SAREUM HOLDINGS PLC

("Sareum" or "the Company")

FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

Cambridge, UK, 25 October 2021 – Sareum Holdings plc (AIM: SAR), the specialist drug development company delivering targeted small molecule therapeutics to improve the treatment of autoimmune diseases and cancer, announces its audited results for the year ended 30 June 2021.

The Company will be holding a presentation to investors on Tuesday, 2 November 2021 at 11.00 a.m. via the Investor Meet Company platform – please click on this link to register to attend:

https://www.investormeetcompany.com/sareum-holdings-plc/register-investor

The Company expects to publish its Annual Report and Accounts, along with the Notice of the Company's Annual General Meeting, in November 2021.

OPERATIONAL HIGHLIGHTS (including post-period updates)

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

AUDITED FINANCIAL HIGHLIGHTS

- Raised £2.37m before expenses in June 2021 through two subscriptions by a high net worth individual
- 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
- 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

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 September 2021 of £4.4m

Dr Tim Mitchell, CEO of Sareum, commented:

"Sareum continues to advance the preclinical development of its proprietary dual TYK2/JAK1 inhibitor programmes. 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. In addition, 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. We are particularly pleased to have raised substantial additional funding that will be deployed to advance these programmes into clinical development and build a

robust data package that will add momentum to our ongoing partnering activities for these exciting and differentiated assets.

"Furthermore, 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. We look forward to further updates on the clinical development of this candidate as the programme progresses."

The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulation (EU) No. 596/2014

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About Sareum

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

Sareum is advancing internal programmes focused on distinct dual tyrosine kinase 2 (TYK2) / Janus kinase 1 (JAK1) inhibitors through preclinical development as therapies for autoimmune diseases, including the 'cytokine storm' immune system overreaction to Covid-19 and other viral infections, (SDC-1801) and cancer immunotherapy (SDC-1802).

Sareum also has an economic interest in SRA737, a clinical-stage oral, selective Checkpoint kinase 1 (Chk1) inhibitor that targets cancer cell replication and DNA damage repair mechanisms. Preliminary Phase 2 and comprehensive preclinical data suggest SRA737 may have broad application in combination with other oncology and immune-oncology drugs in genetically defined patients.

SRA737 was discovered and initially developed by scientists at The Institute of Cancer Research in collaboration with Sareum, and with funding from Sareum and Cancer Research UK. SRA737 was licensed by CRT Pioneer Fund (CPF) to Sierra Oncology Inc. Sierra continues to explore options that would enable the development of SRA737 to advance.

Sareum Holdings plc is listed on the AIM market of the London Stock Exchange, trading under the ticker SAR. For further information, please visit the Company's website at www.sareum.com

Full year results for the 12 months ended 30 June 2021

CHAIRMAN'S AND CEO'S STATEMENT

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.

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 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.

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 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 the remainder of 2021 and 2022, during which time 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 our 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 and management continue to employ rigorous capital allocation 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	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		**(1,717,971)**	**(1,124,675)**
Finance income		**88**	**4,554**
LOSS BEFORE INCOME TAX	5	**(1,717,883)**	(1,120,121)
Income tax	6	**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)
Basic loss per share expressed in pence per share:	7	**(0.05) p**	(0.03) p

CONSOLIDATED BALANCE SHEET
30 JUNE 2021

	Note	2021	2020
		£	£
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	**1,541**	2,628
Investment in associate	9	**25,634**	1,633
		27,175	4,261
CURRENT ASSETS			
Trade and other receivables	10	**365,843**	195,001
Cash and cash equivalents	11	**2,686,158**	1,802,857
		3,052,001	1,997,858
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**(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	14	**833,215**	810,433
Share premium		**17,234,966**	14,765,926
Share-based compensation reserve		**361,818**	407,872
Merger reserve		**27**	27
Retained earnings		**(15,635,005)**	(14,180,676)
TOTAL EQUITY		**2,795,021**	1,803,582

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 for 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 for options exercised / expired	(46,054)	-	**-**
Balance at 30 June 2021	**361,818**	**27**	**2,795,021**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2021	2020
		£	£
Cash flows from operating activities			
Cash used in operations	18	**(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

1. BASIS OF PREPARATION

The consolidated financial statements of Sareum Holdings plc (the Company) 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 Group made a loss after tax of £1,500,383 (2020: £985,913) as it continued to progress the 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 to meet the 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, together, the Group) 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, with registered number 05147578.

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.

3. ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

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 plans. 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. Such income is recognised as Other Operating Income.

3. ACCOUNTING POLICIES (CONTINUED)

Investment in associates

An associate is an entity over which the Group 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.

3. ACCOUNTING POLICIES (CONTINUED)

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	**449,969**	440,325
Directors' pension contributions to money purchase schemes	**25,988**	25,075

The 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

4. EMPLOYEES AND DIRECTORS (CONTINUED)

There are 2 (2020: 2) Directors who are members of third party held money purchase retirement benefits schemes.

	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 Group.

5. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:

	2021	**2020**
	£	**£**
Depreciation – owned assets	**1,087**	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**	-

6. 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.

7. EARNINGS PER SHARE

The calculation of loss per share is based on the following data:

	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	**(0.05p)**	(0.03p)

As the Group has generated a loss for the period, there is no dilutive effect in respect of share options.

8. 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

9. INVESTMENTS

	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 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

9. INVESTMENTS (CONTINUED)

Interest in associate (continued)

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).

10. TRADE AND OTHER RECEIVABLES

	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

11. CASH AND CASH EQUIVALENTS

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

12. TRADE AND OTHER PAYABLES

	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

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

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.

13. LEASING AGREEMENTS

There were no material lease commitments at the year-end. The lease on the office occupied by the Group 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.

14. 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 12.

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.

Three additional share issues were made after the year end, details of which can be found in note 15.

15. 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.

16. PENSION COMMITMENTS

The Group makes contributions to its employees' own personal pension schemes. The contributions for the period of £25,988 (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.

17. CONTINGENT LIABILITIES

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

18. 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)

19. 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 which comprise bank balances only:

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

20. 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 tax allowances claimed	**1,587**	1,518
Tax losses available	**1,907,109**	1,618,157
	1,908,696	1,619,675