

4 September 2006

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

**RESULTS FOR THE TWELVE MONTHS ENDED 30 JUNE 2006**

**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 2006.

- **Financial highlights:**
  - Revenues increased 440% to £1.5M (2005: £0.3M)
  - Loss on ordinary activities for period (after taxation) reduced 50% to £0.6M (2005: £1.2M)
  - Loss on ordinary activities Jan-June 2006 (after taxation) reduced 96% to £22,000 (2005: £631,000)
  - Exercise of £500,000 Put and Call option
  - Cash in bank increased 20% to £528,000 (2005: £441,000)
  
- **Business highlights:**
  - Major in-house drug discovery collaboration announced with the Institute of Cancer Research and Cancer Research Technologies Ltd
  - Ten revenue generating collaborations announced, the largest of which is worth up to \$5M
  - "Crystal Bank" protein structure resource launched
  
- **Post year end highlights:**
  - Substantial progress with in-house drug discovery collaboration with the Institute of Cancer Research and Cancer Research Technologies Ltd.
  - Repeat business with Almirall and Lundbeck

**Dr Paul Harper, Chairman of Sareum Holdings plc, said:** "Sareum has enjoyed a particularly productive and successful second full year of trading. The Company and its management have made great progress, with financial performance being close to market expectations. The Board envisages strong growth in both research activities and the generation of revenues for the year ahead.

The Board and the entire Sareum team remains dedicated to generating shareholder value. The Sareum directors continue to work to develop the Company's in-house structure-based cancer drug discovery and development pipeline and remain confident about its future prospects."

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**Sareum Holdings plc**

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**Results for the twelve months ended 31 June 2005**

**Chairman's Statement**

Sareum Holdings plc has enjoyed a successful second financial year of trading. Our in-house drug discovery activity has made excellent progress, generating active compounds that we believe will ultimately lead to a candidate for pre-clinical development. The fee for service business has been strong with, particularly in the second half of the financial year, a series of collaborations with leading pharmaceutical companies.

Our in-house drug discovery was significantly enhanced by the announcement in July 2005 that the Company had established a joint research team with Cancer Research Technology Ltd. and the Cancer Research UK Centre for Cancer Therapeutics at the Institute of Cancer Research, to develop cancer treatments that are effective against tumours that are resistant to traditional therapeutics. 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, and this collaboration continues to progress on-track. We are currently working on a number of cancer targets for our in-house programmes in addition to the joint venture activities. If all goes to plan we aim to have a candidate molecule ready to enter pre-clinical development by this time next year.

Sareum continued making good progress in obtaining revenue-generating service collaborations, with the announcement of ten agreements, including top-50 global pharmaceutical companies such as Schering AG, Organon, UCB and Lundbeck.

Notable agreements included a total of three integrated Structural Biology, Fragment Screening and Discovery Chemistry projects, with Organon and Idenix Pharmaceuticals, announced in January and February 2006. The two collaborative projects with Idenix have a combined success dependent value of up to \$5Million.

In addition to Idenix, Sareum has established itself in the USA, announcing collaborations with Infinity Pharmaceuticals in September 2005 and Sirtris Pharmaceuticals in June 2006. The Company was also very pleased to announce the achievement of success milestones in its collaboration with Schering AG, an extension to its collaboration with Almiral Prodesfarma and recently, a second collaboration with Lundbeck.

The Crystal Bank protein structure resource was launched during the period. This provides the Company with a source of additional revenue as well as being an effective demonstration of Sareum's success in its core capability of protein structures determination. In November, we announced additions to the Crystal Bank, increasing the number of therapeutically relevant proteins to 16 and, in January, the addition of the first reported structure of Bcl-2, an important oncology target, was announced. A number of the collaborations referred to above involve Crystal Bank targets and some others are expected to provide additional proteins to Crystal Bank.

Progress in the period has been close to market expectations. Sareum has demonstrated that 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, whilst increasing its revenue generating activities by more than fourfold. This is a particularly creditable performance confirming the strength of the technology, its attractiveness to major players in drug discovery and the ability of the team to deliver results that satisfy the needs of our internal programmes and those of our client companies.

## **Financials**

During this period revenues amounted to almost £1.5 Million with approx. 75% of this figure being earned in the second half of the year, reflecting the continuing increase in business development activity throughout the year. Losses after taxation for the period were £624,000 representing a loss per share of 0.18p. Encouragingly, the after tax loss for the second half of the period was £22,000, indicating that the Company is close to its stated goal of fully funding its in-house research through its revenue generating collaborations. The cash position increased to £528,000, underpinned by the £0.5 Million put and call option exercised by Billam AG in February 2006.

## **Outlook**

Sareum has enjoyed a particularly productive and successful year, substantially meeting market expectations and continuing to deliver on its business strategy. The Directors continue to work to develop the Company's structure-based drug discovery programmes and services business and remain confident about future prospects.

**4 September 2006**

**Dr Paul Harper**

**Chairman Sareum Holdings plc**

## **Chief Executive's Review**

### **Strategy and Business Model**

Sareum's strategy is to advance its own in-house research 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.

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. We entered this collaboration in July 2005 and recently have announced the discovery of novel compounds that are effective in cancer cell models.

During the next period we will 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 mid 2007.

- 2) Generation of revenues through the provision of specialist drug discovery services to pharmaceutical company customers.

During this period we signed collaborations in Europe with Almirall Prodesfarma, Schering AG, Organon, Lundbeck and UCB, and established a strong presence in the US with Infinity, Idenix and Sirtris. The collaborations with Organon and Idenix mark our first multi-disciplinary collaborations that deploy our fragments screening and discovery chemistry capabilities in addition to our ability to solve protein structures.

We also launched "Crystal Bank", a collection of therapeutically relevant proteins that we are using to accelerate the discovery of potential drug candidates. Crystal Bank demonstrates our ability to successfully solve the structures of important target proteins in drug discovery, for example the important oncology target, Bcl-2, which, to date, has been the basis of three collaborations.

Our unique technology platforms and experienced scientific staff, combined with our integrated chemistry and biology capabilities have enabled us to meet and often exceed our customers' expectations, as exemplified by the announcements of success in our collaborations with Schering AG and Almirall. As well as leading to repeat business, this track record provides solid evidence of our capabilities.

We will continue to build on this tremendous business development record. In addition to our ongoing activities in Europe and the USA we have been active in Japan, a major market for outsourced pharmaceutical research.

## **Objectives for the coming year**

We look forward to successfully building on the solid foundation created in our second trading year.

Our primary objective is to advance 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, filing drug patent applications during the coming year, and developing drug candidates for pre-clinical studies in 2007/8. Additionally, we will seek to add further programs to this pipeline, either by licence, collaboration or acquisition.

We will continue to advance our worldwide business development pipeline to generate the revenues to support our current drug discovery pipeline. In addition to securing repeat business from our impressive list of current customers, we will seek to sign 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.

**4 September 2006**

**Dr Tim Mitchell**

**CEO Sareum Holdings plc**

**Consolidated profit and loss account**  
For the year ended 30 June 2006

	2006		2005	
	£	£	£	£
<b>Turnover</b>		<b>1,475,792</b>		332,335
Cost of sales		<b>1,080,278</b>		798,599
<b>Gross profit (loss)</b>		<b>395,514</b>		(466,264)
Administrative expenses		<b>1,145,792</b>		912,350
<b>Operating loss</b>		<b>(750,278)</b>		(1,378,614)
Interest receivable	<b>10,478</b>		28,846	
Interest payable	<b>(12,586)</b>		(13,786)	
		<b>(2,108)</b>		15,060
<b>Loss on ordinary activities before taxation</b>		<b>(752,386)</b>		(1,363,554)
Tax on loss on ordinary activities		<b>(128,040)</b>		(119,796)
<b>Loss on ordinary activities after taxation</b>		<b>(624,346)</b>		(1,243,758)
<b>Basic and diluted earnings per share</b>		<b>(0.0018)</b>		(0.0042)

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 2006

	2006		2005	
	£	£	£	£
<b>Fixed assets</b>				
Intangible assets		17,499		23,498
Tangible fixed assets		792,072		964,455
		<b>809,571</b>		987,953
<b>Current assets</b>				
Debtors	436,982		362,191	
Cash at bank	528,476		441,435	
	<b>965,458</b>		803,626	
<b>Creditors:</b> amounts falling due within one year	517,010		378,762	
<b>Net current assets</b>		<b>448,448</b>		424,864
<b>Total assets less current liabilities</b>		<b>1,258,019</b>		1,412,817
<b>Creditors:</b> amounts falling due after more than one year		<b>62,702</b>		93,154
<b>Net assets</b>		<b>1,195,317</b>		1,319,663
<b>Capital and reserves</b>				
Called up share capital		93,187		86,937
Share premium account		3,088,108		2,594,358
Merger reserve		27		27
Profit and loss account		(1,986,005)		(1,361,659)
<b>Equity shareholders' funds</b>		<b>1,195,317</b>		1,319,663

**Company Balance Sheet**  
As at 30 June 2006

	2006		2005	
	£	£	£	£
<b>Fixed assets</b>				
Investment in subsidiary		30,000		30,000
<b>Debtors</b>				
Long term debt – subsidiary	2,958,387		2,549,971	
<b>Net current assets</b>		2,958,387		2,549,971
<b>Net assets</b>		2,988,387		2,579,971
<b>Capital and reserves</b>				
Called up share capital		93,187		86,937
Share premium account		3,088,108		2,594,358
Profit and loss account		(192,908)		(101,324)
<b>Equity shareholders' funds</b>		2,988,387		2,579,971

**Consolidated cash flow statement**  
For the year ended 30 June 2006

	2006	2005
	£	£
<b>Net cash (outflow)/inflow from operating activities</b>	(362,664)	(1,553,557)
<b>Returns on investment and servicing of finance</b>	(2,108)	15,060
<b>Taxation</b>	119,796	
<b>Capital expenditure</b>	(66,145)	(880,983)
<b>Cash flow before financing</b>	(311,121)	(2,419,480)
<b>Financing</b>	398,162	2,719,287
<b>Increase in cash</b>	87,041	299,807

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 General**

The financial information set out above does not constitute statutory accounts within the meaning of s.240 of the Companies Act 1985.

### **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 £624,346 and a weighted average number of shares of 359,403,542 (2005: 295,115,883). The calculation of diluted earnings per share takes account of share options that have vested.