(AIM:SAR) **4 March 2019**

SAREUM HOLDINGS PLC

("Sareum" or "the Company")

HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

This announcement contains inside information for the purposes of Article 7 of regulation 596/2014

Sareum Holdings plc (AIM: SAR), the specialist cancer drug discovery and development business, announces its half-yearly results for the six months ended 31 December 2018 and provides an update of significant post-period events.

Operational highlights

- Sierra Oncology ("Sierra"), the licence holder of SRA737, continues to advance and refine its clinical development programmes in patients with late-stage cancer. SRA737 is a small molecule Chk1 inhibitor discovered by Sareum and Cancer Research UK/Institute of Cancer Research. In the period:
    - Phase 1/2 monotherapy trial in genetically defined patients was expanded and prioritised for high-grade serous ovarian cancer (HGSOC) – Phase 2 cohort expansion underway
    - The prioritisation for HGSOC patients was based on emerging clinical data providing validation for Chk1 inhibition in this indication, and particularly in patients with CCNE1-driven disease. Further supportive preclinical data was also presented at the 30th EORTC-NCI-AACR Symposium in November
    - Phase 1/2 study of SRA737 in combination with low-dose gemcitabine (LDG) was also prioritised for HGSOC – Phase 2 cohort expansion underway
    - Promising preclinical data highlighting the synergy and combination potential of SRA737 and an immune checkpoint inhibitor in small cell lung cancer (SCLC) was presented at the AACR Conference on Tumour Immunology in November
- Sareum initiated formal preclinical development with two distinct molecules selected from its proprietary TYK2/JAK1 programme. Both molecules demonstrate high selectivity for TYK2 and JAK1 kinases (particularly over related JAK2 and JAK3), compelling activity in relevant disease models, the potential for once-daily oral dosing and a good early safety profile
    - SDC-1801 targeting autoimmune diseases
    - SDC-1802 targeting certain types of leukaemia, lymphoma and solid tumours
- Board of Directors strengthened with appointments of Dr Michael Owen and Clive Birch as Non-Executive Directors, bringing significant experience in the development of innovative biopharmaceutical products and in financial management and corporate governance

Post-period end

- In January 2019, Sierra provided an update on its preclinical development programme with SRA737, highlighting the therapeutic benefits of combining Chk1 and PARP inhibitors in tumours that have become resistant to PARPi drugs at the DNA Damage Response Therapeutics conference
- In February 2019, Sierra announced that data demonstrating the dramatically enhanced anti-tumour effect of combining anti-PD-L1 immunotherapy with SRA737 + LDG in a preclinical model of small cell lung cancer had been selected as a late-breaking abstract for oral presentation at the forthcoming Amercian Association of Cancer Research (AACR) Annual Meeting

Financial highlights

- In November, Sareum raised £850,000 before expenses through a placement of 130,769,231 new ordinary shares at 0.65p per share to progress its drug development programmes as well as for working capital purposes.
- Loss on ordinary activities (after taxation) of £764,000 (2017: loss of £722,000).
- Cash at bank as at 31 December 2018 was £1,542,000 (2017: £2,165,000).

Dr Tim Mitchell, CEO of Sareum Holdings plc, said: "We are very pleased with the progress that Sierra has made advancing its clinical programmes with SRA737 in recent months and we look forward to seeing preliminary data from these trials, expected in the first half of 2019. We are also encouraged by the preclinical work that Sierra and co-workers are conducting to support Chk1 inhibition by SRA737 as an attractive mechanism in combination with other leading cancer drug classes, including immuno-oncology drugs and PARP inhibitors.

"With regard to our proprietary programmes, the selection of SDC-1801 and SDC-1802 as preclinical candidates were important achievements and both are now advancing through preclinical programmes with a view to entering clinical trials in 2020. We believe that these compounds have excellent qualities and target a mechanism that is gaining credibility and generating growing interest in the pharmaceutical industry. Advancing these two programmes as quickly and as rigorously as possible is the focus of all our current resources and we are convinced that they offer the potential to generate significant value for shareholders."

Sareum Holdings plc

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Notes for editors:

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

Sareum's leading clinical-stage programme, SRA737, a novel Checkpoint kinase 1 (Chk1) inhibitor licensed to NASDAQ-listed Sierra Oncology, is in Phase 2 clinical trials targeting ovarian and other advanced cancers. The key role of Chk1 in cancer cell replication and DNA damage repair suggests that SRA737 may have broad application as a targeted therapy in combination with other oncology and immune-oncology drugs in genetically defined patients.

Sareum is also advancing internal programmes focused on distinct dual tyrosine kinase 2 (TYK2) /Janus kinase 1 (JAK1) inhibitors through preclinical development as therapies for autoimmune diseases (SDC-1801) and cancers (SDC-1802). TYK2 and JAK1 have roles in pro-inflammatory responses in autoimmune diseases (e.g. psoriasis, rheumatoid arthritis, inflammatory bowel diseases and lupus) and tumour cell proliferation in certain cancers (e.g. T-cell acute lymphoblastic leukaemia and some solid tumours). The Company is targeting first human clinical trials in each indication in 2020.

The Company also has an Aurora+FLT3 inhibitor targeting haematological cancers, which is at the preclinical development stage.

Sareum Holdings plc is listed on the AIM market of the London Stock Exchange, trading under the ticker SAR. For further information, please visit www.sareum.co.uk

Half-yearly results for the six months ended 31 December 2018

Chairman's and CEO's Statement

The second half of 2018 saw encouraging progress across our active development portfolio, which comprises SRA737 (out-licensed to Sierra Oncology), SDC-1801 and SDC-1802. These potent and selective small molecules target important mechanisms in cancer and autoimmune diseases and provide high-value opportunities to develop new therapies for patients.

With SRA737, we continue to see good progress made by Sierra Oncology, which is employing a cutting-edge approach to the trials, enabling their refinement as new data emerge. Based on this, Sierra has prioritised SRA737 development on high-grade serous ovarian cancer ("HGSOC") as it gains further insights to which indications and against which genetic profiles a Chk1 inhibitor has greatest potential to be effective. Sierra has indicated that it will look to present preliminary data from these trials in the first half of 2019, possibly at the American Society of Clinical Oncology (ASCO) annual meeting in late May/early June 2019.

Sierra is also accumulating compelling preclinical evidence to support the use of SRA737 in combination with other leading cancer drug classes, including immuno-oncology drugs and PARP inhibitors. Sierra is planning a clinical trial combining SRA737 with the approved PARP inhibitor Zejula® niraparib in prostate cancer, although a definitive timeline has not yet been stated.

Sierra remains well funded to deliver key clinical development milestones with SRA737 through 2020, with approximately $106 million cash (as at the end of December 2018). Sareum is eligible to receive up to $88 million in milestone payments, plus sales royalties as SRA737 advances over the coming years.

Turning to our proprietary assets, we were delighted to nominate two distinct development candidates for autoimmune diseases (SDC-1801) and cancer (SDC-1802) from our TYK2/JAK1 programme during the second half of 2018. The potential of TYK2/JAK1 inhibitors as a treatment modality in these indications is gaining increasing clinical and commercial validation and the Board believes that the Company is entering these areas with strong and well-differentiated candidates.

We have commenced formal preclinical programmes for each compound with a view to entering the clinic in each of the selected therapy areas in 2020. Additional research is ongoing to refine the clinical plans. In the meantime, the data arising from some of the work leading to the compound selection are being prepared for submission to a peer-reviewed publication and a conference presentation.

In line with our business model, we continue to engage with potential partners with a view to securing commercial licences for our candidates and programmes.

From a corporate perspective, we have expanded and strengthened our Board of Directors with two new Non-Executive Directors, Dr Mike Owen and Mr Clive Birch, whose exceptional experience in areas of direct relevance to the company will support our future development.

Programme updates

SRA737 – Selective Checkpoint Kinase 1 (Chk1) inhibitor (licensed to Sierra Oncology)

SRA737 is a potent, highly selective, orally bioavailable small molecule inhibitor of Chk1, a key regulator of important cell cycle checkpoints and central mediator of the DNA Damage Response (DDR) network. SRA737 was licensed to Sierra in September 2016 for development and commercialisation, with Sareum eligible to receive up to $90M in up-front and milestone payments plus sales royalties.

SRA737 is being investigated by Sierra in a clinical development programme targeting cancer patients with genetically defined tumours that harbour genomic alterations linked to increased DNA replication stress and hypothesised to be more sensitive to Chk1 inhibition. A substantial number of patients have been enrolled into the two ongoing clinical trials and Sierra remains on track to report clinical data from these studies in the first half of 2019.

Phase 1/2 SRA737 Monotherapy Trial (*SRA737-01)*

Sierra announced in August 2018 that it had refined the monotherapy study to prioritise high-grade serous ovarian cancer (HGSOC), supported by emerging data in the field that provides clinical validation for Chk1 inhibition in this indication. The trial is now aiming to evaluate SRA737 in 145 genetically defined patients in six cancer indications and is recruiting patients at a planned 15 sites across the UK.

The target indications are:

- High-grade serous ovarian cancer (HGSOC)
- CCNE1-driven HGSOC
- Castration-resistant prostate cancer (mCRPC)
- Non-small cell lung cancer (NSCLC)
- Head and neck squamous cell carcinoma (HNSCC) or squamous cell carcinoma of the anus (SCCA)
- Colorectal cancer (mCRC)

The dose-escalation Phase 1 study is complete with SRA737 found to be well tolerated at the selected dose. The Phase 2 cohort expansion is underway with preliminary data now expected to be reported in the first half of 2019, potentially at ASCO in late May/early June 2019.

New preclinical data, presented in November at the 30th EORTC-NCI-AACR Symposium, provided further evidence that SRA737 has potential in HGSOC where the tumours exhibit defective cell cycle checkpoint control and replicative stress, and are identifiable by biomarkers such as CCNE1 and MYCN. The data also support the exploration of drug combinations including SRA737 with other compounds such as low dose gemcitabine (LDG) and PARP inhibitors.

Phase 1/2 study of SRA737 in combination with low-dose gemcitabine (SRA737-02)

The combination study is underway in genetically defined patients in four cancer indications and aims to explore the effect of LDG in potentiating the anti-tumour effect of SRA737 in patients with genetically profiled cancers. It is hypothesised that, at low doses, the chemotherapy gemcitabine causes replication stress and DNA damage, making the tumours more susceptible to Chk1 inhibition.

The Phase 1 dose-escalation phase of the study is complete with the SRA737+LDG combination being well tolerated at the doses selected. The Phase 2 cohort expansion portion is now underway. As with the monotherapy study, Sierra has prioritised recruitment for HGSOC. The cohort expansion phase, currently recruiting patients across 19 sites in the UK and Spain, is targeting enrolment of 80 genetically selected patients across four indications, including advanced or metastatic:

- HGSOC (replacing urothelial carcinoma);
- Small cell lung cancer (SCLC);
- Soft tissue sarcoma; and
- Cervical/anogenital cancer

Again, due to the refinements made to the Phase 2 part of the study, preliminary data are now expected to be reported by Sierra in the first half of 2019.

Phase 1b/2 Combination Trial of SRA737 plus a PARP inhibitor

Sierra has stated it is planning a combination trial of SRA737 with the approved PARP inhibitor Zejula® niraparib (Tesaro) in subjects with metastatic castration-resistant prostate cancer (mCRPC). The trial is planned to take place in the UK led by Professor Johann de Bono, a leading prostate cancer expert at The Institute of Cancer Research and The Royal Marsden NHS Foundation Trust in London. Definitive timelines for its initiation have not been given (it was previously expected to begin in the fourth quarter of 2018).

PARP inhibitors prevent the repair of DNA damage and several have been approved as targeted treatments for cancer and other indications, including Lynparza® olaparib (AstraZeneca), Rubraca® rucaparib (Clovis Oncology) and Zejula®. However, intrinsic and acquired resistance to PARP inhibitors is emerging as a serious clinical issue that diminishes their effect over time.

Sierra believes that targeting components of the DNA damage repair machinery such as Chk1 represents an attractive therapeutic strategy. To support this approach, Sierra presented preclinical data demonstrating SRA737's synergistic activity in combination with a PARP inhibitor at the American Association of Cancer Research (AACR) Annual Meeting (April 2018), the 30th EORTC-NCI-AACR Symposium (November 2018), and more recently at the DNA Damage Response (DDR) Therapeutics Summit (January 2019).

Combination of SRA737 with Immuno-Oncology Agents

Sierra is also investigating the possibility of combining SRA737 with immuno-oncology agents as a further opportunity. Immuno-oncology agents, such as immune checkpoint inhibitors (e.g. anti-PD1 and anti-PD-L1 therapies) represent a breakthrough approach to cancer therapy by blocking the ability of the tumour cell to evade recognition and attack by the immune system.

During 2018, Sierra presented preclinical data, including at the AACR Conference of Tumor Immunology in November, demonstrating biological synergy between SRA737 and immune checkpoint blockade. At the AACR conference, SRA737 was shown to activate the STING pathway (an anti-tumour immune response) and demonstrated a clear anti-tumour effect in a model of small-cell lung cancer (SCLC).

Sierra is investigating this combination approach, with further preclinical data expected to be presented in the first half of 2019 and a possible clinical study to follow pending the results.

In February 2019, Sierra announced that an abstract reporting new preclinical data for SRA737+LDG in combination with anti PD-L1 immunotherapy has been selected for a late-breaking oral presentation at the American Association of Cancer Research (AACR) Annual Meeting (29 March to 3 April 2019). The data demonstrate a striking immunomodulatory effect of SRA737 + LDG that results in some of the most profound synergistic activity with anti-PD-L1 immunotherapy that has been observed in a preclinical model of small cell lung cancer, a cancer that is usually non-responsive to immunotherapy alone. The late-breaking abstract will be presented by researchers at the MD Anderson Cancer Center (Houston, TX). Sierra commented that these results provide a strong preclinical rationale for the potential of a replication stress targeting strategy to broaden the limited clinical efficacy of immunotherapy observed in cancers such as SCLC.

Proprietary Pipeline – Selective TYK2/JAK1 Inhibitors in Autoimmune Diseases and Cancer

The majority of Sareum's recent focus has been on undertaking studies to enable the nomination of preclinical development candidates from its TYK2/JAK1 programme with distinct profiles optimised for development in autoimmune diseases and cancer.

TYK2 and JAK1 are members of the Janus Kinase (JAK) family of protein kinase enzymes with important roles in maintaining a healthy immune system. Both kinases have well-documented roles in pro-inflammatory responses in autoimmune diseases and tumour cell proliferation in certain cancers. Members of the JAK family are the targets of several marketed and clinical-stage drugs in both disease areas, although there are currently no marketed products with specific selectivity for TYK2.

During September 2018, Sareum announced it had nominated preclinical candidates from its programme in both autoimmune diseases and cancers. In each case, the candidates, known as SDC-1801 and SDC-1802, respectively, were selected from a novel series of compounds designed and identified by Sareum following a rigorous process, and demonstrate potentially best- or first-in-class potential with the following characteristics:

- Proprietary small molecules that are potent and selective for TYK2 and JAK1 kinases (avoiding JAK2 and JAK3, which have known negative side-effect issues)
- Compelling activity in relevant disease models
- Suitable for once or twice daily oral dosing
- Good toxicological profile (in assays to date)
- Straightforward synthesis

Both candidates have now entered preclinical development and Sareum has prioritised its resources towards their progression through this phase and towards first clinical studies, which are targeted for 2020. The Company is developing its TYK2/JAK1 programmes with the intention of generating compelling preclinical and potentially early clinical data, the basis of which will define the timing and future development and partnering strategy for these candidates.

In the meantime, the data arising from some of the work leading to the compound selection are being prepared for submission to a peer-reviewed publication and a conference presentation.

SDC-1801 – Autoimmune Diseases

SDC-1801 will undergo a series of toxicology and other preclinical studies over the coming 12-18 months in preparation for first human clinical trials in healthy volunteers. The molecule has already shown compelling activity in disease models of psoriasis and rheumatoid arthritis, while closely related molecules (including a previously reported advanced lead, SAR-20347), have also shown good activity in models of inflammatory bowel disease and systemic lupus erythematosus (lupus).

Sareum believes SDC-1801 represents a strong candidate entering an area of increasing industry interest with substantial clinical validation. The Company's view has been formed based on the progress of molecules in clinical development by Bristol-Myers Squibb (BMS-986165; TYK2 inhibitor) and Pfizer (PF-06700841; TYK2/JAK1 inhibitor) in psoriasis and other autoimmune diseases, which has been promising but also shown signals that suggest there is an opportunity for a molecule with best-in-class properties. The Company has also become aware that Pfizer is planning to start a randomised, 448-patient Phase 2b efficacy and safety trial with PF-06700841 in lupus during Q2 2019, further highlighting interest in the mechanism.

Furthermore, several licensing deals for preclinical and clinical-stage assets have been completed recently in the sector with highly attractive economic terms, such as:

- TD-1473 (a pan-JAK inhibitor) – licensed by Janssen from Theravance (2018) at the end of Phase 1 studies for $100M cash up-front, up to $900M in milestone payments, plus royalties*
- Filgotinib (JAK1 inhibitor) – licensed by Gilead from Galapagos (2015) at the end of Phase 2 trials for $300M cash and $425M equity investment up-front, up to $1,350M in milestone payments, plus 20%+ royalties*
- Undisclosed TYK2 inhibitor (plus other assets) – Celgene formed an alliance with Nimbus Therapeutics (2017) in preclinical stage for undisclosed up-front and milestone payments

Approved products targeting the JAK family with blockbuster sales potential, despite warnings based on side effects related to JAK2/JAK3 activity, include:

- Xeljanz® tofacitinib (Pfizer) (JAK1/JAK3 inhibitor) – approved for rheumatoid and psoriatic arthritis and ulcerative colitis, with 2018 sales of $1.77Bn, despite black box warnings for serious infections and lymphoma. More recently, dose-related cardiac safety issues were reported in a post-marketing study in rheumatoid arthritis patients
- Olumiant® baricitinib (Eli Lilly) (JAK1/JAK2 inhibitor) – approved for rheumatoid arthritis, with 2018 sales of $202.5 million and expected peak sales of approximately $1Bn*, but with black box warnings for serious infections, lymphoma and thrombosis
- Jakafi® ruxolitinib (Incyte/Novartis) (JAK1/JAK2 inhibitor) – approved for myelofibrosis and polycythemia vera (a type of blood cancer) with 2018 sales of $1.4Bn despite warnings of infections and blood cell counts

The scale of the deals and sales delivered/forecast for these candidates and products targeting TYK2 and related JAK family members give Sareum confidence in the exciting, high-value market opportunity for SDC-1801.

**Sources include company information and analyst consensus as reported in Bioworld Today "FDA approves Lilly and Incyte's baricitinib for second-line RA treatments" (4 June 2018)*

SDC-1802 – Cancer

As with SDC-1801, Sareum's preclinical candidate for cancer indications is undergoing preclinical development in preparation for human clinical studies, targeted for 2020.

In previous studies, Sareum has seen compelling activity of SDC-1802 and related molecules in disease models of:

- Blood cancers dependent on TYK2/STAT pathway signalling – T-cell acute lymphoblastic leukaemia (T-ALL) and B-cell lymphoma

- Solid tumours dependent on TYK2-dependent interleukin signalling – kidney, colon cancers
- Solid tumours *via* local immune system modulation – kidney, colon, pancreas, skin

The Company's findings across all these indications are also supported by strong evidence in the literature.

Furthermore, the Company is continuing to study the effect of combining TYK2/JAK1 inhibition with immune checkpoint inhibitors and with chemotherapies, an area of considerable industry activity and potential value.

Board of Directors strengthened

In November, Sareum appointed Michael Owen, PhD and Clive Birch FCA as Non-Executive Directors. They bring significant experience in the development of innovative product candidates and technologies, and in financial management and corporate governance, respectively. This experience and expertise is expected to be highly valuable in guiding Sareum's future growth and strategy to generate value for shareholders. In consequence of these appointments, the company has established advisory committees of the board to increase its compliance with QCA guidelines.

Dr Owen has worked in biomedical research, and in the pharmaceutical and biotechnology industries for nearly 40 years in a number of executive, board and advisory roles. He is the co-founder and first Chief Scientific Officer of Kymab Ltd, a biopharmaceutical company based in Cambridge, UK, prior to which he worked for GSK as SVP and Head of Research for Biopharmaceuticals R&D. He currently serves on the boards of several public and private companies in UK, Europe and the US and has also advised notable specialist life science investment firms such as Abingworth LLP and the CRT Pioneer Fund.

Mr Birch is an Independent Non-Executive Director of Cambridge Innovation Capital plc and a retired partner of PricewaterhouseCoopers where, as head of the Cambridge office of PwC, his role was that of an auditor and reporting accountant with an industry specialism in technology and healthcare companies. He was also part of the teams involved in fund raising and listing those clients on various markets.

Financial review

Sareum ended the six-month period ended 31 December 2018 with net assets of £1,675,000 (2017: £2,384,000) of which £1,542,000 (2017: £2,165,000) comprised cash at bank, including proceeds from a placement, which raised £850,000 before expenses in November 2018 and an R&D tax credit of £252,000.

Operating expenses for the period have increased to £904,000 (2017: £822,000): this includes an increase in research expenditure on our TYK2 autoimmune disease and cancer programmes.

The loss on ordinary activities (after taxation) was £764,000 (2017: £722,000).

Outlook

The Directors are very pleased with the progress made across the Company's programmes during the period: with SRA737, Sierra Oncology remains strongly committed to and continues to invest in the programme and expects to report preliminary clinical data and further programme expansion in the coming year; and internally, the Company expects to advance its lead candidates from the TYK2/JAK1 programme through formal preclinical development, targeting the first human trials in 2020.

The Company's strategic goal with its internal programmes is to generate compelling evidence for the potential of these candidates in their respective disease areas to facilitate licensing agreement, or agreements, at an optimal value. The Directors will continue to review the potential higher value of a later-stage licensing deal versus the requirement for any extra funding.

Meanwhile, Sareum continues to engage with potential partners with a view to securing commercial licences for its proprietary assets, while exploring new research programmes from its in-house drug discovery platform, as well as external early stage opportunities that can be potentially in-licensed and progressed into the clinic.

From a financial perspective, the Company will continue to employ rigorous capital management in the development of its internal assets and its overall business.

Dr Stephen Parker
Chairman, Sareum Holdings plc

1 March 2019

Dr Tim Mitchell
CEO, Sareum Holdings plc

1 March 2019

Consolidated Income Statement for the six months ended 31 December 2018

	Notes	Unaudited Six months ended 31 Dec 18	Unaudited Six months ended 31 Dec 17	Audited Year ended 30 Jun 18
		£'000	£'000	£'000
Revenue		**-**	**-**	**-**
Other operating income		-	-	-
Operating expenses		(904)	(822)	(1,710)
Share of (loss)/profit of associates		(5)	(9)	(12)
Operating (loss)/profit		**(909)**	**(831)**	**(1,722)**
Finance income		2	1	4
(Loss)/profit before tax		(907)	(830)	(1,718)
Tax	3	143	108	249
(Loss)/profit on ordinary activities after taxation		**(764)**	**(722)**	**(1,469)**
Basic and diluted loss per share (pence)	**5**	**0.03p**	**0.03p**	**0.05p**

Consolidated Statement of Comprehensive Income for the six months ended

31 December 2018

	Unaudited Six months ended 31 Dec 18	Unaudited Six months ended 31 Dec 17	Audited Year ended 30 Jun 18
	£'000	£'000	£'000
(Loss)/profit for the period	(764)	(722)	(1,469)
Other comprehensive income	-	-	-
Total comprehensive income for the period	(764)	(722)	(1,469)
Total comprehensive income attributable to:			
Owners of the parent	(764)	(722)	(1,469)

Consolidated Balance Sheet as at 31 December 2018

	Unaudited As at 31 Dec 18	Unaudited As at 31 Dec 17	Audited As at 30 Jun 18
	£'000	£'000	£'000
Non-current assets			
Property, plant and equipment	5	11	8
Investments in associates	37	45	41
	42	**56**	**49**
Current assets			
Debtors	65	178	138
Tax receivable	144	156	254
Cash and cash equivalents	1,542	2,165	1,375
	1,751	**2,499**	**1,767**
Creditors: amounts due within one year	(118)	(171)	(183)
Net current assets	**1,633**	**2,328**	**1,584**
Net assets	**1,675**	**2,384**	**1,633**
Equity			
Called-up share capital	719	686	686
Share premium	13,162	12,396	12,396
Share-based compensation reserve	300	296	293
Retained earnings	(12,506)	(10,994)	(11,742)
Total equity	**1,675**	**2,384**	**1,633**

Consolidated Statement of changes in equity for the six months ended

31 December 2018

	Share Capital	Share Premium	Share-based compensation reserve	Retained Loss	Total
	£'000	£'000	£'000	£'000	£'000
As at 30 June 2017 (Audited)	**661**	**11,765**	**192**	**(10,272)**	**2,346**
Issue of share capital (net)	**25**	**631**	**-**	**-**	**656**
Loss for the period	-	-	-	(722)	(722)
Share-based compensation reserve	-	-	104	-	104
As at 31 December 2017 (Unaudited)	**686**	**12,396**	**296**	**(10,994)**	**2,384**
Loss for the period	-	-	-	(748)	(748)
Share-based compensation reserve	-	-	(3)	-	(3)
As at 30 June 2018 (Audited)	**686**	**12,396**	**293**	**(11,742)**	**1,633**
Issue of share capital (net)	33	766	-	-	799
Loss for the period	-	-	-	(764)	(764)
Share-based compensation reserve	-	-	7	-	7
As at 31 December 2018 (Unaudited)	**719**	**13,162**	**300**	**(12,506)**	**1675**

Consolidated Cash Flow Statement for the six months ended 31 December 2018

	Unaudited Six Months ended 31 Dec 18	Unaudited Six Months ended 31 Dec 17	Audited Year ended 30 Jun 18
	£'000	£'000	£'000
Net cash flow from operating activities			
Continuing operations:			
Loss before tax	(907)	(830)	(1,718)
Depreciation	3	2	5
Share-based compensation charge	7	104	101
Share of costs of associate	5	9	12
Finance income	(2)	(1)	(4)
	(894)	(716)	(1,604)
Decrease/(increase) in trade and other receivables	72	(98)	(60)
Decrease/(increase) in trade and other payables	(65)	16	28
Cash (used in)/generated from operations	(887)	(798)	(1,636)
Tax received	252	-	43
Net cash from operating activities	**(635)**	**(798)**	**(1,593)**
Cash flows from investing activities			
Purchase of tangible fixed assets	-	-	-
Repayment of investment funds	-	-	-
Interest received	2	1	4
Net cash from investing activities	**2**	**1**	**4**
Cash flows from financing activities			
Repayment of loan to Director	1	-	2
Share issue	33	25	25
Share premium on share issue	766	631	631
Net cash inflow/(outflow) from financing activities	**800**	**656**	**658**
Increase/(decrease) in cash and equivalents	**167**	**(141)**	**(931)**
Cash and equivalents at start of period	**1,375**	**2,306**	**2,306**
Cash and equivalents at end of period	**1,542**	**2,165**	**1,375**

NOTES TO THE UNAUDITED RESULTS FOR THE SIX MONTHS ENDED

31 DECEMBER 2018

1. Financial information

These half-yearly financial statements are unaudited and do not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006. The Annual Report and Accounts for the year ended 30 June 2018 have been delivered to the Registrar of Companies and are available from Sareum's web site, www.sareum.com. The report of the auditor on those accounts was not qualified and contained no statement under Section 498 of the Companies Act 2006.

2. Basis of accounting

The accounting policies adopted are consistent with those of the financial statements for the year ended 30 June 2018, as described in those financial statements. As at the date of signing the interim financial statements, there are no new Standards likely to affect the financial statements for the year ending 30 June 2019.

The Group's current cash and short-term deposits will meet the existing commitments and operating needs for at least a year. The Directors anticipate that the Group will secure sufficient equity-based funding and/or revenue from partnering agreements during the coming year to ensure that the Group's programmes continue to reach their full potential. Therefore these financial statements have been prepared on a going concern basis.

3. Taxation

No liability arises for corporation tax for the six-month period ended 31 December 2018. Research and Development tax credits, receivable as cash, are estimated to be £143,000 for the period.

4. Dividends

The directors do not propose the payment of a dividend in respect of the six months ended 31 December 2018.

5. Loss per share

Basic and diluted loss per share is 0.03p (2017: 0.03p). The basic and diluted loss per ordinary share is calculated by dividing the Group's loss for the six months of £764,000 (2017: profit £722,000) by 2,783,601,914 (2017: 2,666,963,118), the weighted average number of shares in issue during the period.

There is no dilutive effect in respect of share options during the six months to 31 December 2018 because the Group generated a loss in that period.

6. Availability of half-yearly report

This half-yearly statement is available on request from the offices of the Company at Unit 2a, Langford Arch, London Road, Pampisford, Cambridge CB22 3FX and to download from the Company's website, www.sareum.co.uk.