26 September 2011

Sareum Holdings plc

("Sareum" or "the Company")

Final Results

Sareum Holdings plc (AIM: SAR), the specialist cancer drug discovery business, is pleased to announce its final results for the year ended 30 June 2011.

Operational Highlights

- Significant progress on the two most advanced cancer programmes including positive *in-vivo* efficacy data from Chk1 and Aurora+FLT3 programmes
- Nomination of preclinical development candidate for Chk1 in August 2011

Financial Highlights

- £950,000 (before expenses) raised by way of three share placings
- Cash at bank and in hand of £871,000; sufficient cash resources for foreseeable future, based on current spending levels
- Loss on ordinary activities (after taxation) £568,000 (2010: £569,000 loss) in line with expectations

Tim Mitchell, Chief Executive Officer of the Company, said: "The announcement of two successful *in-vivo* efficacy studies, and the selection of a preclinical development candidate, bring Sareum closer to the commercialisation of drug candidates from our in-house development pipeline. We are currently actively seeking to license these programmes in order to allow us to drive forward other programmes that have been generated from our SKIL® platform.

The placings during the course of the year, which raised a total of £950,000, have provided us with sufficient working capital for the foreseeable future to continue the current level of development of our in-house programmes."

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Ariane Comstive / Caolan Mahon

Chairman's statement

Sareum has made significant progress in the last year advancing its cancer drug programmes to a point where we are now actively engaged in talks over potential licensing and co-development agreements with interested parties. Our focus has been on the two most advanced programmes, whilst continuing to generate new lead compounds through the use of our SKIL® (Sareum Kinase Inhibitor Library) technology platform to build a pipeline of potential candidate compounds for the future.

The Company raised a total of £950,000 (before expenses) in three separate fund raisings during the course of the financial year. The funds are being used to support ongoing development work and to progress new programmes. This research work continues to be outsourced to our international network of 3rd party providers, thus maintaining a low operational cost base. The Directors believe there is currently sufficient working capital for the foreseeable future based on the current spending levels.

Net assets at the year-end were £876,000, principally arising from the cash at bank and in hand of £871,000. The loss after taxation was £568,000 (2010: £569,000 loss).

Advanced programmes

Chk1 Kinase Inhibitors

This remains Sareum's most advanced programme, targeting Checkpoint Kinase 1. Chk1 is important in controlling the way many cancer cells respond to DNA damage, which may be a consequence of the cancer itself, or intentionally caused by chemotherapy or radiotherapy. Inhibition of Chk1 affects the ability of the cell to repair this damage and can therefore potentiate the effect of certain chemotherapeutic drugs.

In March 2011, the Company and its collaboration partners, The Institute of Cancer Research and Cancer Research Technology Ltd., announced positive *in-vivo* results from the Chk1 programme in a colon cancer model study. The results demonstrate that the combination of our Chk1 inhibitor, dosed via the oral route with a chemotherapeutic, gemcitabine, offers a greater than two-fold reduction in cancer growth rate compared to treatment with the same dose of gemcitabine without the Chk1 inhibitor.

In August 2011, after further positive model studies, the Company, in collaboration with its partners, was able to announce the selection of a preclinical development candidate, representing a significant milestone in the programme's progress.

Sareum, along with its collaboration partners, continues to discuss Chk1 with several interested licensing partners, who are reviewing the full data pack for the preclinical development candidate. In the meantime we are undertaking further efficacy model studies to demonstrate the compound's ability to potentiate further chemo- and radio- therapies against a wider range of cancer types.

Aurora Kinase inhibitors

Progress on the Company's Aurora kinase inhibitors continued as planned having been evaluated in *in-vivo* efficacy models. Inhibition of Aurora kinase affects mitosis (cell division), and has the potential to treat many types of cancer, including acute myeloid leukaemia (AML), the most common form of adult leukaemia. In February, we announced the successful results of a model study measuring the effect of one of our dual Aurora+FLT3 inhibitors against AML. The study showed that the leukaemia regressed to such an extent that no detectable cancer could be found in any of the 10 cases treated with a Sareum compound. The study compares very favourably with similar studies published in literature for the Aurora kinase inhibitors that are currently in clinical trials.

The Company continues to develop compounds with dual Aurora and Anaplastic Lymphoma Kinase (ALK) activity, as well as selective ALK inhibitors. Development is focussed on lung cancers and childhood neuroblastomas resistant to current ALK inhibitors, such as Pfizer's recently approved Xalcori (crizotinib).

We continue to seek licensing or co-development partners for this programme, which is wholly owned by Sareum. Whilst we do this, we are carrying out further experiments to select a potential Aurora+FLT3 preclinical development candidate, and to optimise a sub-group of programme compounds that can be orally dosed.

Other SKIL® programmes

Through our SKIL® platform, the Company has developed chemical leads that inhibit the activity of VEGFR-3 kinase, levels of which are often elevated in many different types of cancer including lung, gastric and prostate. We are researching a lead series of compounds that demonstrate potent inhibition of lymph cell growth by selectively inhibiting VEGFR-3. Lymph vessels are known to be a major route of metastasis, therefore inhibitors of VEGFR-3 have the potential to reduce, delay or inhibit the spread of cancer throughout the body.

The Company has also developed a series of compounds showing activity against the TYK2 kinase, which target auto-immune diseases such as multiple sclerosis and rheumatoid arthritis. Although the programme is at a relatively early stage, we have been encouraged by the level of commercial interest in these compounds.

Outlook

The Company continues to focus on its in-house drug discovery programmes targeting cancer and, more recently, auto-immune disease. We are particularly encouraged by the on-going discussions taking place for license, co-development or sponsored research deals for Aurora+FLT3, Chk1 and TYK2.

Much of this interest has been generated by presenting at major international conferences, such as the International Drug Discovery Science and Technology (IDDST) meeting in China which took place during October 2010, the One Nucleus Oncology leadership conference in May this year and the European Cancer Cluster Partnering (ECCP) which took place in September this year. In order to market its programmes further, the Company will be presenting at, or attending, a number of conferences over the coming months including the European Organisation for Research and Treatment of Cancer (EORTC) conference in November 2011, and Bio-Europe, also in November 2011.

Whilst discussions continue, we are undertaking further studies to demonstrate the potential use of all our compounds in a range of cancers and auto-immune diseases. This will ultimately make them more attractive to potential partners.

With our programmes in, or close to, preclinical development and, based on current spending levels, sufficient cash for the foreseeable future, we are looking forward to being able to update shareholders of significant progress.

Dr. Paul Harper

Chairman

Consolidated Income Statement

for the Year Ended 30 June 2011

	Notes	2011 £	2010 £
CONTINUING OPERATIONS			
Revenue		-	-
Administrative expenses		(637,859)	(643,742)
OPERATING LOSS		(637,859)	(643,742)
Finance income		9,611	3,127
LOSS BEFORE INCOME TAX	3	(628,248)	(640,615)
Income tax	4	59,890	71,526
LOSS FOR THE YEAR		(568,358)	(569,089)
Loss attributable to:			
Owners of the parent		(568,358)	(569,089)
Earnings per share expressed in pence per share:			
Basic	5	(0.04)p	(0.05)p

Consolidated Statement of Comprehensive Income
for the Year Ended 30 June 2011

	2011 £	2010 £
LOSS FOR THE YEAR	(568,358)	(569,089)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(568,358)	(569,089)
Total comprehensive income attributable to:		
Owners of the parent	(568,358)	(569,089)

Consolidated Balance Sheet
30 June 2011

	Notes	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		393	984
Property, plant and equipment		851	1,230
Investments		-	-
		1,244	2,214
CURRENT ASSETS			
Trade and other receivables		40,768	26,627
Tax receivable		60,090	74,974
Cash and cash equivalents	6	870,829	516,781
		971,687	618,382
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		97,168	97,558
NET CURRENT ASSETS		874,519	520,824
NET ASSETS		875,763	523,038
SHAREHOLDERS' EQUITY			
Called up share capital		362,649	293,899
Share premium		6,901,816	6,077,821
Share-based compensation reserve		28,338	-
Merger reserve		27	27
Retained earnings		(6,417,067)	(5,848,709)
TOTAL EQUITY		875,763	523,038

Consolidated Statement of Changes in Equity
for the Year Ended 30 June 2011

	Called up share capital £	Profit and loss account £	Share premium £
Balance at 1 July 2009	204,524	(5,279,620)	5,401,631
Changes in equity			
Issue of share capital	89,375	-	676,190
Total comprehensive income	-	(569,089)	-
Balance at 30 June 2010	293,899	(5,848,709)	6,077,821
Changes in equity			
Issue of share capital	68,750	-	823,995
Total comprehensive income	-	(568,358)	-
Share-based compensation	-	-	-
Balance at 30 June 2011	362,649	(6,417,067)	6,901,816

	Share-based compensation reserve £	Merger reserve £	Total equity £
Balance at 1 July 2009	-	27	326,562
Changes in equity			
Issue of share capital	-	-	765,565
Total comprehensive income	-	-	(569,089)
Balance at 30 June 2010	-	27	523,038
Changes in equity			
Issue of share capital	-	-	892,745
Total comprehensive income	-	-	(568,358)
Share-based compensation	28,338	-	28,338
Balance at 30 June 2011	28,338	27	875,763

Consolidated Cash Flow Statement
for the Year Ended 30 June 2011

	Notes	2011 £	2010 £
Cash flows from operating activities			
Cash generated from operations	7	(622,918)	(589,102)
Tax paid		74,774	64,412
Net cash from operating activities		(548,144)	(524,690)
Cash flows from investing activities			
Purchase of tangible fixed assets		(264)	(1,198)
Sale of tangible fixed assets		100	-
Interest received		9,611	3,127
Net cash from investing activities		9,447	1,929
Cash flows from financing activities			
Share issue		68,750	89,375
Share premium on share issue		823,995	676,190
Net cash from financing activities		892,745	765,565
Increase in cash and cash equivalents		354,048	242,804
Cash and cash equivalents at beginning of year		516,781	273,977
Cash and cash equivalents at end of year	6	870,829	516,781

Notes to the Consolidated Financial Statements
for the Year Ended 30 June 2011

1. Adoption of New and Revised International Financial Reporting Standards ("IFRS")

In the current year, the Group has adopted all of the revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or financial position of the Group in the current or prior periods.

- Revised IFRS 1 - First-time Adoption of International Reporting Standards;
- Revised IFRS 3 - Business Combinations
- Revised IAS 24 - Related Party Disclosures
- Improvements to IFRS (2010)
- IFRIC 19 - Extinguishing financial liabilities with equity instruments
- IFRIC 14 - IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction.

None of these have had an effect on the accounts of the Group.

There are no published Standards/Interpretations not yet in force that will have any significant impact on the Group.

2. Accounting Policies

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 International Accounting Standards Board (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 financial statements have been prepared on a going concern basis, which assumes that sufficient funds will be available for the Group to continue in operational existence for the foreseeable future.

Sareum Holdings plc is a research and development based business with, at present, no currently marketed products. The Directors estimate that the cash held by the Group will be sufficient to support the current level of activities into the fourth quarter of 2012. The Directors also expect to secure equity-based financing sufficient for the future needs of the business beyond this date. The Directors' confidence in the Group's ability to raise equity-based financing is underwritten by the funds of £950,000 (before expenses) raised by way of placings of new ordinary shares on AIM during the year under review.

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. Intercompany transactions and balances between group companies are eliminated on consolidation.

Amortisation of intangibles

Amortisation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Intellectual property - straight line over 5 years

Property, plant and equipment

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

Fixtures and computers - straight line over 3 or 4 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 on 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.

3. Loss before Income Tax

The loss before income tax is stated after charging:

	2011	2010
	£	£
Other operating leases	10,726	10,723
Depreciation - owned assets	487	1,138
Loss on disposal of fixed assets	56	-
Intellectual property amortisation	591	591
Research and development	282,733	353,829
Auditors' remuneration - see analysis below	11,790	9,750

The analysis of auditors' remuneration is as follows:

	2011	2010
Fees payable to the Company's auditor for the audit of the annual accounts		
Audit of the Company	3,700	3,500
Audit of subsidiaries	5,780	5,500
Total Audit Fees	9,480	9,000
Fees payable to the Company's auditors for other services		
Taxation services	2,310	750
Total fees payable to the Company's auditor	11,790	9,750

4. Income Tax

	2011 £	2010 £
Current tax:		
UK corporation tax credit on losses of the period	(54,887)	(63,165)
Adjustments recognised in the current year in relation to the current tax of prior years	(5,003)	(8,361)
Tax credit to the income statement	(59,890)	(71,526)

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

	2011 £	2010 £
Current tax:		
Loss before tax	(628,248)	(640,615)
At standard rate of 21% (2010 - 21%)	(131,932)	(134,529)
Effects of:		
Expenses not allowable for tax purposes	5,951	8,447
Capital allowances in excess of depreciation	(938)	(1,419)
Unutilised tax losses	79,873	73,016
Losses surrendered for research and development tax credits (less uplift)	47,046	54,485
Research and development tax credits claimed	(54,887)	(63,165)
Prior year adjustments	(5,003)	(8,361)
Actual current tax credit in the year	(59,890)	(71,526)

The tax rate used above for the 2011 and 2010 reconciliations of 21% is the small company corporation tax rate applicable in the United Kingdom, on taxable profits under tax law in that jurisdiction.

5. Earnings per Share

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

	2011	2010
Loss on ordinary activities after tax	£(568,358)	£(569,089)
Weighted average number of shares for basic loss per share	1,348,885,384	1,086,227,850
Basic loss per share	(0.04p)	(0.05p)

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

6. Cash and Cash Equivalents

	2011	2010
	£	£
Bank deposit account	859,978	506,637
Bank accounts	10,851	10,144
	870,829	516,781

7. Reconciliation of Loss before Income Tax to Cash Generated from Operations

	2011	2010
	£	£
Loss before income tax	(628,248)	(640,615)
Depreciation charges	1,078	1,729
Loss on disposal of fixed assets	56	-
Add back: Share-based compensation	28,338	-
Finance income	(9,611)	(3,127)
	(608,387)	(642,013)
(Increase)/Decrease in trade and other receivables	(14,141)	6,992
(Decrease)/Increase in trade and other payables	(390)	45,919
Cash generated from operations	(622,918)	(589,102)

8. Dividend

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

9. Copies of the Report and Accounts

Copies of the report and accounts will be posted to those Shareholders that have requested them shortly. Copies will also be 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.