



Sareum Holdings plc

Annual Report and Accounts 2008

Focus on Drug Discovery

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For the year ended 30 June 2008

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COMPANY INFORMATION

For the Year Ended 30 June 2008

DIRECTORS:	Paul Harper PhD Tim Mitchell PhD John Reader PhD
SECRETARY:	Tony Bunn FCMA
REGISTERED OFFICE:	2 Iconix Park London Road Pampisford Cambridgeshire CB22 3EG
REGISTERED NUMBER:	5147578
AUDITORS:	Shipleys LLP Chartered Accountants & Registered Auditors 10 Orange Street Haymarket London WC2H 7DQ
BROKER:	Hybridan LLP 60 Lombard Street London EC3V 9EA
CORPORATE SOLICITORS:	Bircham Dyson Bell 50 Broadway Westminster London SW1H 0BL
NOMINATED ADVISER:	John East & Partners Limited 10 Finsbury Square London EC2A 1AD
REGISTRARS:	Capita Registrars The Registry 34 Beckenham Road Beckenham BR3 4TU

CHAIRMAN'S STATEMENT

For the Year Ended 30 June 2008

Overview

The key value creator for Sareum's shareholders is in 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, have led to the decision to continue to invest in this drug discovery activity, adding new programmes and increasing the resources 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 three of Sareum's research programmes, including its collaboration with the Institute of Cancer Research and Cancer Research Technology Limited. During the period, Sareum has been engaged in a total of six in-house cancer drug discovery programmes.

Conversely, in the period under review, the current economic climate led to difficult conditions for Sareum's fee for service business. Customers and potential customers delayed spending on external research to conserve their cash. In addition, the Directors have also seen a high level of consolidation activity among the Company's key customer group which has resulted in delays or deferments of spending decisions.

During the latter half of the period the downturn in market valuations, in common with most small cap and biotech stocks, and the slowdown in the fee for service business had a major impact on the Company. For these reasons, the Board undertook a strategic review of the business which culminated, in August 2008, in the sale of the service business and equipment assets together with a major cost and staff reduction programme.

Following the disposal, Sareum intends to concentrate solely on its in-house cancer drug discovery research. The Board estimates that, as a result of the disposal and the cost reductions, alongside a substantial R&D tax credit claim, it has sufficient cash resources to execute its business plan to develop and commercialise certain of its drug discovery programmes over the next 12 months.

In the absence of a licensing deal in the next 12 months the Company will need to raise further working capital to maintain its development work.

Fee for Service

Since the Company's formation in 2003, Sareum's business was based on its expertise in structure-based drug discovery, which is capable of rapidly producing novel candidate drug compounds. This led to a profitable fee-for-service business where collaborations with major pharmaceutical and biotechnology companies from around the world generated revenues to support Sareum's in-house research and helped to build relationships with potential future licensees of its research programmes. Although the trading conditions were very difficult throughout the period, leading to the disposal of the fee for service business, the Company was able to renew contracts with key existing customers including Johnson & Johnson Pharmaceutical Research & Development, Genentech Inc. and H. Lundbeck A/S.

CHAIRMAN'S STATEMENT - continued

For the Year Ended 30 June 2008

In-House Development

The Company's principal asset following the sale of the fee for service business is the intellectual property of its cancer drug discovery programmes which it intends to further develop using its cash reserves, the proceeds of the asset disposal and anticipated R&D tax credits. Sareum has six drug discovery programmes and is actively developing three of them at this present time.

During the period under review Sareum made significant advances in its in-house drug discovery programmes. In April 2008, Dr John Reader, VP of Chemistry, presented the latest results from Sareum's joint research collaboration with the Institute of Cancer Research and Cancer Research Technology Limited at the annual meeting of the American Association for Cancer Research ("AACR") held in San Diego, CA. The poster presentation described the development of multiple lead series of novel Checkpoint Kinase 1 (Chk-1) inhibitors with mechanism-based cellular activity and good pharmacokinetic properties.

Drugs that impede Chk-1 reduce a cell's ability to repair the damage caused by current chemotherapy agents which in turn are used to treat many forms of cancer. Thus by combining drugs that inhibit Chk-1 with other anti-cancer drugs there is the opportunity to enhance the activity of the chemotherapy and possibly to reduce the dose and therefore the side effects of the treatment. The next key step in this programme is the demonstration of its effectiveness in in-vivo disease models. Initial results have been very promising.

In addition to the joint venture activities, we continue to work on a number of other quality cancer targets in the Company's in-house pipeline, including the Aurora and FLT kinase programmes that were announced in May 2007. In October 2007, the Company announced initial results from further cancer drug discovery programmes, targeting two important cancer drug discovery targets, PLK1 and B-raf kinases. Additionally, in March 2008, Sareum announced an additional research programme, and associated patent filings, targeting Fatty Acid Synthase.

The Company's intellectual property estate has been significantly enhanced during the period with the generation of a total of five patent applications from three of the in-house cancer drug discovery programmes.

Financial Review

During the period, revenues from the fee for service business (now discontinued) amounted to £1.5 million (2007: £2.5 million), a significant reduction from the previous year, as a result of the difficult trading conditions experienced by the Company. Accordingly, the loss after taxation increased to £1.7 million (2007: £0.53 million). The resultant cash position at the period end was £0.48 million (2007: £0.66 million). Since the year end the cash position has been significantly improved following the asset sale which was announced in August 2008. Along with the expected receipt of a substantial R&D tax credit, the Company believes it has sufficient funds to operate its business plan for at least the next 12 months.

CHAIRMAN'S STATEMENT - continued

For the Year Ended 30 June 2008

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 invest in strategic alliances to develop candidate drug molecules.

The latter half of this period was a difficult one for the Company, but the Board demonstrated that it could act decisively in the face of adverse market conditions.

Outlook

Sareum now has an exciting opportunity to concentrate solely on its in-house cancer drug discovery programme, to generate shareholder value. The research work for the ongoing programmes is being provided via third party providers, leaving the Company with a vastly 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 and the Board hopes to commercialise at least one of these programmes by the end of 2009.

The Company's shares were suspended from trading on AIM on 9 July 2008 pending clarification of the Company's financial position. The Company's strategy and its ability to implement that strategy in the short term have now been clarified, with sufficient cash resources to fund the ongoing business plan for at least the next 12 months on the basis of its existing resources and the anticipated tax credit. However, the Board is still finalising its longer term financial strategy with the help of its advisers and the Company's shares remain suspended pending completion of that process. Should the Company's shares remain suspended beyond 8 January 2009, its shares will be delisted from AIM. However, I look forward to updating shareholders before that time.



Dr Paul Harper - Chairman
20 November 2008

REPORT OF THE DIRECTORS

For the Year Ended 30 June 2008

The directors present their report with the financial statements of the company and the group for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the year under review were those of a holding company. The principal activity of the Group is the discovery and development of new therapeutic drugs by a combination of skills in biology, computational chemistry and medicinal chemistry

REVIEW OF BUSINESS

During the period under review Sareum commenced a strategic review of the business. Following the year-end the options available were evaluated and this resulted in the board taking the decision to sell the service business and associated assets on 26 August 2008. In parallel with this review, the Group decided on 31 July to make major cost savings largely through staff reductions. This was necessary due to difficult trading conditions arising from the current economic climate, as reflected in the financial results. The financial consequences of these post balance sheet events are elaborated in note 23 to the financial statements. The Group now has an exciting opportunity to concentrate solely on the development and licensing of cancer drug candidates from a strong pipeline of established in-house programmes. A comprehensive review of the year is given in the Chairman's statement.

DIVIDENDS

No dividends will be distributed for the year ended 30 June 2008.

DIRECTORS

The directors who served during the period were as follows:

Tim Mitchell PhD

John Reader PhD

David Williams PhD (resigned 29 August 2008)

Paul Harper PhD

Giorgio Reggiani MBA ACMA (appointed 11 September 2007; resigned 11 July 2008)

Alastair Riddell PhD (appointed 16 November 2007; resigned 1 July 2008)

COMPANY'S POLICY ON PAYMENT OF CREDITORS

The Group was unable to maintain its previous payment policy and during the year the average number of days between the invoice date and its payment into the suppliers' bank accounts was 63 days (2007: 40 days). At 30 June 2008, the invoices representing the trade creditors of the Group had an average age of 44 days (2007: 34 days). From September 2008 the Group expects to return to a policy of paying its suppliers within 30 days of invoice date.

KEY PERFORMANCE INDICATORS

The directors consider cash and spending on research and development to be the Group's key performance indicators.

REPORT OF THE DIRECTORS – continued

For the Year Ended 30 June 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the company website.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

A resolution to re-appoint Shipleys LLP as auditors will be proposed at the Annual General Meeting ("AGM").

ON BEHALF OF THE BOARD:



Tony Bunn FCMA – Secretary
20 November 2008

CORPORATE GOVERNANCE REPORT

Introduction

Sareum Holdings plc was listed on AIM on 11 October 2004. Although the rules of AIM do not require the Company to comply with the Combined Code on Corporate Governance (the Code), the Company fully supports the principles set out in the Code and will attempt to comply wherever possible, given the resources available to the Company. Details are provided below of how the Company applies the Code.

The Board

At the year end, the Board of Directors comprised of four Executive Directors and two independent Non-executive Directors, one of whom is the Chairman. Of the Executive Directors, the Finance Director was part-time and held prominent positions in other companies, and as such added to the breadth of vision of the Board.

The Board generally meets monthly and receives reports covering finance, compliance, business development, safety, operations and science together with any other material deemed necessary for the Board to discharge its duties. It is the Board's responsibility to review and approve the Group's strategy, budgets, staff recruitment, major items of expenditure and acquisitions.

Under the Articles of Association, all Directors must offer themselves for re-election at least once every three years. One third of the Directors retire by rotation at every AGM and are eligible for reappointment.

Board Committees

The Board has established an Audit Committee and a Remuneration Committee with written terms of delegated responsibilities. The terms of reference are as close to the model terms of the Institute of Chartered Secretaries and Administrators as is possible for a Board with one independent Non-executive Director. The terms of reference of the Committees are published on the Company's website: www.sareum.co.uk.

Audit Committee

The Audit Committee currently comprises Dr Paul Harper, Chairman and Dr Tim Mitchell, Chief Executive Officer. It is scheduled to meet twice a year. It is the Audit Committee's role to provide formal and transparent arrangements covering the financial reporting and internal control requirements of the Code, whilst maintaining an appropriate relationship with the independent auditors of the Group.

In 2007 the Committee met with the auditors after the 2007 audit to receive their report and probe them on the robustness of the Group systems and procedures. In 2008 the Committee met with the auditors to agree the audit plan for this year's audit.

Remuneration Committee

The Remuneration Committee currently comprises Dr Paul Harper, Chairman. It meets at least once a year. It is the Remuneration Committee's role to establish a formal and transparent policy on executive remuneration and to set remuneration packages for individual Directors. The Committee also ensures that recommendations made by the Executive Directors on staff remuneration are fair from a shareholder's perspective. Further information on the work of the Committee can be found on pages 12 and 13.

Shareholder relations

The Company meets with its institutional shareholders and analysts as appropriate and uses the AGM to encourage communication with private shareholders. In addition, the Company uses the Annual Report and Accounts, Interim Statement and website (www.sareum.co.uk) to provide further information to shareholders.

The Company publishes information for shareholders on its website: www.sareum.co.uk.

Internal control and risk management

The Board is responsible for the systems of internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The Audit Committee reviews the effectiveness of these systems annually. This it does primarily by discussions with the external auditors and by considering the risks potentially affecting the Group.

The Group does not have an internal audit function since the administrative function is very small. Instead there is a detailed Director review and authorisation of transactions. The annual audit by the Group auditors, which tests a sample of transactions, did not highlight any significant system improvements in order to reduce risks.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, compared with the budget, are reported to the Board on a monthly basis and discussed in detail.

The Group maintains appropriate insurance cover in respect of actions taken against the Executive Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

Corporate social responsibility

Sareum is a small, motivated team of professional people which operates to high standards. These standards include a commitment to best practice in meeting the Company's social responsibilities.

Health and safety

The Company is proactive in considering the safety of staff, visitors and the public. It operated a safety committee and had regular inspections by an independent specialist adviser. It had no notifiable safety incidents during the year and no working days were lost due to accidents.

Employees

Sareum is committed to a policy of equal opportunities in the recruitment, engagement and treatment of its staff.

The motivation of staff and the maintenance of an environment where innovation and team working is encouraged are seen as key objectives by the Board. Regular Company meetings were held with staff where issues were discussed in an open manner.

Environment

Sareum disposes of its waste products through regulated channels using reputable agents. It has changed agents to be able to continue to recycle its waste as appropriate.

REMUNERATION COMMITTEE REPORT

Introduction

The Company recognises the value of the Combined Code on Corporate Governance issued by the London Stock Exchange. It seeks to comply with the Combined Code so far as is practicable and appropriate for a public company of its size and nature. The Company also seeks to follow the Guidance for Smaller Quoted Companies on the Combined Code issued by the Quoted Companies Alliance in August 2004. Companies trading on AIM are not required to provide a formal remuneration report. However, in line with current best practice, this report provides information to enable a greater level of understanding as to how remuneration is determined by the Board.

The Remuneration Committee of the Board is responsible for considering staff and Directors' remuneration packages and makes its recommendations to the Board. The Committee currently comprises Dr Paul Harper, Non-executive Chairman. It meets at least once a year to review salaries and share option schemes for staff and Directors. During the year it met to consider the granting of further share options under the scheme established the previous year and to consider the annual cost-of-living awards for staff and Directors.

Remuneration policy

Remuneration packages are designed to be competitive and to reward above average performance. At present, Executive Directors receive salary, death-in-service benefit, critical illness and medical cover and a 6% pension contribution. No share option agreements have been introduced for Directors.

Executive Director service contracts

The two full-time Executive Directors have executive service agreements with the Company dated 7 July 2004. The service agreements were subject to termination upon six months' notice being given by either party.

For the year from 1 July 2007 a Director's bonus scheme was in effect to reward the Directors based on performance targets that build shareholder value.

Pensions

The Group does not have a pension scheme but makes contributions to Executive Directors' personal pension schemes of 6% of annual salary.

Share option schemes

In setting up share option schemes for staff, the Committee took into account the recommendations of shareholder bodies, such as that of the insurance companies, on the number of options to issue, the criteria for vesting and the desirability of granting share options to Executive Directors. As a result, the Committee did not initiate a share option scheme for Executive Directors. It approved the following share incentive arrangements for staff:

- an Inland Revenue approved (EMI) share option scheme (approved scheme) and
- an unapproved share option scheme (unapproved scheme), identical to the approved scheme but for part-time staff who do not fulfil the EMI employment criteria.

Share option schemes (continued)

At the beginning of the period under review there were a total of 13,065,000 options outstanding at an exercise price of 2.00p per share. During the year 2,105,000 new options were granted and 1,445,000 options lapsed under the rules of the scheme, due to employees leaving the company. This brings the total share options outstanding, as at 30 June 2008, to 13,725,000. All employees who have been granted share options have now left the company and their options lapse, either immediately in the case of voluntary resignation, or after 6 months in the case of redundancy.

Under the schemes, options will vest in four equal amounts under the following vesting events:

Vesting events

The date falling one calendar year from the date of the option holder's contract of employment

The date on which the cumulative sales invoices issued by the Group exceeds £1.0m (this occurred in December 2005)

The date falling two calendar years from the date of the option holder's contract of employment

The date on which the Group nominates its first pre-clinical candidate

Non-executive Directors

The Non-executive Chairman entered into a letter of engagement dated 19 September 2004. Members may request copies of these letters by sending a stamped addressed envelope to the Company Secretary. The appointments can be terminated by either party giving six months notice.

Directors' remuneration

Details of Directors' annual remuneration as at 30 June 2008 are set out below:

	Salary £	Healthcare £	Emoluments £	Pension £	Total £
Executive Directors					
Dr TJ Mitchell	92,160	493	92,653	5,530	98,183
Dr JC Reader	87,048	432	87,480	5,223	92,703
Dr DH Williams (resigned 29 August 2008)	87,048	432	87,480	5,223	92,703
EG Reggiani (appointed 11 September 2007, resigned 11 July 2008)	30,000	-	30,000	1,800	31,800
Non-executive Directors					
Dr PB Harper	50,000	-	50,000	-	50,000
Dr AJ Riddell (appointed 16 November 2007, resigned 1 July 2008)	18,000	-	18,000	-	18,000
Total	364,256	1,357	365,613	17,776	383,389

REPORT OF THE INDEPENDENT AUDITORS

To the members of Sareum Holdings plc

We have audited the financial statements of Sareum Holdings plc for the year ended 30 June 2008 on pages 16 to 33. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union are set out on pages two and three.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITORS - continued

To the members of Sareum Holdings plc

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted for use in the European Union, of the state of affairs of the company and the group as at 30 June 2008 and of the loss of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Emphasis of Matter - Going Concern

Without qualifying our opinion, we draw your attention to notes 1 and 23 in the financial statements, concerning the group's ability to continue as a going concern. The group incurred a net loss of £1,692,357, after tax, during the year ended 30 June 2008 although, as of that date, the group's total assets exceeded its current liabilities by £1,526,090. These conditions, along with other matters as set forth in notes 1 and 23, indicate the existence of a material uncertainty which may cast significant doubt over the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group were unable to continue as a going concern.

Shipleys LLP
Chartered Accountants & Registered Auditors
10 Orange Street
Haymarket
London
WC2H 7DQ

20 November 2008

CONSOLIDATED INCOME STATEMENT

For the Year Ended 30 June 2008

	Notes	2008 £	2007 £
CONTINUING OPERATIONS			
Revenue		1,502,507	2,470,676
Cost of sales		<u>(2,122,491)</u>	<u>(1,852,626)</u>
GROSS (LOSS)/PROFIT		(619,984)	618,050
Other operating income		307	510
Administrative expenses		<u>(1,396,603)</u>	<u>(1,352,636)</u>
OPERATING LOSS		(2,016,280)	(734,076)
Finance costs	4	(36,236)	(16,953)
Finance income	4	<u>32,927</u>	<u>28,202</u>
LOSS BEFORE TAX	5	(2,019,589)	(722,827)
Tax	6	<u>327,232</u>	<u>195,441</u>
LOSS FOR THE YEAR		<u><u>(1,692,357)</u></u>	<u><u>(527,386)</u></u>
Attributable to:			
Equity holders of the parent		<u>(1,692,357)</u>	<u>(527,386)</u>
Loss per share expressed in pence per share:	8		
Basic		(0.28)p	(0.12)p
Diluted		<u>(0.27)p</u>	<u>(0.12)p</u>

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the Year Ended 30 June 2008

	2008 £	2007 £
LOSS FOR THE FINANCIAL YEAR	<u>(1,692,357)</u>	<u>(527,386)</u>
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR	<u>(1,692,357)</u>	<u>(527,386)</u>
Attributable to:		
Equity holders of the parent	<u>(1,692,357)</u>	<u>(527,386)</u>

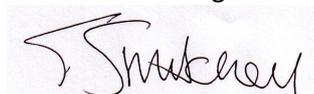
The notes form part of these financial statements

CONSOLIDATED BALANCE SHEET

30 June 2008

	Notes	2008 £	2007 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	25,836	30,681
Property, plant and equipment	10	723,843	1,014,835
Investments	11	-	-
		<u>749,679</u>	<u>1,045,516</u>
CURRENT ASSETS			
Trade and other receivables	12	283,702	641,738
Tax receivable		324,570	195,441
Cash and cash equivalents	13	480,851	660,326
		<u>1,089,123</u>	<u>1,497,505</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	224,322	798,603
Financial liabilities - borrowings			
Interest bearing loans and borrowings	15	88,390	218,562
		<u>312,712</u>	<u>1,017,165</u>
NET CURRENT ASSETS		<u>776,411</u>	<u>480,340</u>
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	15	125,656	159,965
NET ASSETS		<u>1,400,434</u>	<u>1,365,891</u>
SHAREHOLDERS' EQUITY			
Called up share capital	17	204,524	114,952
Share premium	18	5,401,631	3,764,303
Merger reserve	18	27	2
Retained earnings	18	(4,205,748)	(2,513,391)
Total equity		<u>1,400,434</u>	<u>1,365,891</u>
TOTAL EQUITY		<u>1,400,434</u>	<u>1,365,891</u>

The financial statements were approved by the Board of Directors on 20 November 2008 and were signed on its behalf by:



T J Mitchell PhD - Director

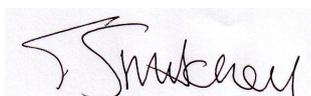
The notes form part of these financial statements

COMPANY BALANCE SHEET

30 June 2008

	Notes	2008 £	2007 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	-	-
Property, plant and equipment	9	-	-
Investments	10	30,000	30,000
Trade and other receivables	12	<u>5,156,561</u>	<u>3,539,548</u>
		<u>5,186,561</u>	<u>3,569,458</u>
CURRENT ASSETS			
Trade and other receivables		<u>-</u>	<u>-</u>
LIABILITIES			
NET CURRENT ASSETS			
		<u>-</u>	<u>-</u>
NET ASSETS			
		<u>5,186,561</u>	<u>3,569,458</u>
SHAREHOLDERS' EQUITY			
Called up share capital	17	204,524	114,952
Share premium	18	5,401,631	3,764,303
Retained earnings	18	<u>(419,594)</u>	<u>(309,797)</u>
Total equity		<u>5,186,561</u>	<u>3,569,458</u>
TOTAL EQUITY			
		<u>5,186,561</u>	<u>3,569,458</u>

The financial statements were approved by the Board of Directors on 20 November 2008 and were signed on its behalf by:



T J Mitchell PhD - Director

The notes form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 30 June 2008

		2008	2007
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	24	(1,847,123)	(369,575)
Interest paid		(36,236)	(16,953)
Tax received		<u>198,103</u>	<u>128,040</u>
Net cash from operating activities		<u>(1,685,256)</u>	<u>(258,488)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(6,500)	(20,767)
Purchase of tangible fixed assets		(83,065)	(498,182)
Sale of tangible fixed assets		-	750
Interest received		<u>32,927</u>	<u>28,202</u>
Net cash from investing activities		<u>(56,638)</u>	<u>(489,997)</u>
Cash flows from financing activities			
Repayment of leasehold improvements loan		(26,472)	(31,851)
Capital element of finance leases		(138,009)	214,226
Share issue		89,572	21,765
Share premium on issue of shares		<u>1,637,328</u>	<u>676,195</u>
Net cash from financing activities		<u>1,562,419</u>	<u>880,335</u>
(Decrease)/Increase in cash and cash equivalents		(179,475)	131,850
Cash and cash equivalents at beginning of year	25	<u>660,326</u>	<u>528,476</u>
Cash and cash equivalents at end of year	25	<u><u>480,851</u></u>	<u><u>660,326</u></u>

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 June 2008

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. This is the first year that the company has adopted IFRS and the transition from UK GAAP has not resulted in any restatement of the figures.

Going concern

Sareum Holdings plc is a research and development based business, with at present no currently marketed products. The directors, who regularly review forecasts of trading and cash flows and compare these with available funding, consider that the Group has sufficient resources for the foreseeable future and thus they continue to adopt the going concern basis in the preparation of these financial statements.

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

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Leasehold improvements	-	the remaining life of the lease
Laboratory equipment	-	straight line over four years
Fixtures and computers	-	straight line over three or four years

Deferred tax

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

Research and development expenditure is written off in the year in which it is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

For the Year Ended 30 June 2008

1. ACCOUNTING POLICIES - continued

Finance leases and hire purchase contracts

Tangible assets acquired under finance leases and hire purchase contracts are capitalised at their estimated fair value at the date of inception of the contract of each lease. The total finance charges are allocated over the period of the lease in such a way as to give a reasonable constant charge on the outstanding liability.

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.

Revenue recognition

The revenue shown in the profit and loss account relates to the provision of research and development services and the hire of equipment. The revenue recognised represents the value of work completed within the period.

Employee share scheme

The Company operates share based incentive schemes. The cost of awards to employees, being the difference between the market price at the date of the award and the amount of consideration due, is recognised over the period of the employee's related performance where there is a reasonable expectation that the performance criteria will be met. The share options granted during the year are calculated to have a zero fair value under IFRS2 using the Black-Scholes pricing model.

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.

2. TURNOVER

The turnover and loss before taxation are attributable to the principal activities of the group.

An analysis of turnover by geographical market is given below:

	2008	2007
	£	£
United Kingdom	330,552	374,023
Rest of Europe	691,153	679,304
USA	480,802	1,417,349
	<u>1,502,507</u>	<u>2,470,676</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

For the Year Ended 30 June 2008

3. EMPLOYEES AND DIRECTORS

	2008	2007
	£	£
Directors' emoluments	372,437	361,664
Directors' pension contributions to money purchase schemes	<u>18,622</u>	<u>17,400</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>4</u>	<u>4</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2008	2007
	£	£
Emoluments etc	97,560	95,926
Pension contributions to money purchase schemes	<u>5,530</u>	<u>5,400</u>

	2008	2007
	£	£
Staff Costs:		
Wages and salaries	1,415,081	1,264,855
Social security costs	156,831	142,440
Other pension costs	<u>82,254</u>	<u>76,641</u>
	<u>1,654,166</u>	<u>1,483,936</u>

The average monthly number of employees during the year was as follows:

	2008	2007
Office and management	8	7
Research	<u>25</u>	<u>23</u>
	<u>33</u>	<u>30</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
For the Year Ended 30 June 2008

4. NET FINANCE COSTS

	2008	2007
	£	£
Finance income:		
Deposit account interest	<u>32,927</u>	<u>28,202</u>
Finance costs:		
Loan for leasehold improvements	5,602	9,509
Capital leases	<u>30,634</u>	<u>7,444</u>
	<u>36,236</u>	<u>16,953</u>
Net finance costs	<u>3,309</u>	<u>(11,249)</u>

5. LOSS BEFORE TAX

The loss before tax is stated after charging:

	2008	2007
	£	£
Other operating leases	144,077	129,891
Depreciation - owned assets	263,413	255,231
Depreciation - assets on finance leases	110,643	16,325
Loss on disposal of fixed assets	-	3,112
Intellectual property amortisation	11,345	7,584
Auditors' remuneration	9,250	9,600
Auditors' remuneration for non audit work – taxation services	850	800
Foreign exchange differences	7,934	38,733
Research and development	<u>2,169,439</u>	<u>1,899,292</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

For the Year Ended 30 June 2008

6. TAX

Analysis of the tax credit

	2008 £	2007 £
Current tax:		
Tax	<u>(327,232)</u>	<u>(195,441)</u>
Total tax credit in income statement	<u>(327,232)</u>	<u>(195,441)</u>

Factors affecting the tax charge

The tax assessed for the year is higher (2007 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2008 £	2007 £
Loss on ordinary activities before tax	<u>(2,019,589)</u>	<u>(722,827)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2007 - 19%)	(408,966)	(137,337)
Effects of:		
Expenses not allowable for tax purposes	657	356
Capital allowances for period in excess of depreciation	(124,814)	(47,607)
Unutilised tax losses	122,340	65,449
Losses surrendered for research and development tax credits	410,783	119,139
Research and development tax credits claimed	(324,569)	(195,441)
Prior year under provision	<u>(2,663)</u>	<u>-</u>
Total tax	<u>(327,232)</u>	<u>(195,441)</u>

Factors that may affect future tax charges

Tax charges in future periods will be affected by unrelieved tax losses of approximately £2,001,975, which remain available to offset against future taxable trading profits.

7. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(109,797) (2007 - £(116,889)).

The loss represents costs associated with the Company's obligations to maintain its Aim listing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

For the Year Ended 30 June 2008

8. EARNINGS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by 598.110 million being the weighted average number of ordinary shares outstanding during the period (2007: 459.809 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. In Sareum's case these potential shares represent 21 million (2007: 20 million) options at 2 pence per share. Of these 14 million (2007: 13 million) are staff options which will have lapsed by March 2009 and the remaining 7 million (2007: 7 million) options are exercisable by Ellis Stockbrokers and lapse in October 2009.

9. INTANGIBLE ASSETS

Group

	Intellectual property £
COST	
At 1 July 2007	50,764
Additions	<u>6,500</u>
At 30 June 2008	<u>57,264</u>
AMORTISATION	
At 1 July 2007	20,083
Amortisation for year	<u>11,345</u>
At 30 June 2008	<u>31,428</u>
NET BOOK VALUE	
At 30 June 2008	<u>25,836</u>
At 30 June 2007	<u>30,681</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
For the Year Ended 30 June 2008

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements £	Laboratory equipment £	Fixtures and computers £	Totals £
COST				
At 1 July 2007	395,905	1,211,237	63,342	1,670,484
Additions	<u>20,971</u>	<u>61,490</u>	<u>604</u>	<u>83,065</u>
At 30 June 2008	<u>416,876</u>	<u>1,272,727</u>	<u>63,946</u>	<u>1,753,549</u>
DEPRECIATION				
At 1 July 2007	95,794	531,525	28,331	655,650
Charge for year	<u>45,008</u>	<u>314,704</u>	<u>14,344</u>	<u>374,056</u>
At 30 June 2008	<u>140,802</u>	<u>846,229</u>	<u>42,675</u>	<u>1,029,706</u>
NET BOOK VALUE				
At 30 June 2008	<u>276,074</u>	<u>426,498</u>	<u>21,271</u>	<u>723,843</u>
At 30 June 2007	<u>300,111</u>	<u>679,712</u>	<u>35,011</u>	<u>1,014,834</u>

The net book value in respect of assets held under finance leases is as follows:

	2008 £	2007 £
Laboratory equipment	263,179	372,523
Fixtures and computers	4,871	6,170
	<u>268,050</u>	<u>378,693</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

For the Year Ended 30 June 2008

11. INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 July 2007 and 30 June 2008	<u>30,000</u>
NET BOOK VALUE	
At 30 June 2008	<u>30,000</u>
At 30 June 2007	<u>30,000</u>

On 5 July 2004, the Company acquired 100% of the issued share capital of Sareum Limited; a company incorporated in England and Wales and operating in the United Kingdom. In consideration, the shareholders in Sareum Limited received ordinary shares in Sareum Holdings plc and a loan to finance its operations. This event was not an acquisition in the normal way but purely a mechanism for floating Sareum Limited on AIM.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Current:				
Trade debtors	157,737	472,439	-	-
Other debtors	1,982	30,999	-	-
VAT	754	-	-	-
Prepayments and accrued income	<u>123,229</u>	<u>138,300</u>	<u>-</u>	<u>-</u>
	<u>283,702</u>	<u>641,738</u>	<u>-</u>	<u>-</u>
Non-current:				
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>5,156,561</u>	<u>3,539,458</u>
Aggregate amounts	<u>283,702</u>	<u>641,738</u>	<u>5,156,561</u>	<u>3,539,458</u>

The Directors have confirmed that they will not seek repayment of the inter-company balance owing from Sareum Limited within the next 12 months, and therefore this balance is considered to be repayable in more than a year from the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
For the Year Ended 30 June 2008

13. CASH AND CASH EQUIVALENTS

	Group	
	2008	2007
	£	£
Bank deposit account	385,000	425,000
Bank accounts	<u>95,851</u>	<u>235,326</u>
	<u><u>480,851</u></u>	<u><u>660,326</u></u>

14. TRADE AND OTHER PAYABLES

	Group	
	2008	2007
	£	£
Current:		
Trade creditors	126,827	282,504
Social security and other taxes	36,689	46,552
Other creditors	9,999	8,834
Accruals and deferred income	50,807	449,675
VAT	<u>-</u>	<u>11,038</u>
	<u><u>224,322</u></u>	<u><u>798,603</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
For the Year Ended 30 June 2008

15. FINANCIAL LIABILITIES - BORROWINGS

	Group	
	2008	2007
	£	£
Current:		
Loan for leasehold improvements	34,830	32,887
Finance leases (see note 15)	<u>53,560</u>	<u>185,675</u>
	<u>88,390</u>	<u>218,562</u>
Non-current:		
Loan for leasehold improvements	-	28,415
Finance leases (see note 15)	<u>125,656</u>	<u>131,550</u>
	<u>125,656</u>	<u>159,965</u>

Terms and debt repayment schedule

Group

	1 year or less £	1-2 years £	2-5 years £	Totals £
Loan for leasehold improvements	34,830	-	-	34,830
Finance leases	<u>53,560</u>	<u>62,848</u>	<u>62,808</u>	<u>179,216</u>
	<u>88,390</u>	<u>62,848</u>	<u>62,808</u>	<u>214,046</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

For the Year Ended 30 June 2008

16. LEASING AGREEMENTS

Group

Minimum lease payments under finance leases fall due as follows:

	2008	2007
	£	£
Net obligations repayable:		
Within one year	53,560	185,675
Between one and five years	<u>125,656</u>	<u>131,550</u>
	<u>179,216</u>	<u>317,225</u>

At 30 June 2008 the Group was committed to making the following payments during the next year in respect of operating leases:

Group

	Land and buildings	
	2008	2007
	£	£
Expiring:		
After five years	<u>144,400</u>	<u>144,400</u>

17. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal value:	2008 £	2007 £
40,000,000,000	Ordinary Shares	0.025p	10,000,000	10,000,000
Allotted, issued and fully paid: Number:	Class:	Nominal value		
818,098,000	Ordinary Shares	0.025p	204,524	114,952
(2007: 459,8808,824)				

In October 2007 138,888,889 ordinary shares of 0.025 pence were issued at 0.8 pence per share. In April 2008 219,400,000 ordinary shares of 0.025 pence were issued at 0.25 pence per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

For the Year Ended 30 June 2008

18. RESERVES

Group

	Retained earnings £	Share premium £	Merger reserve £	Totals £
At 1 July 2007	(2,513,391)	3,764,303	27	1,250,939
Deficit for the year	(1,692,357)			(1,692,357)
Cash share issue	-	1,637,328	--	1,637,328
At 30 June 2008	<u>(4,205,748)</u>	<u>5,401,631</u>	<u>27</u>	<u>1,195,910</u>

Company

	Retained earnings £	Share premium £	Totals £
At 1 July 2007	(309,797)	3,764,303	3,454,506
Deficit for the year	(109,797)		(109,797)
Cash share issue	-	1,637,328	1,637,328
At 30 June 2008	<u>(419,594)</u>	<u>5,401,631</u>	<u>4,982,037</u>

19. PENSION COMMITMENTS

The Group makes contributions to its employees' own personal pension schemes. The contributions for the period of £82,254 (2007: £76,641) are charged to the profit and loss account. At the balance sheet date contributions of £9,999 (2007: £8,834) were owed and are included in creditors.

20. CONTINGENT LIABILITIES

There are no contingent liabilities (2007: £nil).

21. RELATED PARTY DISCLOSURES

During the period £34,263 (2007 £nil) was paid to Doppio LLP for consultancy services. Giorgio Reggianni was a director of Sareum Holdings plc and a partner of Doppio LLP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

For the Year Ended 30 June 2008

22. RECONCILIATION OF MOVEMENTS IN RESERVES

Group

	2008	2007
	£	£
Loss for the financial year	(1,692,357)	(527,386)
New equity share capital	89,572	21,765
Premium on new share capital	<u>1,637,328</u>	<u>676,195</u>
Net addition to reserves	34,543	170,574
Opening reserves	<u>1,365,891</u>	<u>1,195,317</u>
Closing reserves	<u><u>1,400,434</u></u>	<u><u>1,365,891</u></u>

Company

	2008	2007
	£	£
Loss for the financial year	(109,797)	(116,889)
New equity share capital	89,572	21,765
Premium on new share capital	<u>1,637,328</u>	<u>676,195</u>
Net addition to reserves	1,617,103	581,071
Opening reserves	<u>3,569,458</u>	<u>2,988,387</u>
Closing reserves	<u><u>5,186,561</u></u>	<u><u>3,569,458</u></u>

23. POST BALANCE SHEET EVENTS

On 26 August 2008 the Group disposed of most of the equipment assets (including Crystal Bank and the fragment screening library) as well as the drug discovery service business for total cash consideration of £720,000. On 30 June 2008 the net book value of the assets sold was £436,623, of which £175,166 related to assets that were subject to lease agreements. Payments of £203,000 have been made to terminate the lease agreements.

Also on 31 July 2008 it was decided to implement a cost reduction programme resulting in the termination of the employment of a number of staff. The total compensation for loss of office arising from this program amounted to £167,860.

Since the balance sheet date the Group has written down the value of leasehold improvements that had a net book value of £276,074 at the year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

For the Year Ended 30 June 2008

24. RECONCILIATION OF LOSS BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2008	2007
	£	£
Loss before tax	(2,019,589)	(722,827)
Depreciation charges	385,402	279,140
Loss on disposal of fixed assets	-	3,112
Finance costs	36,236	16,953
Finance income	<u>(32,927)</u>	<u>(28,202)</u>
	(1,630,878)	(451,824)
Decrease/(Increase) in trade and other receivables	358,036	(332,796)
(Decrease)/Increase in trade and other payables	<u>(574,281)</u>	<u>415,045</u>
Cash generated from operations	<u><u>(1,847,123)</u></u>	<u><u>(369,575)</u></u>

25. CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

Year ended 30 June 2008

	30/6/08	1/7/07
	£	£
Cash and cash equivalents	<u>480,851</u>	<u>660,326</u>

Year ended 30 June 2007

	30/6/07	1/7/06
	£	£
Cash and cash equivalents	<u>660,326</u>	<u>528,476</u>

26. DEFERRED TAX

No provision has been made in the Group's accounts and the amounts not provided for at the end of the year are as follows:

	2008	2007
	£	£
Excess of depreciation on fixed assets over taxation allowance claimed	(9,025)	(29,793)
Tax losses available	<u>(420,414)</u>	<u>(267,964)</u>
	<u><u>(429,439)</u></u>	<u><u>(297,757)</u></u>

A potential deferred tax asset of £429,439 has not been recognised, as the Directors do not believe that the Company will make sufficient taxable profits in the foreseeable future to justify a provision. The deferred tax asset would be recognised should sufficient profits be generated in the future against which it may be recovered.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM) of Sareum Holdings plc (the Company) will be held on 27 January 2009, at 10am at the offices of John East & Partners Limited, 10 Finsbury Square, London EC2A 1AD for the following purposes:

Ordinary Resolution

To consider and, if thought fit, pass the following ordinary resolutions:

1. To receive and adopt the Directors' Report and financial statements for the year ended 30 June 2008.
2. To receive and adopt the Remuneration Committee report for the year ended 30 June 2008.
3. To re-elect Drs Tim Mitchell and John Reader who retire by rotation under sections 76 and 77 of the Articles of Association, and who being eligible, offers themselves for re-election as Director.
4. To confirm the appointment of Shipleys LLP as auditors of the Company to hold office until the conclusion of the next AGM at which accounts are laid before the Company and to authorise the Directors to fix their remuneration.
5. That the Directors be and they are generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the Act) to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £125,000 provided that this authority is for a period expiring at the Company's next AGM but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all earlier authorities, to the extent unused.

Special Resolution

6. That subject to the passing of the previous resolution the Directors be and they are empowered in accordance with section 95 of the Act to allot equity securities (as defined in section 94 of the Act) wholly for cash pursuant to the authority conferred by the previous resolution as if section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £125,000;

and shall expire on the conclusion of the next AGM of the Company after the passing of this resolution, save that the Company may before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the Board



Tony Bunn, Company Secretary
22 December 2008

NOTICE OF ANNUAL GENERAL MEETING - continued

Notes

1. Any member entitled to attend and vote at the AGM is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and, on a poll, vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.
2. In order to be valid, any form of proxy, power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's Registrars, Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR, not less than 48 hours before the time of the meeting or of any adjournment of the meeting.
3. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at 9am on 25 January 2009 in order to be entitled to attend and vote at the AGM. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
4. Copies of the service contracts of each of the Directors, and the register of Directors' interests in shares of the Company kept pursuant to section 325 of the Act, will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the AGM and at the place of the AGM from at least 15 minutes prior to and until the conclusion of the AGM.

FORM OF PROXY

I/We (block capital) of

Being a member/members of Sareum Holdings plc hereby appoint the Chairman of the meeting or (see note 1)

.....
 as my/our proxy to attend and on a poll to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 27 January 2009 at 10am and at any adjournment thereof. I/We direct, by inserting a cross or other mark in the appropriate box below, how my/our votes are to be cast on each of the resolutions to be proposed at the meeting as indicated below. If no indication is given, the proxy will exercise his/her discretion as to how he/she votes and as to whether or not he/she abstains from voting. Items 1 to 5 are Ordinary Resolutions while item 6 is a special resolution. Please complete, sign and date this form where indicated below (see notes below).

ORDINARY RESOLUTION	For	Against
1. To receive and adopt the Directors' Report and financial statements for the year ended 30 June 2008.		
2. To receive and adopt the Remuneration Committee report for the year ended 30 June 2008.		
3. To re-elect Drs Tim Mitchell and John Reader who retire by rotation under sections 76 and 77 of the Articles of Association, and who being eligible, offers themselves for re-election as Director.		
4. To confirm the appointment of Shipleys LLP as auditors of the Company to hold office until the conclusion of the next AGM at which accounts are laid before the Company and to authorise the Directors to fix their remuneration.		
5. That the Directors be and they are generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the Act) to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £125,000 provided that this authority is for a period expiring at the Company's next AGM but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all earlier authorities, to the extent unused.		
SPECIAL RESOLUTION		
6. That subject to the passing of the previous resolution the Directors be and they are empowered in accordance with section 95 of the Act to allot equity securities (as defined in section 94 of the Act) wholly for cash pursuant to the authority conferred by the previous resolution as if section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities: (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £125,000; and shall expire on the conclusion of the next AGM of the Company after the passing of this resolution, save that the Company may before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.		

Signature(s).....dated
 this.....day.....2008/9

NOTES ON COMPLETION OF THE PROXY FORM:

1. You are entitled to appoint a proxy of your own who need not be a shareholder of the Company. If you wish to appoint a proxy other than the chairman of the meeting, please delete the words "the chairman of the meeting or" and initial the alteration and PRINT the name and address of the proxy, in the space provided.
2. Any alteration to the form of Proxy should be initialled.
3. The form of Proxy should be signed by the appointer or his attorney duly authorised in writing or, if the appointer is a Company, either under seal or under hand of a duly authorised officer or attorney of the Company.
4. In the case of joint holders the signature of any one holder is sufficient. If more than one joint holder of any share is present at the meeting personally or by Proxy, that one present whose name stands first on the register of members in respect of that share is alone entitled to vote in respect of that share.
5. To be valid this form of Proxy and any power of attorney or other authority under which it is signed or a notarially certified copy of such power of authority must be lodged at the offices of the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time of the meeting



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