ended in August 2021 with a total of £0.16m, representing all amounts outstanding, being settled in cash. This follows the significant £4.6m improvement in the Company's financial position arising from the share subscriptions and warrant exercises between June and August.

Directors' remuneration table

	Salary	Benefits	Settlement of deferred salary	**Emoluments**	Pension	**Total 2021**	Total 2020
	£	£	£	**£**	£	**£**	£
Executive Directors							
T Mitchell	**138,964**	1,759	34,741	**175,464**	13,950	**189,414**	184,846
J Reader	**115,804**	1,265	57,902	**174,971**	12,038	**187,009**	183,435
Non-executive Directors							
S Parker	**39,690**	–	19,845	**59,535**	–	**59,535**	58,031
M Owen	**13,333**	–	6,667	**20,000**	–	**20,000**	19,632
C Birch	**13,333**	–	6,667	**20,000**	–	**20,000**	19.456
Total	**321,124**	**3,024**	**125,822**	**449,970**	**25,988**	**475,958**	**465,400**

REMUNERATION COMMITTEE REPORT (CONTINUED)

Share option table
The interests in the share option schemes at 30 June 2021, of the directors who served during the year, were as follows:

Director	Share scheme	Exercise price (pence)	Number of Shares under option	Percentage of issued share capital
Dr Tim Mitchell	EMI	1.200	2,566,666	0.08%
	EMI	0.600	4,752,000	0.14%
	EMI	0.425	7,198,353	0.22%
	EMI	0.590	5,340,862	0.16%
	EMI	0.800	6,250,000	0,19%
	EMI	1.200	3,125,000	0,09%
	EMI	1.600	3,125,000	0.09%
	Unapproved	0.825	9,548,844	0.29%
	Unapproved	1.238	4,774,422	0.14%
	Unapproved	1.650	4,774,421	0,14%
	Unapproved	0.700	11,816,694	0.35%
	Unapproved	1.050	5,908,347	0.18%
	Unapproved	1.400	5,908,347	0.18%
Dr John Reader	EMI	1.200	2,566,666	0.08%
	EMI	0.600	4,752,000	0.14%
	EMI	0.425	7,198,353	0.22%
	EMI	0.590	5,340,862	0.16%
	EMI	0.800	6,250,000	0,19%
	EMI	1.200	3,125,000	0,09%
	EMI	1.600	3,125,000	0.09%
	Unapproved	0.825	9,548,844	0.29%
	Unapproved	1.238	4,774,422	0.14%
	Unapproved	1.650	4,774,421	0,14%
	Unapproved	0.700	11,816,694	0.35%
	Unapproved	1.050	5,908,347	0.18%
	Unapproved	1.400	5,908,347	0.18%
Dr Stephen Parker	Unapproved	0.800	5,000,000	0.15%
	Unapproved	1.200	2,500,000	0.08%
	Unapproved	1.600	2,500,000	0,08%
	Unapproved	0.825	3,272,728	0.10%
	Unapproved	1.238	1,636,364	0.05%
	Unapproved	1.650	1,636,363	0.05%
	Unapproved	0.700	4,050,000	0.12%
	Unapproved	1.050	2,025,000	0.06%
	Unapproved	1.400	2,025,000	0.06%
Dr Michael Owen	Unapproved	0.700	1,428,571	0.04%
	Unapproved	1.050	714,286	0.02%
	Unapproved	1.400	714,286	0.02%
Dr Clive Birch	Unapproved	0.700	1,428,571	0.04%
	Unapproved	1.050	714,286	0.02%
	Unapproved	1.400	714,286	0.02%

The market price of the shares at 30 June 2021 was 5.75 pence and the range during the year was 0.505 pence to 7.499 pence.

REPORT OF THE INDEPENDENT AUDITOR

to the members of Sareum Holdings plc

Opinion
We have audited the financial statements of Sareum Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs, in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the Parent Company financial statements have been properly prepared in accordance with IFRSs, in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors assessment of the entity's ability to continue to adopt the going concern basis of accounting included a review of detailed cashflow forecasts to ensure sufficient funds were available, together with a consideration of the risks associated with the Group's business.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with regards to going concern are described in the relevant sections of this report.

Our approach to the audit
Our audit approach is to determine whether the financial statements contain any material misstatement or omission. A material misstatement or omission would be one that would lead the financial statements to present a view other than one that is true and fair.

We plan and conduct our audit specifically to detect such misstatement and omission. We begin by determining which areas of the financial statements carry the greatest risk of this and direct our testing towards these. We also review the draft financial statements for reasonableness, taking into account past results, industry norms and recent developments in the business. Areas that do not meet our expectations are given closer attention in the course of our testing in order to explain the variance.

The balances in the financial statements are tested on a sample basis. We do not inspect every transaction but rather select a sample designed to give a representative view of the population, biased towards items that look large or unusual. Those areas that we consider to carry a high risk of misstatement are assigned a higher sample size than those we consider low risk. By adopting this approach we seek to reduce the likelihood of failing to detect material misstatement or omission to as low a level as possible.

REPORT OF THE INDEPENDENT AUDITOR
(CONTINUED)
to the members of Sareum Holdings plc

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	How the scope of our audit responded to the risk
Management override of controls Journals can be posted that significantly alter the Financial Statements.	We examined journals posted around the year end, specifically focused on areas which are more easily manipulated such as accruals, prepayments, bank reconciliations and tax.
Going concern There is a risk that the Company is not a going concern	We made enquiries with the Directors regarding how they have assessed going concern. We have reviewed projections and disclosed accordingly.
Fraud in revenue recognition There is a risk that revenue is materially understated due to fraud.	Revenue sources were reviewed and expected revenues vouched to those presented in the Financial Statements. We concluded that no evidence of fraud or other understatement was identified.
Accounting estimates Potential risk of inappropriate accounting estimates giving rise to misstatement in the accounts.	Accruals were agreed to expected costs and supporting documentation, and other areas were examined to identify any potential accounting estimates.
Risk of material misstatement within related party transactions There is the risk that related party transactions are potentially incomplete or materially misstated.	Correspondence, including Board minutes, and accounting records were reviewed for evidence of material related party transactions and it is considered that all relevant items have been disclosed.
Disclosures There is a risk of incorrect or incomplete disclosures in the Financial Statements.	The Financial Statements have been reviewed and checks have been undertaken to ensure all material disclosure requirements have been met.

Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the Financial Statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality
We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning and in the scope of our audit work and in evaluating the results of our work.

We determine base materiality for the Group to be £64,618 and a separate performance materiality to be £48,464. These financial benchmarks, which are used throughout the audit, have been determined by way of a standard formula being applied to key financial results and balances presented in the Financial Statements. Where considered relevant the materiality is further adjusted to suit the specific area risk profile of the Group.

Other information
The Directors are responsible for the other information. The other information comprises the information in the Chairman's Report, Chief Executive's Report, Corporate Governance Statement, Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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 its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities set out on page eighteen, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a Report of the Auditor and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Kinton (Senior Statutory Auditor)
for and on behalf of Shipleys LLP
Chartered Accountants and Statutory Auditor
10 Orange Street
Haymarket
London
WC2H 7DQ
22 October 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2021

	Notes	2021 £	2020 £
CONTINUING OPERATIONS			
Revenue		—	47,204
Other operating income		**171,029**	–
Administrative expenses		**(1,875,050)**	(1,142,153)
Share of loss of associates		**(13,950)**	(29,726)
OPERATING LOSS	5	**(1,717,971)**	(1,124,675)
Finance income		**88**	4,554
LOSS BEFORE INCOME TAX	6	**(1,717,883)**	(1,120,121
Income tax	7	**217,500**	134,208
LOSS FOR THE YEAR		**(1,500,383)**	(985,913)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(1,500,383)**	(985,913)
LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(1,500,383)**	(985,913)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		**(1,500,383)**	(985,913)
LOSS PER SHARE EXPRESSED IN PENCE PER SHARE:	9		
Basic and diluted loss per share expressed in pence per share		**(0.05)p**	(0.03)p

The notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 30 June 2021

	Notes	2021 £	2020 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,541**	2,628
Investment in associates	11	**25,634**	1,633
		27,175	4,261
CURRENT ASSETS			
Trade and other receivables	12	**365,843**	195,001
Cash and cash equivalents	13	**2,686,158**	1,802,857
		3,052,001	1,997,858
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	**284,155**	198,537
NET CURRENT ASSETS		**2,767,846**	1,799,321
NET ASSETS		**2,795,021**	1,803,582
SHAREHOLDERS' EQUITY			
Called up share capital	17	**833,215**	810,433
Share premium	18	**17,234,966**	14,765,926
Share-based compensation reserve	18	**361,818**	407,872
Merger reserve	18	**27**	27
Retained earnings	18	**(15,635,005)**	(14,180,676)
TOTAL EQUITY		**2,795,021**	1,803,582

The financial statements of Sareum Holdings plc, registered number 05147578, were approved by the Board of Directors and authorised for issue on 22 October 2021 and signed on its behalf by:

T Mitchell PhD
Director

The notes form part of these financial statements.

COMPANY BALANCE SHEET
as at 30 June 2021

	Notes	2021 £	2020 £
ASSETS			
NON-CURRENT ASSETS			
Investment	11	**30,000**	30,000
NET ASSETS		**30,000**	30,000
SHAREHOLDERS' EQUITY			
Called up share capital	17	**833,215**	810,433
Share premium	18	**17,234,966**	14,765,926
Share-based compensation reserve	18	**361,818**	407,872
Retained earnings	18	**(18,399,999)**	(15,954,231)
TOTAL EQUITY		**30,000**	30,000

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The Company's loss for the financial year was £2,491,822 (2020: £1,695,310).

The financial statements of Sareum Holdings plc, registered number 05147578, were approved by the Board of Directors and authorised for issue on 22 October 2021 and signed on its behalf by:

T Mitchell PhD
Director

The notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2021

	Called up share capital £	Retained earnings £	Share premium £
BALANCE AT 1 JULY 2019	718,997	(13,194,763)	13,162,052
Issue of share capital	91,436	–	1,603,874
Total comprehensive income	–	(985,913)	–
BALANCE AT 30 JUNE 2020	810,433	(14,180,676)	14,765,926
Issue of share capital	22,782	–	2,469,040
Total comprehensive income	–	(1,500,383)	–
Transfer of options exercised / expired	–	46,054	–
BALANCE AT 30 JUNE 2021	**833,215**	**(15,635,005)**	**17,234,966**

	Share-based compensation reserve £	Merger reserve £	**Total equity £**
BALANCE AT 1 JULY 2019	407,872	27	**1,094,185**
Issue of share capital	–	–	**1,695,310**
Total comprehensive income	–	–	**(985,913)**
BALANCE AT 30 JUNE 2020	407,872	27	**1,803,582**
Issue of share capital	–	–	**2,491,822**
Total comprehensive income	–	–	**(1,500,383)**
Transfer of options exercised / expired	(46,054)	–	**–**
BALANCE AT 30 JUNE 2021	**361,828**	**27**	**2,795,021**

The notes form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Called up share capital £	Retained profits £	Share premium £
BALANCE AT 1 JULY 2019	718,997	(14,258,921)	13,162,052
Issue of share capital	91,436	–	1,603,874
Total comprehensive income	–	(1,695,310)	–
BALANCE AT 30 JUNE 2020	810,433	(15,954,231)	14,765,926
Issue of share capital	22,782	–	2,469,040
Total comprehensive income	–	(2,491,822)	–
Transfer of options exercised / expired	–	46,054	–
BALANCE AT 30 JUNE 2021	**833,215**	**(18,399,999)**	**17,234,966**

	Share-based compensation reserve £	**Total equity £**
BALANCE AT 1 JULY 2019	407,872	**30,000**
Issue of share capital	–	**1,695,310**
Total comprehensive income	–	**(1,695,310)**
BALANCE AT 30 JUNE 2020	407,872	**30,000**
Issue of share capital	–	**2,491,822**
Total comprehensive income	–	**(2,491,822)**
Transfer of options exercised / expired	(46,054)	**–**
BALANCE AT 30 JUNE 2021	**361,818**	**30,000**

The notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2021

	Notes	**2021 £**	2020 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	24	**(1,704,866)**	(1,042,995)
Tax received		**134,208**	229,908
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(1,570,658)**	(813,087)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		**–**	(3,263)
Investment in associate		**(37,951)**	–
Interest received		**88**	4,554
NET CASH INFLOW FROM INVESTING ACTIVITIES		**(37,863)**	1,291
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue		**2,491,822**	1,695,310
NET CASH INFLOW FROM FINANCING ACTIVITIES		**2,491,822**	1,695,310
INCREASE IN CASH AND CASH EQUIVALENTS		**883,301**	883,514
Cash and cash equivalents at beginning of year		**1,802,857**	919,343
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,686,158**	1,802,857

The notes form part of these financial statements.

COMPANY CASH FLOW STATEMENT

for the year ended 30 June 2021

	Notes	**2021 £**	2020 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	24	**(2,491,822)**	(1,695,310)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(2,491,822)**	(1,695,310)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue		**2,491,822**	1,695,310
NET CASH INFLOW FROM FINANCING ACTIVITIES		**2,491,822**	1,695,310
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**–**	–
Cash and cash equivalents at beginning of year		**–**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**–**	–

The notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

1. Basis of preparation

The consolidated financial statements of Sareum Holdings plc (the Company) and its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS), in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 with IFRIC interpretations. The financial statements have been prepared under the historical cost convention.

Going concern

From an operational perspective, Sareum has remained fully functional during the Covid-19 pandemic although there has been some impact on the Group's network of suppliers with delays to the conduct of some of the final preclinical studies they are undertaking for the Group. However, the Directors do not expect the on-going pandemic to significantly impact the operations of the Group.

The Company and Group made losses after tax of £2,491,822 (2020: £1,695,310) and £1,500,383 (2020: £985,913) respectively, as they continued to progress their research and development activities. These activities and the related expenditure, are in line with the budgets previously set and are funded by regular cash investments.

The Directors consider that the cash held at the year-end, together with that received subsequently, will be sufficient for the Company and Group to meet their forecast expenditure for at least one year from the date of signing the financial statements. If there is a shortfall the Directors will implement cost savings to ensure that the cash resources last for this period of time.

For these reasons the financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary and an associate) made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of another entity or business, so as to obtain benefits from its activities. The consolidated financial statements present the results of the Company and its subsidiary as if they formed a single entity. Inter-company transactions and balances between group companies are eliminated on consolidation.

2. Statutory information

Sareum Holdings plc is a public limited company, registered in England and Wales. The Company's registered number and registered office address can be found on the General Information page.

3. Accounting policies

The principal accounting policies applied are set out below.

Property, plant and equipment

Depreciation is provided on a straight line basis over three years in order to write off each asset over its estimated useful life.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of change in value.

Taxation

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

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

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Pension contributions

The Group does not operate a pension scheme for the benefit of its employees but instead makes contributions to their personal pension policies. The contributions due for the period are charged to the profit and loss account.

Employee share scheme

The Group has in place a share option scheme for employees, which allows them to acquire shares in the Company. Equity settled share-based payments are measured at fair value at the date of grant. The fair value of options granted is recognised as an expense spread over the estimated vesting period of the options granted. Fair value is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Revenue recognition

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

Investment in associates

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

Impairment of assets

At the date of the statement of financial position, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Critical accounting estimates and areas of judgement

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

New or revised standards adopted by the Group

The following new and revised Standards and Interpretations have been adopted in the current year.

Standard		Effective for accounting periods starting on or after
Amendments to IAS 1	Definition of material	1 January 2020
Amendments to IFRS 9	Interest rate benchmark reform	1 January 2020
Amendments to IFRS 3	Definition of business	1 January 2020
Conceptual framework for financial reporting		1 January 2020

These amendments have not had a material impact on the Group in the current year.

Accounting standards and interpretations not applied

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Company that have not been applied in these financial statements were in issue but not yet effective:

Standard		Effective for accounting periods starting on or after
Amendments to IFRS 9	Interest rate benchmark reform – Phase 2	1 January 2021

The Directors anticipate that the adoption of these standards and interpretations in future years will have no material impact on the financial statements of the Group.

4. Employees and directors

	2021 £	2020 £
DIRECTORS' REMUNERATION		
Directors' emoluments etc	**449,970**	440,325
Directors' pension contributions to money purchase schemes	**25,988**	25,075

Remuneration of the highest paid Director is as follows:

	£	£
Director's remuneration	**175,464**	171,809
Director's pension contributions to money purchase schemes	**13,950**	13,037

	Number	Number
AVERAGE MONTHLY NUMBER OF PERSONS EMPLOYED		
Office and management	**5**	5
Research	**1**	1
	6	6

	£	£
STAFF COSTS DURING THE YEAR		
Wages and salaries	**451,697**	441,541
Social security costs	**48,331**	47,470
Pension costs	**25,988**	25,075
	526,016	514,086

During the prior year, the Directors made a decision to defer 33% of their salaries and the Group settled such deferred salaries by issuing a total of 13,680,485 ordinary shares in the Company to the Directors in July 2020 post the year-end. The cost of the deferred salaries, based on the market value of such shares at the time of issue is included in the comparative figures above.

With effect from 1 July 2020 the Directors decided to further defer between 20% and 33% of their salaries. All amounts deferred were settled in cash in August 2021 and the amounts relating to the year ended 30 June 2021 are included above.

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

5. Net finance income

	2021 £	2020 £
Finance income:		
Deposit account interest	**88**	4,554

6. Loss before income tax

	2021 £	2020 £
Depreciation – owned assets	**1,088**	635
Research and development	**1,238,925**	549,348
Other operating leases	**16,894**	17,745
Foreign exchange differences	**9,738**	–
Auditor's remuneration	**12,800**	12,300
Auditor's remuneration for non-audit work:		
– taxation services	**1,395**	1,345
– other work	**850**	–

7. Income tax

	2021 £	2020 £
CURRENT TAX		
UK corporation tax credit on losses for the period	**217,500**	134,208

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

	2021 £	2020 £
Loss before tax	**(1,717,883)**	(1,120,121)
Notional tax credit at average rate of 19%	**326,398**	212,823
Effects of:		
Capital allowances (less)/more than depreciation	**206**	(64)
Other timing differences	**524**	985
Unutilised tax losses	**(209,342)**	(137,283)
Losses surrendered for research and development tax credits	**(113,498)**	(76,461)
Tax on RDEC tax credit	**(4,288)**	–
Research and development tax credits claimed	**217,500**	134,208
ACTUAL CURRENT TAX CREDIT IN THE YEAR	**217,500**	134,208

The tax rate of 19% used above is the average corporation tax rate applicable in the United Kingdom.

8. Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The Company's loss for the financial year was £2,491,823 (2020: £1,695,310).

The loss represents costs of £198,906 (2020: £193,767) associated with the Company's obligations to maintain its AIM listing and an increase in the provision of £2,292,917 (2020: £1,501,543) for impairment of amounts owed by Group undertakings.

9. Earnings per share

	2021 £	2020 £
Loss on ordinary activities after tax	**(1,500,383)**	(985,913)
Weighted average number of shares for basic loss per share	**3,266,602,294**	3,080,071,969
Basic and diluted loss per share	**(0.05)p**	(0.03)p

10. Property, plant and equipment

	Fixtures and computers £
COST	
At 1 July 2020	13,157
Disposals	(2,916)
AT 30 JUNE 2021	**10,241**
DEPRECIATION	
At 1 July 2020	10,529
Eliminated on disposals	(2,916)
Charge for the year	1,087
AT 30 JUNE 2021	**8,700**
CARRYING AMOUNT	
AT 30 JUNE 2021	**1,541**
At 30 June 2020	2,628

11. Investments

GROUP

	Interest in associate £
COST	
At 1 July 2020	1,138,125
Additions	37,951
AT 30 JUNE 2021	**1,176,076**
PROVISION FOR IMPAIRMENT	
At 1 July 2020	1,136,492
Impairment for the year	13,950
AT 30 JUNE 2021	**1,150,442**
NET BOOK VALUE	
AT 30 JUNE 2021	**25,634**
At 30 June 2020	1,633

Interest in associate
The investment in associate represents the investment by the Group in the partnership with the Cancer Research Technology Pioneer Fund to advance the Chk1 programme and has been accounted for using the equity method. Sareum's interest in the associate partnership is 27.5%. As at 30 June 2021 the partnership had net assets of £93,215 (2020: £13,102) and had incurred cumulative losses of £718,005 (2020: £660,118).

COMPANY

	Shares in group undertakings £
COST	
At 1 July 2020 and 30 June 2021	30,000
PROVISION FOR IMPAIRMENT	
At 1 July 2020 and 30 June 2021	–
NET BOOK VALUE	
AT 30 JUNE 2021	**30,000**
At 30 June 2020	30,000

At the balance sheet date the Company owned 100% of the issued ordinary share capital of Sareum Limited (the subsidiary). The subsidiary is incorporated in England and Wales, its registered office and principal place of business is Unit 2a, Langford Arch, London Road, Pampisford, Cambridge, Cambridgeshire, CB22 3FX and it is included within the consolidated financial statements of the Company.

12. Trade and other receivables

GROUP

	2021 £	2020 £
Amounts falling due within one year:		
Taxation receivable	**235,970**	144,486
Prepayments and accrued income	**44,446**	50,515
Other debtors	**85,427**	–
	365,843	195,001

COMPANY

	2021 £	2020 £
Non-current:		
Amounts owed by group undertakings	**15,687,813**	13,394,896
Provision for impairment	**(15,687,813)**	(13,394,896)
	–	–

The amounts owed by group undertakings represents the balance due by the subsidiary and is considered a short term recoverable as it attracts no interest and has no contractual repayment terms. The current year impairment provision of £2,292,917 relates to the funding raised by the Company less expenses incurred by the subsidiary in its research and development activities. The Directors have considered the recoverability of the inter-company balance and have made provision for the full value of the debt.

13. Cash and cash equivalents

GROUP

	2021 £	2020 £
Bank deposit accounts	**2,686,157**	1,794,467
Bank current accounts	**1**	8,390
	2,686,158	1,802,857

14. Trade and other payables

GROUP

	2021 £	2020 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	**99,844**	36,545
Social security and other taxes	**11,838**	72,901
Other creditors	**156,278**	69,763
Accrued expenses	**16,195**	19,328
	284,155	198,537

The Company has no creditors outstanding at the year end date.

As detailed in note 4, the Group settled Directors' deferred salaries by cash settlement to the Directors post the year-end. The related liability is included in creditors above.

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Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit term agreed with suppliers is 30 days and payment is generally made within the agreed terms.

15. Leasing agreements

There were no material lease commitments at the year-end. The lease on the office occupied by the Company is short term, being terminable within 12 months of the balance sheet date, and the rent payments in the year are not material to the financial statements.

16. Financial instruments

The Group's principal financial instruments are trade and other receivables, trade and other payables and cash. The main purpose of these financial instruments is to finance the Group's ongoing operational requirements. The Group does not trade in derivative financial instruments.
The major financial risks faced by the Group, which remained unchanged throughout the year, are interest rate risk, foreign exchange risk and liquidity risk.

Policies for the management of these risks are shown below and have been consistently applied.

Market risks

Interest rate risk

The Group is exposed to interest rate risk as cash balances in excess of immediate needs are placed on short term deposit. The Group seeks to optimise the interest rates received by continuously monitoring those available. The value of the Group's financial instruments is not considered to be materially sensitive to these risks and therefore no sensitivity analysis has been provided.

Foreign exchange risk

The Group's activities expose it to fluctuations in the exchange rate for the Euro and the US dollar. Funds are maintained in Sterling and foreign currency is acquired on the basis of committed expenditure. The value of the Group's financial instruments is not considered to be materially sensitive to the above risks and therefore no sensitivity analysis has been provided.

Non-market risks

Liquidity risk

The Board has responsibility for reducing exposure to liquidity risk and ensures that adequate funds are available to meet anticipated requirements from existing operations by a process of continual monitoring. The value of the Group's financial instruments is not considered to be materially sensitive to these risks and therefore no sensitivity analysis has been provided.

17. Called up share capital

	2021 £	2020 £
CALLED UP, ALLOTTED AND FULLY PAID		
3,332,865,651 (2020: 3,241,734,619) Ordinary Shares of 0.025p each	**833,215**	810,433

The Ordinary Shares carry equal rights in respect of voting at a general meeting of shareholders, payment of dividends and return of assets in the event of a winding up.

In July 2020, 13,680,485 new Ordinary Shares of 0.025 pence were issued to Directors in satisfaction of deferred salaries, detailed in note 4 and 14.

In October 2020, 12,307,692 new Ordinary Shares of 0.025 pence were issued at 0.26 pence per share in respect of an exercise of share options by certain Directors that raised, in aggregate, £32,000 before expenses.

In May 2021, 3,000,000 new Ordinary Shares of 0.025 pence were issued at 0.6 pence per share in respect of the exercise of share options by a third party that raised, in aggregate, £18,000 before expenses..

On 11 June 2021, 32,142,855 new Ordinary Shares of 0.025 pence were issued at 2.8 pence per share in respect of a fundraise that raised, in aggregate, £900,000 before expenses.

On 21 June 2021, 30,000,000 new Ordinary Shares of 0.025 pence were issued at 4.9 pence per share in respect of a fundraise that raised, in aggregate, £1,470,000 before expenses.

Two additional share issues were made after the year end, details of which can be found in note 19.

Details of share options granted can be found in note 24 to the financial statements, Share-Based Payment Transactions.

18. Reserves

Reserve	Description and purpose
Share capital	Amount of the contributions made by shareholders in return for the issue of shares.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Premium on shares issued in consideration of the acquisition of subsidiaries
Retained earnings	Cumulative net gains and losses recognised in the consolidated and the Company Balance Sheet.
Share-based compensation reserve	Cumulative fair value of share options granted and recognised as an expense in the Income Statement.

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

19. Post balance sheet events

On 20 July 2021, 6,428,581 new Ordinary Shares of 0.025 pence were issued at 2.8 pence per share in respect of a warrant exercise that raised, in aggregate, £180,000 before expenses.

On 23 July 2021, 14,285,714 new Ordinary Shares of 0.025 pence were issued at 7 pence per share in respect of a fundraise that raised, in aggregate, £1,000,000 before expenses.

On 17 August 2021, 12,121,212 new Ordinary Shares of 0.025 pence were issued at 8.25 pence per share in respect of a fundraise that raised, in aggregate, £1,000,000 before expenses.

20. Pension commitments

The Group makes contributions to its employees' own personal pension schemes. The contributions for the period of £26,340 (2020: £25,075) were charged to the profit and loss account. At the balance sheet date contributions of £4,495 (2020: £4,140) were owed and are included in creditors.

21. Contingent liabilities

There are no contingent liabilities (2020: £nil).

22. Related party disclosures

Disclosure regarding the remuneration of key management personnel is given in note 4, Employees and Directors.

Transactions between the Company and its subsidiary, Sareum Limited, which is a related party, have been eliminated on consolidation. The ultimate holding company of the Group is Sareum Holdings plc.

During the year the Company continued to provide an interest free loan to Sareum Limited, further details of which can be found in note 12 to the financial statements.

GROUP

	2021 £	2020 £
Balance at 1 July	**1,803,582**	1,094,185
Loss for the financial year	**(1,500,383)**	(985,913)
Issue of share capital	**2,491,822**	1,695,310
Balance at 30 June	**2,795,021**	1,803,582

COMPANY

	2021 £	2020 £
Balance at 1 July	**1,803,582**	30,000
Loss for the financial year	**(2,491,822)**	(1,695,310)
Issue of share capital	**2,491,823**	1,695,310
Balance at 30 June	**30,000**	30,000

23. Controlling party

The Company does not currently have an ultimate controlling party and did not have one in this reporting year or the preceding one.

24. Share-based payment transactions

The Group operates a share option scheme under the Enterprise Management Incentive Scheme (EMI) for employees of the Group and it also operates an unapproved share option scheme. If the options under either scheme remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	Number of share options 2021	**Weighted average exercise price* 2021**	Number of share options 2020	Weighted average exercise price* 2020
Outstanding at beginning of period	**202,845,365**	**0.895**	215,645,365	0.857
Expired during the period	**–**	**0.250**	(12,800,000)	0.250
Exercised during the period	**(15,307,692)**	**0.330**	–	–
Outstanding at 30 June	**187,537,673**	**0.941**	202,845,365	0.895
Exercisable at 30 June	**169,435,096**	**0.980**	183,742,788	0.928

*weighted prices above are shown in pence

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

The options outstanding at 30 June 2021 had a weighted average remaining contractual life of 5 years and 8 months (30 June 2020: 6 years and 4 months). The options outstanding but not exercisable at 30 June 2021 and 30 June 2020 vest subject to pre-determined performance criteria.

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

Date of grant	Mar 2019	Dec 2017	Dec 2016	Mar 2016	Nov 2014	Dec 2013	Mar 2012
Share price - pence	0.682	0.825	0.75	0.59	0.45	0.5	1.2
Exercise price - pence	*	*	*	0.59	0.425	0.6	1.2
Volatility	50%	50%	50%	50%	50%	50%	50%
Time until maturity - years	three	three	three	three	three	three	three
Risk free rate of interest	1%	1%	1%	1%	1%	1%	1%
Expected dividend yield	nil	nil	nil	nil	nil	nil	nil

** the share options that were granted in December 2016 were issued with exercise prices of 0.8 pence, 1.2 pence and 1.6 pence. Options that were granted in December 2017 were issued with exercise prices of 0.825 pence, 1.2375 pence and 1.65 pence. Options granted in March 2019 were issued with exercise prices of 0.7 pence, 1.05 pence and 1.4 pence.*

Volatility for the options granted is based on share price performance for companies operating in a similar field.

The weighted average fair value of the share options at 30 June 2021 was 0.192 pence per share (2020: 0.186 pence per share). A fair value charge of £nil has been provided in the year (2020: £nil).

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

GROUP

	2021 £	2020 £
Operating loss from continuing operations	**(1,717,883)**	(1,120,121)
Adjustments for:		
– Depreciation	**1,087**	635
– Share of loss of associate	**13,950**	29,726
– Finance income	**(88)**	(4,554)
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL	**(1,702,934)**	(1,094,314)
Increase in receivables	**(87,550)**	(292)
Increase in payables	**85,618**	51,611
CASH USED IN OPERATIONS	**(1,704,866)**	(1,042,995)

COMPANY

	2021 £	2020 £
Operating loss from continuing operations	**(2,491,822)**	(1,695,310)
NET CASH USED IN OPERATIONS	**(2,491,822)**	(1,695,310)

26. Reconciliation cash and cash equivalents

The amounts disclosed on the Cash Flow Statements in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

	GROUP		**COMPANY**	
	2021 £	**2020 £**	**2021 £**	**2020 £**
Cash and cash equivalents	**2,686,158**	**1,802,857**	–	–

27. Capital risk management

The Group manages its capital to ensure that the Group and its subsidiary company will be able to continue as going concerns. The capital structure of the Group consists of equity, comprising issued share capital and reserves as disclosed in notes 17 and 18, and cash and cash equivalents.

28. Deferred tax

The potential deferred tax asset shown below has not been recognised, as there remains a significant degree of uncertainty that the Group will make sufficient profits in the foreseeable future to justify recognition.

	2021 £	2020 £
Excess of depreciation on fixed assets over taxation allowances claimed	**1,587**	1,518
Tax losses available	**1,907,109**	1,618,157
	1,908,696	1,619,675

COMPANY INFORMATION

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