

27 October 2009

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

FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2009

Sareum (AIM: SAR), the specialist cancer drug discovery business, is pleased to announce its final results for the year ended 30 June 2009.

Operational highlights:

- Strategic review and restructuring completed
- Relocation of office premises, resulting in significant cost savings
- On track with the development of cancer research programmes
- Three further patent applications filed

Financial highlights:

- Loss on ordinary activities for period (after taxation): £1.1 million (2008: £1.7 million), includes one-off re-structuring costs of £0.36 million
- Cash in bank at period end: £0.27 million (2008: £0.48 million)

Post year end highlights:

- Placings to raise £815,000 (before expenses)
- Based on current working capital requirements cash resources are sufficient for the foreseeable future
- Progress in Chk1 programme announced at NCRI cancer conference in early October

Dr Paul Harper, Chairman of Sareum, said: "The Company now focuses all its research resources on its pipeline of anti-cancer programmes. We have established a world-wide network of quality research providers and progress on the programmes is on-track and in-line with their budgets.

The strategic review of the business, completed at the beginning of this period, resulted in the sale of Sareum's service business and associated assets. In parallel with this review, the Company made major cost savings through staff reductions and closure of its laboratories.

We are actively talking to third parties who have shown interest in one or more of our oncology programmes. The most advanced of these is the Chk1 programme carried out in conjunction with the Institute of Cancer Research and Cancer Research Technologies Limited. This is a programme that attracts broad interest since it is focused upon potentiating the efficacy of a variety of marketed cancer chemotherapeutics, opening the possibility of better patient outcomes or of lower drug dosages to reduce toxicity.

The recent fund raisings will support increased investment in the development of our in-house programmes and satisfy our working capital requirements for the foreseeable future."

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Final Results for the year ended 30 June 2009

Chairman and Chief Executive's Statement

Background

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

Progress within Sareum's in-house research programmes, which focus on treatments for cancer, has been to plan. This includes successful *in-vivo* efficacy studies resulting from its collaboration with the Institute of Cancer Research and Cancer Research Technology Limited. Additionally, in the period under review three further patent applications have been filed to protect families of promising compounds arising from Sareum's research programmes.

At the start of the period, the Company completed its strategic review, initiated in May 2008, which resulted in the sale of its service business to Galapagos NV in August 2008. In addition, other equipment assets were sold and the Company's laboratories were closed. Alongside this, the company undertook a major cost and staff reduction programme. Whilst it was a difficult decision to make the positions of our talented and dedicated staff redundant, the Directors believe that a minimal fixed cost base is essential to the success of the re-structured Company.

The Company's strategy, following its re-structuring, is to concentrate primarily on its in-house cancer drug discovery research. This is achieved by outsourcing the chemistry and biology components of each programme. As before, our in-house expertise and experience is used to interpret the relationship between chemical structure and biological activity associated with each of the compounds tested. This leads to the design of new molecules which should be more active and more specifically targeted. Now that we have closed the Company's laboratories the synthesis and testing of new compounds is undertaken in third party laboratories.

As the development programmes progress and additional data is generated, demonstrating the quality of the candidate molecules, a very active campaign continues to draw these results to the attention of companies seeking to licence programmes such as these. In addition, as our research is presented from time-to-time at various conferences and seminars, we also receive some direct approaches from potential licensing partners.

Progress with In-House Cancer Targets

The Company's principal asset following the sale of the fee for service business is its intellectual property derived from its cancer drug discovery programmes. Sareum has seven drug discovery programmes and is actively developing three of them at the present time. The Company is engaged in discussions with a number of potential commercial partners involving several of these programmes. The Company has continued to make positive progress with its in-house cancer drug discovery

programmes, resulting in three further patent applications and the publication of three patents from historic filings.

Sareum's pipeline is built on the expertise of its founders in pre-clinical drug discovery, particularly in the field of cancer. Sareum concentrates its research on targeted small molecule therapeutics.

Targeted cancer therapies disrupt specific biochemical processes necessary for tumour growth and survival. Because these processes are specific to cancer cells, targeted therapies may be more effective than other types of treatments, such as chemotherapy and radiotherapy, and less harmful to normal cells. Some targeted therapies, for instance Chk1 inhibitors, are designed to boost the efficacy of chemotherapy. Others, such as Aurora, FLT4 or FLT3 inhibitors, have the potential to be effective by themselves or in combination with chemotherapy or other targeted therapies.

Small molecule therapeutics (as opposed to "biological" drugs such as antibodies) are able to penetrate into the interior of a cell and thus can be targeted at the full range of processes in a biochemical pathway. Small molecule anti-cancer therapeutics can be designed to target one or more of a wide range of biochemical processes essential to cancer cells. Small molecule therapeutics also have the potential of being able to be administered orally (e.g. as a pill) rather than by injection.

Our strategy is to focus on developing best in class cancer therapies, where pre-clinical and early clinical data is available to indicate that disrupting the targeted biochemical process will indeed prevent tumour growth and survival without significant side-effects. We can capitalise on these published results to direct our own programmes and to indicate, for instance, whether or not the therapy needs to be administered in combination with additional cancer therapies.

Cancer cells differ from normal cells in many different ways. In particular, cancer cells divide and grow much more rapidly than normal cells. Biochemical processes targeted by Sareum that control cell growth and division include Checkpoint Kinase 1 (Chk1), Aurora Kinase (Aurora), FMS-like Tyrosine Kinase 3 (FLT3), Polo-Like Kinase (PLK) and B-raf.

Once a solid tumour reaches a certain size, it needs to be connected to the body's blood and lymph systems to receive nutrients and remove waste. Sareum's programme targeting Fms-like Tyrosine Kinase 4 (FLT4, sometimes referred to as Vascular Endothelial Growth Factor Receptor 3 Kinase, VEGFR-3) is importantly involved in the generation of new blood and lymph vessels to a tumour. FLT4 is also involved in the control of metastasis, the spread of cancer, which is the main cause of death in cancer patients.

Chk1 Kinase

This is Sareum's most advanced in-house programme and is carried out in conjunction with one of the world's leading cancer research organisations, The Institute of Cancer Research and Cancer Research Technologies Limited.

Significantly, we have obtained results from *in-vivo* pre-clinical experiments that demonstrate a two-fold increase in the efficacy of marketed cancer chemotherapeutics when combined with programme compounds.

Aurora Kinase and FLT4 Kinase

These programmes are currently wholly-owned by the Company. In both cases we have developed drug candidates that are suitable for testing in *in-vivo* efficacy experiments. These studies are ongoing and we aim to report their progress at international cancer conferences during the next period.

Earlier-Stage Programmes (FLT3, FASN, PLK1, B-raf)

These programmes are currently on hold, pending a collaborative research deal with a pharmaceutical company partner or receipt of a research grant. FLT3, in addition to being a potential target for certain leukaemias, also has the potential to treat auto-immune diseases such as multiple sclerosis and rheumatoid arthritis, which further expands the commercial opportunities for this programme.

Changes to the Board

Dr Alastair Riddell (Non-Executive Director), Giorgio Reggiani (Finance Director) and Dr David Williams (VP, Biology & Structural Sciences) resigned from the Board of the Company during the period. We thank them for their valuable contribution to the Company and wish them well for the future.

Financial Review

During the period, revenues of £32,000 were recognised arising from fee-for-service collaborations prior to the sale of that part of the business.

The loss after taxation decreased to £1.1 million (2008: £1.7 million). This included one-off re-structuring costs of £360,000 and partially reflects the cost cutting measures resulting from the strategic review. The loss after taxation for the second half of the period was approximately £250,000 and this figure broadly translates to the working capital requirements of the Company for that six month period. The cash position at the period end was £0.27 million (2008: £0.48 million). Since the year end the cash position has been significantly improved following the share placings, announced in September and October 2009, that raised £815,000 before expenses. As a result of these placings, the Directors believe the Company is able to increase its R&D spend to further advance its cancer drug pipeline whilst also providing sufficient working capital for the foreseeable future.

Summary

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

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

The Directors believe the Company's strategy has been further endorsed by the participation of those investors that have subscribed for new shares in the Placings completed after the period end.

Outlook

The Company has an exciting opportunity to focus solely on its in-house cancer drug discovery programmes, to generate shareholder value. The research work for the ongoing programmes is being provided via third parties, leaving the Company with a much reduced fixed cost base.

The Company will continue to build value from its in-house research and development by seeking to advance its cancer drug discovery programmes. With sufficient cash resources to fund the ongoing business plan for the foreseeable future, the Company looks forward to further development and commercialisation of these cancer drug programmes.

Dr Paul Harper
Chairman

Dr Tim Mitchell
Chief Executive Officer

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	£	£
REVENUE		
Discontinued operations	31,600	1,502,507
OPERATING EXPENSES		
Continuing operations	(1,170,007)	(2,938,480)
Discontinued operations	(14,669)	(580,307)
	<u>(1,184,676)</u>	<u>(3,518,787)</u>
OPERATING PROFIT/(LOSS)		
Continuing operations	(1,170,007)	(2,938,480)
Discontinued operations	16,931	922,200
	<u>(1,153,076)</u>	<u>(2,016,280)</u>
Finance costs	(3,092)	(36,236)
Finance income	14,436	32,927
	<u>(1,141,732)</u>	<u>(2,019,589)</u>
LOSS BEFORE TAX		
Tax	67,860	327,232
	<u>(1,073,872)</u>	<u>(1,692,357)</u>
LOSS FOR THE YEAR		
Loss per share expressed in pence per share:		
Basic	(0.13p)	(0.28p)
Diluted	(0.13p)	(0.27p)

There are no recognised gains or losses other than as stated in the Income Statement.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009

	2009 £	2008 £
NON-CURRENT ASSETS		
Intangible assets	1,575	25,836
Property, plant and equipment	<u>1,170</u>	<u>723,843</u>
	<u>2,745</u>	<u>749,679</u>
CURRENT ASSETS		
Trade and other receivables	33,619	283,702
Tax receivable	67,860	324,570
Cash and cash equivalents	<u>273,977</u>	<u>480,851</u>
	<u>375,456</u>	<u>1,089,123</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	51,639	224,322
Financial liabilities – borrowings		
Interest bearing loans and borrowings	-	<u>88,390</u>
	<u>51,639</u>	<u>312,712</u>
NET CURRENT ASSETS	<u>323,817</u>	<u>776,411</u>
NON-CURRENT LIABILITIES		
Financial liabilities – borrowings		
Interest bearing loans and borrowings	-	<u>125,656</u>
NET ASSETS	<u>326,562</u>	<u>1,400,434</u>
SHAREHOLDERS' EQUITY		
Called up share capital	204,524	204,524
Share premium	5,401,631	5,401,631
Merger reserve	27	27
Retained earnings	<u>(5,279,620)</u>	<u>(4,205,748)</u>
TOTAL EQUITY	<u>326,562</u>	<u>1,400,434</u>

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	2009 £	2008 £
Cash flows from operating activities		
Cash used in operations	(1,035,382)	(1,847,123)
Interest paid	(3,092)	(36,236)
Tax received	<u>324,570</u>	<u>198,103</u>
Net cash used in operating activities	<u>(713,904)</u>	<u>(1,685,256)</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(6,500)
Purchase of tangible fixed assets	(351)	(83,065)
Sale of tangible fixed assets	706,991	-
Interest received	<u>14,436</u>	<u>32,927</u>
Net cash from/(used in) investing activities	<u>721,076</u>	<u>(56,638)</u>
Cash flows from financing activities		
Repayment of leasehold improvements loan	(34,830)	(26,472)
Capital element of finance leases	(179,216)	(138,009)
Share issue	-	89,572
Share premium on issue of shares	<u>-</u>	<u>1,637,328</u>
Net cash (used in)/from financing activities	<u>(214,046)</u>	<u>1,562,419</u>
Decrease in cash and cash equivalents	(206,874)	(179,475)
Cash and cash equivalents at beginning of year	<u>480,851</u>	<u>660,326</u>
Cash and cash equivalents at end of year	<u><u>273,977</u></u>	<u><u>480,851</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 General

The financial information set out above does not constitute the company's statutory accounts within the meaning of section 434 of the Companies Act 2006.

The 2009 figures are based on unaudited accounts for the year ended 30 June 2009. The auditors do not expect to issue a qualified report on the statutory accounts which will be finalised on the basis of the financial information presented by the directors in the preliminary announcement and which will be delivered to the Registrar of Companies following the company's annual general meeting.

The 2008 comparatives are derived from the statutory accounts for 2008 which have been delivered to the Registrar of Companies and received an unqualified audit report and did not contain a statement under the Companies Act 1985, s237(2) or (3).

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

2 Basis of accounting

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

3 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by 818.098 million being the weighted average number of ordinary shares outstanding during the period (2008: 598.110 million).

Diluted loss per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

4 Dividend

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

5 Copies of the Report and Accounts

Copies of the report and accounts will be posted to those Shareholders that have requested them shortly. Copies are also available from the Company's registered office at 2a Langford Arch, London Road, Pampisford, Cambridgeshire CB22 3FX and from the Company's website www.sareum.co.uk.