

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

**PRELIMINARY RESULTS FOR THE TWELVE MONTHS ENDED 30 JUNE 2007**

**Sareum Holdings plc** (AIM: SAR), the specialist structure-based drug discovery business, is pleased to announce its results for the twelve month period ended 30 June 2007.

• **Financial highlights:**

- Revenues increased 67% to £2.5M (2006: £1.5M) plus an increase of £0.31M in deferred revenue (pre-payments to be recognised in current financial year)
- Gross profit increased 56% to £0.62M (2006: 0.40M)
- Loss on ordinary activities for period (after taxation) reduced 16% to £0.53M (2006: £0.62M)
- New equity investments in the Company of £0.70M
- Cash in bank increased 25% to £0.66M (2006: £0.53M)

• **Business highlights:**

- Patent filings submitted from two in-house drug discovery programmes
- Revenue generating collaborations signed with major pharmaceutical companies Johnson & Johnson, Genentech and Roche
- Repeat business with Almirall and Lundbeck

• **Post year end highlights:**

- Substantial progress with two further in-house drug discovery programmes
- Additional repeat business with Lundbeck

**Dr Paul Harper, Chairman of Sareum Holdings plc, said:** "Sareum has produced another good set of results which further demonstrate the Company's ability to consistently grow its business. We have increased spending on our internal programmes where we are seeing considerable success and feel strongly that it is this investment that will generate greatest future shareholder value."

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## **Results for the twelve months ended 30 June 2007**

### **Chairman's Statement**

#### **Background**

The key value creator for Sareum's shareholders is in the development and licencing of drugs from the Company's in-house drug development pipeline. Recent successes in Sareum's programmes, which focus on novel treatments for cancer, have led to a decision to increase investment in the drug discovery activity, adding new programmes and increasing the resource applied to existing programmes. This in turn has led directly to the filing of several patent applications to protect families of promising compounds developed in two of Sareum's research programmes, including its collaboration with the Institute of Cancer Research and Cancer Research Technology Ltd. Sareum is now engaged in a total of five in-house cancer drug discovery programmes.

#### **Research**

Since the Company's formation in 2003, Sareum's business is based on its expertise in structure-based drug discovery, which is capable of rapidly producing novel candidate drug compounds. The platform enables a profitable fee-for-service business where collaborations with major pharmaceutical and biotechnology companies from around the world generate revenues to support our in-house research and help to build relationships with potential future licensees of this research. This is all combined with Sareum's management know-how – a team with more than 90 years of pharmaceutical drug development experience.

#### **Development**

Throughout the period Sareum has been pleased to announce advances in its in-house drug discovery programmes. In August 2006 the Company reported that it had achieved substantial progress in its joint research programme with Cancer Research Technology Ltd and the Cancer Research UK Centre for Cancer Therapeutics at the Institute of Cancer Research with the development of novel compound series that showed efficacy in cancer cell models. Subsequently, in February 2007, it was announced that patent applications had been filed on novel small molecules effective against Checkpoint Kinase 1, a key component of a biochemical pathway responsible for preventing the effectiveness of traditional cancer therapeutics such as chemotherapy. Drugs that attack this target reduce a cell's ability to repair the damage caused by current chemotherapy agents that are used to treat many forms of cancer. Thus by combining drugs that attack Checkpoint Kinase 1 with other anti-cancer drugs there is the opportunity to potentiate the activity of the chemotherapy and possibly to reduce the dose and therefore the side effects of the treatment. We are expecting to be able to nominate a compound to enter pre-

clinical development in latter half of the current financial year. The Institute of Cancer Research is one of the world's leading cancer research organisations and thus a prestigious partner for Sareum's in-house research.

We continue to work on a number of other quality cancer targets in our in-house programmes in addition to the joint venture activities. In April 2007, the Company announced that it had filed patent applications on further small molecule compounds effective in its programme focused on two significant cancer drug discovery target types, the Aurora and FLT kinases. It is believed that a drug simultaneously able to inhibit the function of both targets will be more effective against cancer than one which acts solely on a single target. Additionally, on 2 October 2007, the Company was pleased to announce initial results from two further cancer drug discovery programmes, targeting PLK1 and B-raf kinases.

## **Partnerships**

We have continued to make good progress in securing profitable service collaborations that generate revenues to support our in-house research. During the year under review, an agreement was reached with Roche, a one-year multi-target collaboration was entered into with Genentech and an 18-month multidisciplinary drug discovery collaboration started with PIramed. In addition, following the successful completion of initial programmes, repeat business was secured with Almirall and Lundbeck. Our existing collaborations continue to progress well, and success milestone payments have been received from our multi-disciplinary drug discovery collaborations with Organon and Idenix. The announcement in January of a research collaboration with Johnson and Johnson Pharmaceutical R&D added a further major global pharmaceutical company to Sareum's growing list of blue chip collaborators.

## **Operations**

The overall increase in activity on both our in-house programmes and fee for service activities has resulted in the need for Sareum to create additional capacity and resource. We are currently upgrading our operations in Cambridge to accommodate additional equipment, create new facilities and make space for additional staff.

## **Fundraisings and Investment**

The placing of £312,000 in October 2006 was made to augment the cash available from our own activities, to fund investment in the business. The cash position was further underpinned by an investment of £400,000 by Mr and Mrs Leonard Licht, announced in January 2007. Sareum's Board was delighted to receive the investment and endorsement from such an experienced investor.

## **Financial Review**

During the period, revenues amounted to almost £2.5 million which is a 67% increase on the previous year, plus a £307,000 increase in deferred income that will be recognised during the current financial year. Gross profit increased 56% to £618,000, reflecting the increased investment on in-house development. The resultant loss after taxes of £527,000 is a 16% improvement on the previous year and represents a loss per share of 0.12p. The cash position increased 25% to £660,000 following new investment of £698,000 net.

## **Summary**

Sareum's business model is maturing and the Company has now demonstrated that it is able to progress its in-house research by advancing programmes according to plan and invest in strategic alliances to develop candidate drug molecules. In addition the Company has generated a significant increase in revenues from fee-for-service activity and, together with new investment, is now able to substantially increase its spending on in-house programmes.

This is a creditable performance and one that reflects the professionalism and commitment of the entire team to excellence and to generating shareholder value. Sareum will continue to build on this position via expansion of its facilities and advancement of its exciting in-house anti-cancer drug pipeline.

## **Outlook**

The combination of a world-class technology platform and a skilled and committed research team has resulted in a number of patent filings during the period under review. We expect to be able to nominate a pre-clinical candidate in the current financial year. In parallel, we are actively seeking licencing partners for at least one of our in-house programmes during the current financial year.

Fee for service activities remain a vital part of our business model providing valuable relationships, new learning and substantial revenues for investment in our own programmes.

Dr Paul Harper  
Chairman Sareum Holdings plc

## Chief Executive's Review

### Strategy and Business Model

Sareum's strategy continues to be focused on advancing its own in-house research programmes into novel cancer therapies whilst generating revenues through the provision of specialist drug discovery services to the pharmaceutical industry.

Our business model comprises two main components:

- 1) Investment in proprietary research into novel cancer therapeutics to generate drug candidates for partnering with pharmaceutical companies at the early clinical or pre-clinical trials stage
- 2) Generation of revenues through the provision of specialist drug discovery services to pharmaceutical company customers.

Our collaboration with the Cancer Research UK Centre for Cancer Therapeutics at the Institute of Cancer Research enables us to share the risks involved in drug discovery and to access specialist biology capabilities from one of the world's leading cancer research organisations. This collaboration has led to the discovery of, and filing of patent applications on, a number of novel compound series that are effective in cancer cell models. These compounds target Checkpoint Kinase 1, a key component of a biochemical pathway responsible for preventing the effectiveness of traditional cancer therapeutics such as chemotherapy.

We have also filed patent applications on novel small molecule compounds which show promising activity against the Aurora and FLT kinases, two significant cancer drug discovery target types which are believed to be key to the regulation of cell division and proliferation, and control different stages in the development of a tumour. Additionally, we have initiated two further research programmes which target the cancer drug targets Polo-like kinase and B-raf kinase. Reducing the levels of Polo-like kinase activity has been shown to induce cell death of many types of tumour cell and over-activity of B-raf kinase is observed in many cancers, particularly skin cancer.

We continue to apply our unique and innovative structure-based approaches in these programmes to rapidly optimise the selected lead compounds with the aim of selecting a candidate for pre-clinical scale-up and toxicology studies in the current financial year.

During this period we continued or expanded our existing collaborations in Europe with Organon, Lundbeck, UCB, Ammirall and Idenix and received success milestone payments in all cases. In addition we have signed new collaborations with Piramed, a UK biotechnology company, and three major international pharmaceutical companies, namely Roche, Genentech and Johnson & Johnson. 50% of our income during the period originated from top-50 ranked pharmaceutical companies and approximately 90% of income was received from longer-term collaborations of 12

months plus duration, evidence that we continue to attract longer-term partnerships with larger pharmaceutical customers.

Sareum has demonstrated that through its unique technology platforms and experienced scientific staff, it is able to considerably advance its in-house research by developing programmes to plan whilst at the same time investing in strategic alliances to develop candidate drug molecules.

### **Objectives for the coming year**

We look forward to successfully progressing on the developments achieved in our third trading year.

Our primary objective remains as the advancing of our in-house drug discovery pipeline to deliver drug candidates positioned to attract lucrative partnering deals with pharmaceutical companies. We will continue to advance these programmes, and have filed further drug patent applications during the year to protect our Intellectual Property portfolio. We expect to develop drug candidates for pre-clinical studies during the current financial year and are actively seeking licencing partners with the aim of achieving a high-value licencing deal on at least one of our five current in-house programmes.

We also continue to advance our global research services business to generate revenues and cash flow to support our drug discovery pipeline. In addition to continuing to secure repeat business from our current customers, we will seek to sign further longer-term collaborations, potentially including clinical development milestones, with major international pharmaceutical companies. We look forward to announcing successful results from these existing and developing relationships.

Dr Tim Mitchell  
CEO Sareum Holdings plc

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	£	£
<b>Turnover</b>	<b>2,470,676</b>	1,475,792
Cost of sales	<b>1,852,626</b>	1,080,278
<b>Gross profit/(loss)</b>	<b>618,050</b>	395,514
Administrative expenses	<b>1,352,636</b>	1,145,792
<b>Operating loss</b>	<b>(734,586)</b>	(750,278)
Interest receivable	<b>28,712</b>	10,478
Interest payable	<b>(16,953)</b>	(12,586)
	<b>11,759</b>	(2,108)
<b>Loss on ordinary activities before taxation</b>	<b>(722,827)</b>	(752,386)
Tax on loss on ordinary activities	<b>(195,441)</b>	(128,040)
<b>Loss on ordinary activities after taxation</b>	<b>(527,386)</b>	(624,346)
<b>Basic and diluted earnings per share</b>	<b>(0.0012)</b>	(0.0018)

The loss on ordinary activities before taxation arises from the Group's operations all of which are continuing.

There are no recognised gains or losses other than as stated in the profit and loss account.

**CONSOLIDATED BALANCE SHEET**  
AS AT 30 JUNE 2007

	2007	2006
	£	£
<b>Fixed assets</b>		
Intangible assets	<b>30,681</b>	17,499
Tangible fixed assets	<b>1,014,835</b>	792,072
	<b>1,045,516</b>	809,571
<b>Current assets</b>		
Debtors	<b>837,179</b>	436,982
Cash at bank	<b>660,326</b>	528,476
	<b>1,497,505</b>	965,458
<b>Creditors:</b> amounts falling due within one year	<b>1,017,165</b>	517,010
<b>Net current assets</b>	<b>480,340</b>	448,448
<b>Total assets less current liabilities</b>	<b>1,525,856</b>	1,258,019
<b>Creditors:</b> amounts falling due after more than one year	<b>159,965</b>	62,702
<b>Net assets</b>	<b>1,365,891</b>	1,195,317
<b>Capital and reserves</b>		
Called up share capital	<b>114,952</b>	93,187
Share premium account	<b>3,764,303</b>	3,088,108
Merger reserve	<b>27</b>	27
Profit and loss account	<b>(2,513,391)</b>	(1,986,005)
<b>Equity shareholders' funds</b>	<b>1,365,891</b>	1,195,317

Creditors: amount falling due within one year includes £389,000 of deferred revenue, which will be recognised during the next period (2006: £82,000)

**COMPANY BALANCE SHEET**  
AS AT 30 JUNE 2007

	2007	2006
	£	£
<b>Fixed assets</b>		
Investment in subsidiary	30,000	30,000
<b>Debtors</b>		
Long term debt – subsidiary	3,539,458	2,958,387
<b>Net current assets</b>	3,539,458	2,958,387
<b>Net assets</b>	3,569,458	2,988,387
<b>Capital and reserves</b>		
Called up share capital	114,952	93,187
Share premium account	3,764,303	3,088,108
Profit and loss account	(309,797)	(192,908)
<b>Equity shareholders' funds</b>	3,569,458	2,988,387

**CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	£	£
Net cash outflow from operating activities	<b>(370,084)</b>	(362,664)
Returns on investment and servicing of finance	<b>11,759</b>	(2,108)
Taxation	<b>128,040</b>	119,796
<b>Capital expenditure</b>	<b>(518,199)</b>	(66,145)
<b>Cash flow before financing</b>	<b>(748,484)</b>	(311,121)
Financing	<b>880,334</b>	398,162
<b>Increase in cash</b>	<b>131,850</b>	87,041

## **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 240 of the Companies Act 1985.

The 2007 figures are based on unaudited accounts for the year ended 30 June 2007. The statutory accounts 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 2006 comparatives are derived from the statutory accounts for 2006 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](http://www.sareum.co.uk)

### **2 Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

### **3 Earnings per share**

The basic and diluted earnings per share is calculated on the loss after tax of £527,386 and a weighted average number of shares of 431,571,725 (2006: 359,403,542). The calculation of diluted earnings per share takes account of share options that have vested.