(AIM:SAR) **1 October 2018**

SAREUM HOLDINGS PLC

("Sareum" or "the Company")

FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018

This announcement contains inside information for the purposes of Article 7 of regulation 596/2014

Sareum Holdings plc (AIM: SAR), the specialist in small molecule drug development, announces its results for the year ended 30 June 2018 and provides an update of significant post-period events.

Operational highlights

- Sierra Oncology ("Sierra"), the licence holder advancing clinical cancer candidate SRA737, discovered by Sareum and Cancer Research UK/Institute of Cancer Research, made strong progress with its clinical development programmes for the Chk1 inhibitor in patients with advanced cancer
  - Phase 1/2 monotherapy trial evaluating SRA737 in patients with tumours identified to have genetic aberrations hypothesized to confer sensitivity to Chk1 inhibition, was expanded to include 145 genetically defined patients and prioritised for ovarian cancer with the addition of a further 25 patients for this indication – Phase 2 cohort expansion underway
  - Phase 1/2 study of SRA737 in combination with low-dose gemcitabine was modified to include 80 genetically defined patients in four cancer indications, with a target cohort of high-grade serous ovarian cancer patients replacing the originally proposed urothelial (bladder) cancer patients – Phase 2 cohort expansion underway
  - Sierra noted its plans to initiate a Phase 1b/2 combination trial of SRA737 with the orally administered PARP inhibitor, niraparib, in prostate cancer patients. The trial is expected to start in the fourth quarter of 2018
  - Sierra generated preclinical data providing evidence of synergy between SRA737 and immune checkpoint blockade and is currently designing a clinical study for this combination

- Sareum made good progress advancing its internal TYK2/JAK1 inhibitor programmes in autoimmune diseases and cancer
  - A potent, selective small molecule inhibitor of TYK2/JAK1, SDC-1801, has been selected for formal preclinical development as a potential treatment for autoimmune diseases
  - Separately, a distinct selective TYK2/JAK1 inhibitor with a profile optimised for cancer – SDC-1802 – was also nominated for preclinical development as a potential treatment for certain types of leukaemia, lymphoma and solid tumours
  - Both molecules demonstrate high selectivity for TYK2 and JAK1 kinases (particularly over related JAK2 and JAK3), compelling activity in relevant disease models, the potential for once-daily oral dosing and a good early safety profile

- Sareum regained worldwide rights to preclinical-stage small molecule inhibitors of Aurora and FLT3 kinases that have shown potential in acute myeloid leukaemia (AML) and other haematological cancers.

- The Company is seeking a licence partner for this programme while it concentrates its research resources on its TYK2/JAK1 preclinical development programmes

Financial highlights (subject to audit)

- Sareum raised £700,000 before expenses in November 2017 through a placement of 100,000,000 new ordinary shares at 0.7p per share to progress its drug development programmes as well as for working capital purposes
- Loss on ordinary activities (after taxation) of £1.47m (2017: profit of £400,000)
- Cash at bank as at 30 June 2018 was £1.38m (£2.31m as at 30 June 2017)

Dr Tim Mitchell, CEO of Sareum Holdings plc, said: "The year under review has seen important progress made by Sierra Oncology with SRA737 and internally with the nomination of lead candidates SDC-1801 and SDC-1802 from the Company's proprietary TYK2/JAK1 programme. This progress and the increasing visibility on clinical inflection points positions the Company well to generate value for shareholders.

"We are very pleased with the confidence, commitment and decisiveness Sierra is showing with SRA737 in expanding and adapting the clinical development programme based on cutting-edge science and emerging data. We look forward to the preliminary clinical data, which is expected from both ongoing Phase 1/2 studies in the first half of 2019, and the start of a third clinical trial of SRA737 in combination with niraparib before the end of 2018.

"We are particularly pleased with the progress of our internal, proprietary TYK2/JAK1 programmes, with distinct lead candidates being selected both for autoimmune diseases (SDC-1801) and cancer (SDC-1802). The potential of TYK2/JAK1 inhibitors as a treatment modality in these indications is gaining increasing clinical and commercial validation and we believe we have strong candidates with optimised profiles in these areas.

"The advancement of these candidates through preclinical development and, pending satisfactory progress, into human clinical trials, is a clear focus for the Company. Our strategic goal is to generate compelling evidence for the potential of these candidates in their respective disease areas to facilitate a licensing agreement at an optimal value. In the meantime, we will continue discussions with potential licence partners for these exciting candidates."

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About Sareum

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

Sareum's leading clinical-stage programme, SRA737, a novel Checkpoint kinase 1 (Chk1) inhibitor licensed to NASDAQ-listed Sierra Oncology, is in Phase 2 clinical trials targeting ovarian and other advanced cancers. The key role of Chk1 in cancer cell replication and DNA damage repair suggests that SRA737 may have broad application as a targeted therapy in combination with other oncology and immune-oncology drugs in genetically defined patients.

Sareum is also advancing internal programmes focused on distinct dual tyrosine kinase 2 (TYK2) /Janus kinase 1 (JAK1) inhibitors through preclinical development as therapies for autoimmune diseases and cancers. TYK2 and JAK1 have roles in pro-inflammatory responses in autoimmune diseases (e.g. psoriasis, rheumatoid arthritis, inflammatory bowel diseases and lupus) and tumour cell proliferation in certain cancers (e.g. T-cell acute lymphoblastic leukaemia and some solid tumours). The Company is targeting first human clinical trials in each indication in 2020.

The Company also has an Aurora+FLT3 inhibitor targeting haematological cancers, which is at the preclinical development stage.

Sareum Holdings plc is listed on the AIM market of the London Stock Exchange, trading under the ticker SAR. For further information, please visit www.sareum.co.uk

Full year results for the twelve months ended 30 June 2018

Chairman and CEO's Statement

The year under review has seen important progress made by Sierra Oncology ("Sierra") with SRA737, and internally with the nomination of preclinical development candidates SDC-1801 and SDC-1802 from the Company's proprietary TYK2/JAK1 programmes. This progress and the increasing visibility on clinical inflection points positions the Company well to generate value for shareholders.

The Directors are very pleased with the confidence, commitment and decisiveness Sierra is showing with SRA737 in expanding and adapting the clinical development programme based on cutting-edge science and emerging data.

Preliminary data is expected to be reported from both ongoing Phase 1/2 studies in the first half of 2019 – the SRA737 monotherapy study and the SRA737-low dose gemcitabine combination study – and a third clinical trial of SRA737 in combination with the PARP inhibitor niraparib is expected to start before the end of the 2018.

Sierra remains well funded to deliver key clinical milestones with SRA737 through 2020, with $125M cash (as at the end of June 2018).

Sareum is eligible to receive payments, which could total $88M, plus sales royalties from the ongoing development and commercialisation of SRA737 as it advances over the coming years, and the progress reported provides added confidence to the Board that such payments will be forthcoming as milestones are achieved.

The progress of the internal and proprietary TYK2/JAK1 programmes is also very encouraging with distinct lead candidates being selected both for autoimmune diseases (SDC-1801) and cancer (SDC-1802). The potential of TYK2/JAK1 inhibitors as a treatment modality in these indications is gaining increasing clinical and commercial validation and the Board believes that the Company is entering these areas with strong candidates.

The Company is focusing its research resources on advancing these candidates through preclinical development and, pending the satisfactory progress, into human clinical trials, targeted for 2020. Our strategic goal is to generate compelling evidence for the potential of these candidates in their respective disease areas to facilitate a licensing agreement at an optimal value. In the meantime, we will continue discussions with potential licence partners for these exciting candidates.

With the clear focus on the development of SDC-1801 and SDC-1802, Sareum has decided it will commit no further funding to the Aurora+FLT3 programme and a licence partner is being sought.

From a financial perspective, the Company continues to employ rigorous capital management in the development of its internal assets and its overall business.

Programme updates

SRA737 – Selective Checkpoint Kinase 1 (Chk1) inhibitor (licensed to Sierra Oncology)

Sierra Oncology made strong progress with its clinical development programmes for SRA737 in patients with advanced cancer: ongoing trials were advanced, significantly expanded and re-prioritised for ovarian cancer based on emerging biological and clinical validation; plans for combination studies

with SRA737 and other treatment modalities were announced, aiming to broaden its clinical utility across cancer.

SRA737 is a potent, highly selective, orally bioavailable small molecule inhibitor of Chk1, a key regulator of important cell cycle checkpoints and central mediator of the DNA Damage Response (DDR) network. SRA737 was licensed to Sierra in September 2016 for development and commercialisation, with Sareum eligible to receive up to $90M in up-front and milestone payments plus sales royalties.

SRA737 is being investigated by Sierra in a broad clinical development programme targeting cancer patients with genetically defined tumours that harbour genomic alterations linked to increased DNA replication stress and hypothesised to be more sensitive to Chk1 inhibition, with plans for additional clinical studies:

- *SRA737-01* – a Phase 1/2 monotherapy trial evaluating SRA737 in genetically defined patients in six cancer indications and prioritised for ovarian cancer – Phase 2 cohort expansion is underway with preliminary data expected to be reported in the first half of 2019
- *SRA737-02* – a Phase 1/2 study of SRA737 in combination with low-dose gemcitabine in genetically defined patients in four cancer indications – Phase 2 cohort expansion is underway with preliminary data expected to be reported in the first half of 2019
- *SRA737-03* – a Phase 1b/2 combination trial of SRA737 with the orally administered PARP inhibitor, Zejula® (niraparib), in prostate cancer patients is expected to start in the fourth quarter of 2018
- *SRA737-04* – a programme to investigate potential synergy between SRA737 and immune checkpoint blockade is underway and a clinical study for this combination is being designed

SRA737-01 - Phase 1/2 SRA737 Monotherapy Trial

Sierra made important progress with the SRA737-01 monotherapy study during the past 12 months and has adapted the design and focus of the study as new data provide a greater understanding of the opportunity as well as enhanced biological and clinical validation for the mechanism of action.

The dose-escalation Phase 1 study is complete with SRA737 found to be well tolerated at the selected dose. The cohort expansion Phase 2 portion is underway and enrolling genetically defined patients into indication-specific cohorts. Sierra announced, at an R&D Update in February, that these Phase 2 cohorts would be expanded from eight to 20 patients across six cancer indications.

In its second quarter 2018 results update in August, Sierra further refined the study focus on high grade serous ovarian cancer (HGSOC), supported by emerging data in the field that provides clinical validation for Chk1 inhibition in this indication. Accordingly, Sierra Oncology is prioritising the enrolment of approximately 65 genetically defined HGSOC patients into this trial (adding 25 more HGSOC patients), while continuing to enrol patients into the trial's other indications (total trial enrolment target of 145 patients).

The target indications are:

- High-grade serous ovarian cancer (HGSOC)
- CCNE1-driven HGSOC
- Castration-resistant prostate cancer (mCRPC)
- Non-small cell lung cancer (NSCLC)
- Head and neck squamous cell carcinoma (HNSCC) or squamous cell carcinoma of the anus (SCCA)

- Colorectal cancer (mCRC)

Sierra is also expanding the number of sites recruiting patients into the trial from three active sites (as of the third quarter of 2017) to a planned 15 active sites across the UK, to support its increased enrolment.

Owing to the amendments made to the Phase 2 portion of the study, Sierra expects to report preliminary clinical data in the first half of 2019 (previously fourth quarter of 2018).

SRA737-02 - Phase 1/2 Combination Trial of SRA737 plus Low Dose Gemcitabine (LDG)

This trial aims to explore the effect of LDG (gemcitabine being a chemotherapy that causes replication stress and DNA damage) in potentiating the anti-tumour effect of SRA737 in patients with genetically profiled cancers. Preclinical data were presented at the AACR-NCI-EORTC congress in October 2017 supporting the principle of the combination study.

Sierra completed the Phase 1 dose-escalation phase of the study in the first half of 2018, with the SRA737+LDG combination being well tolerated. The Phase 2 cohort expansion portion is now underway. As with the monotherapy study, Sierra has expanded enrolment and prioritised recruitment for ovarian cancer. The cohort expansion phase is targeting enrolment of 80 genetically selected patients across four indications, including advanced or metastatic:

- HGSOC (replacing urothelial carcinoma);
- Small cell lung cancer (SCLC);
- Soft tissue sarcoma; and
- Cervical/anogenital cancer.

Again, due to the amendments made to the Phase 2 part of the study, preliminary data is expected to be reported by Sierra in the first half of 2019 (previously fourth quarter of 2018).

SRA737-03 – Phase 1b/2 Combination Trial of SRA737 plus a PARP inhibitor

Sierra is also continuing to prepare for the planned initiation of a combination trial of SRA737 with the approved PARP inhibitor Zejula® niraparib, developed by US company Tesaro. PARP inhibitors prevent the repair of DNA damage and several have been approved as targeted treatments for cancer and other indications, including Lynparza® olaparib (AstraZeneca), Rubraca® rucaparib (Clovis Oncology) and Zejula®. Sierra presented preclinical data during its R&D Update in February and in April, as a late-breaking abstract at the American Association of Cancer Research (AACR) Annual Meeting, supporting SRA737's synergistic activity in combination with a PARP inhibitor.

The multi-centre Phase 1b/2 study will evaluate this combination in subjects with metastatic castration-resistant prostate cancer (mCRPC) and is expected to initiate in the fourth quarter of 2018. The lead investigator is Professor Johann de Bono, a leading prostate cancer expert at The Institute of Cancer Research and The Royal Marsden NHS Foundation Trust in London.

SRA737-04 – Combination of SRA737 with Immuno-Oncology Agents

Sierra presented preclinical data in February providing evidence of biological synergy between SRA737 and immune checkpoint blockade, a breakthrough approach to cancer therapy that blocks the ability of the tumour cell to evade recognition and attack by the immune system. Sierra is investigating the

potential of this combination approach, with further preclinical data expected to be presented in the first half of 2019 and is currently designing a clinical study.

Proprietary Pipeline

Selective TYK2/JAK1 Inhibitors in Autoimmune Diseases and Cancer

Clear focus on advancement of distinct preclinical development candidates through preclinical development in autoimmune diseases and in cancer: strong candidates exhibit potentially best- and first-in-class properties, respectively, in these indications

The majority of Sareum's focus during the period has been on undertaking the studies to enable the nomination of lead preclinical candidates from its TYK2/JAK1 programme (formerly described as the TYK2 programme) with distinct profiles optimised for development in autoimmune diseases and cancer.

TYK2 and JAK1 are 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 pro-inflammatory responses in autoimmune diseases and tumour cell proliferation in certain cancers. Members of the JAK family are the targets of several marketed and clinical-stage drugs in both disease areas, although there are currently no marketed products with specific selectivity for TYK2.

During September 2018, Sareum announced that it had nominated lead preclinical candidates from its programme in both autoimmune diseases and cancers. In each case, the candidates, known as SDC-1801 and SDC-1802, were selected from a novel series of compounds designed and identified by Sareum following a rigorous process, and that demonstrate potentially best- or first-in-class potential with the following characteristics:

- Proprietary small molecules that are potent and selective for TYK2 and JAK1 kinases (avoiding JAK2 and JAK3, which have known negative side-effect issues)
- Compelling activity in relevant disease models
- Suitable for once or twice daily oral dosing
- Good toxicological profile (in assays to date)
- Straightforward synthesis

Sareum has prioritised its resources towards the development of these two candidates through preclinical studies towards first clinical studies, targeted for 2020. The Company is developing its TYK2 programmes with the intention of generating compelling preclinical and potentially early clinical data, the basis of which will define the timing and future development and partnering strategy for these candidates.

Sareum has an ongoing co-development agreement with SRI International (Menlo Park, CA, USA) to develop TYK2 inhibitors in autoimmune diseases and retains commercialisation rights for these and other TYK2 inhibitors with profiles optimised for oncology and immuno-oncology applications.

SDC-1801 – Autoimmune Diseases

SDC-1801 will undergo a series of toxicology and other preclinical studies over the coming 12-18 months in preparation for first human clinical trials in healthy volunteers. The molecule has already shown compelling activity in disease models of psoriasis and rheumatoid arthritis, while closely related

molecules (including a previously reported advanced lead, SAR-20347), have also shown good activity in models of inflammatory bowel disease and systemic lupus erythematosus (lupus).

Sareum believes SDC-1801 represents a strong candidate entering an area of increasing industry interest with substantial clinical validation. The Company's view has been formed based on the progress of molecules in clinical development by Bristol-Myers Squibb (BMS-986165; TYK2 inhibitor) and Pfizer (PF-06700841; TYK2/JAK1 inhibitor) in psoriasis and other autoimmune diseases, which has been promising but also shown signals that suggest there is an opportunity for a molecule with best-in-class properties.

Furthermore, several licensing deals for preclinical and clinical-stage assets have been completed recently in the sector with highly attractive economic terms, such as:

- TD-1473 (a pan-JAK inhibitor) – licensed by Janssen from Theravance (2018) at the end of Phase 1 studies for $100M cash up-front, up to $900M in milestone payments, plus royalties*
- Filgotinib (JAK1 inhibitor) – licensed by Gilead from Galapagos (2015) at the end of Phase 2 trials for $300M cash and $425M equity investment up-front, up to $1,350M in milestone payments, plus 20%+ royalties*
- Undisclosed TYK2 inhibitor (plus other assets) – Celgene formed an alliance with Nimbus Therapeutics (2017) in preclinical stage for undisclosed up-front and milestone payments

Approved products targeting the JAK family with blockbuster sales potential, despite warnings based on side effects related to JAK2/JAK3 activity, include:

- Xeljanz® tofacitinib (Pfizer) (JAK1/JAK3 inhibitor) - approved for rheumatoid and psoriatic arthritis and ulcerative colitis, with 2017 sales of $1.35Bn*, despite black box warnings for serious infections and lymphoma
- Olumiant® baricitinib (Eli Lilly) (JAK1/JAK2 inhibitor) – approved from rheumatoid arthritis, with expected peak sales of approximately $1Bn*, but with black box warnings for serious infections, lymphoma and thrombosis
- Jakafi® ruxolitinib (Incyte/Novartis) – approved for myelofibrosis and polycythemia vera (a type of blood cancer) with 2017 sales of $1.1Bn* despite warnings of infections and blood cell counts

The scale of the deals and sales delivered/forecast for these candidates and products targeting TYK2 and related JAK family members gives Sareum confidence in the exciting, high value market opportunity for SDC-1801.

**Sources include company information and analyst consensus as reported in BioWorld "FDA approves Lilly and Incyte's baricitinib for second-line RA treatment" 4 June 2018*

SDC-1802 – Cancer

As with SDC-1801, Sareum's lead candidate for cancer indications is set to undergo preclinical development in preparation for human clinical studies targeted for 2020.

In previous studies, Sareum has seen compelling activity of SDC-1802 and related molecules in disease models of:

- Blood cancers dependent on TYK2/STAT pathway signalling – T-cell acute lymphoblastic leukaemia (T-ALL) and B-cell lymphoma

- Solid tumours dependent on TYK2-dependent interleukin signalling – kidney, colon cancers
- Solid tumours via local immune system modulation – kidney, colon, pancreas, skin

The Company's findings across all these indications are also supported by strong evidence in the literature.

Furthermore, the Company is continuing to study the effect of combining TYK2/JAK1 inhibition with immune checkpoint inhibitors and with chemotherapies, an area of considerable industry activity and potential value.

As noted above, Sareum retains commercialisation rights to SDC-1802 and other TYK2/JAK1 inhibitors optimised for oncology and immuno-oncology applications. SDC-1802 also has the potential to act as a back-up molecule for autoimmune indications.

Aurora+FLT3 inhibitors

Global rights regained to preclinical candidates and new licencing partner is being sought for further development

Aurora+FLT3 kinase inhibitors target two mechanisms that are considered important in the progression of certain cancer types: Aurora kinase is involved in the control of tumour cell mitosis (cell division), and FLT3 kinase over-activation is the most common mutation in AML.

Sareum has developed small molecule inhibitors of Aurora and FLT3 kinases that have shown evidence of activity in preclinical models of acute myeloid leukaemia (AML) and other haematological cancers with good tolerance of the candidate drug at the predicted therapeutic dose, and no significant side effects being seen.

In May, the Company announced it had regained worldwide rights to these molecules from Hebei Medical University Biomedical Engineering Center (HMUBEC), a pharmaceutical R&D group based in China that has been conducting preclinical development activities.

With the nomination of lead TYK2/JAK1 candidates, Sareum has decided to focus its resources on the development of these two candidates. No further funding will be committed to the Aurora+Fltt3 programme and a licence partner is being sought.

Financial Review

Sareum ended the year to 30 June 2018 with net assets of £1,633,000 (2017: £2,346,000) of which £1,375,000 (2016: £2,306,000) comprised cash at bank, including proceeds from a placement, which raised £700,000 before expenses in November 2017. Non-cash assets include £254,000 of R&D tax credit, which we would expect to receive as cash in Q1 2019.

Operating expenses for the period have increased to £1,710,000 (2017: £1,446,000): this reflects increases in research expenditure on our TYK2 autoimmune disease and cancer programmes.

The loss on ordinary activities (after taxation) was £1,470,000 (2017: profit of £400,000), since no further milestone payments from Sierra Oncology were received during the period.

Outlook

The Directors are very pleased with the progress made across the Company's programmes during the period: with SRA737, Sierra Oncology continues to invest in the programme and expects to report preliminary clinical data and further programme expansion in the coming year; and internally, the Company expects to advance its lead candidates from the TYK2/JAK1 programme through formal preclinical development, targeting the first human trials in 2020.

The Company's strategic goal with its internal programmes is to generate compelling evidence for the potential of these candidates in their respective disease areas to facilitate a licensing agreement at an optimal value. The Directors will continue to review the potential higher value of a later-stage licensing deal versus the requirement for any extra funding.

Meanwhile, Sareum continues to engage with potential partners with a view to securing commercial licences for its proprietary assets, while exploring new research programmes from its in-house drug discovery platform, as well as external early stage opportunities that can be potentially in-licensed and progressed into the clinic.

From a financial perspective, the Company will continue to employ rigorous capital management in the development of its internal assets and its overall business.

Dr Stephen Parker
Chairman

Dr Tim Mitchell
Chief Executive Officer

Consolidated statement of comprehensive income for the year ended 30 June 2018

	Notes	**2018** **£**	2017 £
CONTINUING OPERATIONS			
Revenue		**—**	—
Other operating income		**—**	19,996
Administrative expenses		**(1,709,699)**	(1,445,792)
Share of (loss)/profit of associates	5	**(12,264)**	1,775,725
OPERATING (LOSS)/PROFIT		**(1,721,963)**	349,929
Finance income		**3,745**	2,991
(LOSS)/PROFIT BEFORE INCOME TAX	5	**(1,718,218)**	352,920
Income tax	6	**248,697**	47,423
(LOSS)/PROFIT FOR THE YEAR		**(1,469,521)**	400,343
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		**(1,469,521)**	400,343
(Loss)/profit attributable to:			
Owners of the parent		**(1,469,521)**	400,343
Total comprehensive (expense)/income attributable to:			
Owners of the parent		**(1,469,521)**	400,343
Earnings per share expressed in pence per share:	7		
Basic		**(0.05)p**	0.015p
Diluted		**—**	0.015p

Consolidated balance sheet as at 30 June 2018

	Notes	**2018** **£**	2017 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		**—**	—
Property, plant and equipment		**8,000**	13,333
Investments in Associates	4	**41,375**	53,639
		49,375	66,972
CURRENT ASSETS			
Trade and other receivables		**137,832**	80,434
Tax receivable		**253,562**	48,230
Cash and cash equivalents	8	**1,375,275**	2,305,509
		1,766,669	2,434,173
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**183,455**	155,534
NET CURRENT ASSETS		**1,583,214**	2,278,639
NET ASSETS		**1,632,589**	2,345,611
SHAREHOLDERS' EQUITY			
Called up share capital		**686,305**	661,305
Share premium		**12,395,744**	11,765,111
Share-based compensation reserve		**292,811**	191,945
Merger reserve		**27**	27
Retained earnings		**(11,742,298)**	(10,272,777)
TOTAL EQUITY		**1,632,589**	2,345,611

Consolidated statement of changes in equity for the year ended 30 June 2018

	Called up share capital £	Retained earnings £	Share premium £
Balance at 30 June 2016	661,305	(10,673,120)	11,765,111
Changes in equity			
Total comprehensive income	—	400,343	—
Share-based compensation	—	—	—
Balance at 30 June 2017	**661,305**	**(10,272,777)**	**11,765,111**
Changes in equity			
Issue of share capital	25,000	—	630,633
Total comprehensive expense	—	(1,469,521)	—
Share-based compensation	—	—	—
Balance at 30 June 2018	**686,305**	**(11,742,298)**	**12,395,744**

	Share-based compensation reserve £	Merger reserve £	Total equity £
Balance at 30 June 2016	110,209	27	1,863,532
Changes in equity			
Total comprehensive income	—	—	400,343
Share-based compensation	81,736	—	81,736
Balance at 30 June 2017	**191,945**	**27**	**2,345,611**
Changes in equity			
Issue of share capital	—	—	655,633
Total comprehensive expense	—	—	(1,469,521)
Share-based compensation	100,866	—	100,866
Balance at 30 June 2018	**292,811**	**27**	**1,632,589**

Consolidated cash flow statement for the year ended 30 June 2018

	Notes	**2018** **£**	2017 £
Cash flows from operating activities			
Cash generated from operations	9	**(1,635,688)**	689,837
Tax received		**43,365**	154,033
Net cash (outflow)/inflow from operating activities		**(1,592,323)**	843,870
Cash flows from investing activities			
Purchase of tangible fixed asset		**—**	(16,000)
Repayment of investment funds		**—**	228,977
Interest received		**3,745**	2,991
Net cash from investing activities		**3,745**	215,968
Cash flows from financing activities			
Loan repayment by director		**2,711**	**—**
Loan to Director		**—**	(6,924)
Share issue		**25,000**	**—**
Share premium on share issue		**630,633**	**—**
Net cash inflow/(outflow) from financing activities		**658,344**	(6,924)
(Decrease)/increase in cash and cash equivalents		**(930,234)**	1,052,914
Cash and cash equivalents at beginning of year		**2,305,509**	1,252,595
Cash and cash equivalents at end of year	8	**1,375,275**	2,305,509

Notes to the consolidated financial statements for the year ended 30 June 2018

1. Basis of preparation

The consolidated financial statements of Sareum Holdings plc and its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union, with IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

IFRS comprise standards and interpretations approved by the IASB. IFRS as adopted by the European Union differ in certain respects from IFRS as issued by the IASB. However, consolidated financial statements for the financial years presented would be no different had IFRS as issued by the IASB been applied. References to IFRS hereafter should be construed as references to IFRS as adopted by the European Union.

Going concern

The Directors anticipate that Sareum Holdings plc, the Company, will secure equity-based financing sufficient to support the Group for the foreseeable future. Sareum Holdings plc has a track record over a number of years in raising such finance which underpins the Directors' confidence that sufficient finance can be raised. In the event that insufficient funds are raised, and in the absence of further milestone payments from the Chk1 project or other licensing income, planned expenditure would be reduced so that the existing cash reserves would last for the foreseeable future, being not less than one year from date of these financial statements. For this reason the financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) 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 subsidiaries (the Group) 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 company, registered in England and Wales. The company's registered number is 05147578 and the registered office address can be found in note 11 below.

3. Accounting policies

The principal accounting policies applied are set out below.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Motor vehicles	- straight line over three years
Fixtures and computers	- straight line over three or four years

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.

Operating lease agreements

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

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 Company. 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.

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.

Accounting standards and interpretations not applied

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group 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
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle		1 January 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 16	Leases	1 January 2018

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.

No standards or interpretations adopted in the year had any material impact on the financial statements of the Group.

4. Investments in associates

	Interest in associates £
Cost	
At 1 July 2017 and 30 June 2018	**1,138,125**
Impairment	
At 1 July 2017	**1,084,486**
Impairment for year	**12,264**
At 30 June 2018	**1,096,750**
Net book value	
At 30 June 2018	**41,375**
At 30 June 2017	**53,639**

Interest in joint venture

The Investment in Associates represents the investment by the Group in the partnership with the Cancer Research Technology Pioneer Fund to advance the Chk1 programme. The associate has been accounted for using the equity method in the consolidated financial statements. Sareum's interest in the associate partnership is 27.5%. As at 30 June 2018 the partnership had net assets of £157,474 (2017: £200,464) and had incurred cumulative losses of £515,746 (2017: £472,756).

5. (Loss)/profit before income tax

The (loss)/profit before income tax is stated after charging:

	2018	2017
	£	£
Other operating leases	**13,902**	11,210
Depreciation – owned assets	**5,333**	3,989
Research and development	**1,035,708**	1,002,342
Auditor's remuneration – see analysis below	**13,100**	13,915
The share of (loss)/profit of associates is made up of:		
Share of income of associate	**—**	**1,968,147**
Share of costs of associate	**(12,264)**	(192,422)
Share of (loss)/profit of associate	**(12,264)**	1,775,725
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the annual accounts:		
Audit of the Company	**4,500**	4,500
Audit of subsidiaries	**7,300**	7,300
Total audit fees	**11,800**	11,800
Fees payable to the Company's auditor for other services:		
Taxation services	**1,300**	1,300
Other assurance services	**—**	815
Total fees payable to the Company's auditor	**13,100**	13,915

6. Income tax

	2018	2017
	£	£
Current tax:		
UK corporation tax credit on (losses)/profits of the period	**(252,534)**	(47,423)
Adjustments recognised in the current year in relation to the current tax of prior years	**3,837**	**—**
Tax credit to the income statement	**(248,697)**	(47,423)

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

	2018	2017
	£	£
(Loss)/profit before tax	**(1,718,218)**	352,920
At standard rate of 19% (2017: 19.75%)	**(326,461)**	69,702
Effects of:		
Capital allowances in excess of depreciation	**699**	(161)
Other timing differences	**55**	435
Unutilised tax losses	**181,835**	45,445
Losses surrendered for research and development tax credits (less uplift)	**143,872**	(115,421)
Research and development tax credits claimed	**(252,534)**	(47,423)
Prior year adjustments	**3,837**	**—**
Actual current tax credit in the year	**(248,697)**	(47,423)

7. Loss per share

The calculation of (loss)/profit per share is based on the following data:

Basic (loss)/profit per share:

	2018	2017
(Loss)/profit on ordinary activities after tax	**£(1,469,521)**	£400,343
Weighted average number of shares for basic loss per share	**2,705,771,933**	2,645,223,988
Basic (loss)/profit per share	**(0.05)p**	0.015p

Diluted profit per share:

	2017
Profit on ordinary activities after tax	£400,345
Weighted average number of shares for basic loss per share	2,741,309,965
Diluted profit per share	0.015p

As the Group generated a loss for the year to 30 June 2018, there was no dilutive effect in respect of share options.

8. Cash and cash equivalents

	2018	2017
	£	£
Bank deposit account	**1,368,687**	2,296,439
Bank accounts	**6,588**	9,070
	1,375,275	2,305,509

9. Reconciliation of (loss)/profit before income tax to cash generated from operations

	2018	2017
	£	£
(Loss)/profit before income tax	**(1,718,218)**	352,920
Depreciation charges	**5,333**	3,989
Share-based compensation	**100,866**	81,736
Share of cost of associate	**12,264**	192,422
Finance income	**(3,745)**	(2,991)
	(1,603,500)	628,076
(Increase)/decrease in trade and other receivables	**(60,109)**	5,778
Increase in trade and other payables	**27,921**	55,983
Cash used in operations	**(1,635,688)**	689,837

10. Dividend

The Directors are not able to recommend payment of a dividend.

11. Copies of the report and accounts

Copies of the report and accounts will be posted to those shareholders that have requested them, will be available from the Company's registered office at 2a Langford Arch, London Road, Pampisford, Cambridge CB22 3FX, and will be placed on the Company's website at http://www.sareum.com/ .