(AIM: SAR) 2 November 2016

Sareum Holdings plc

("Sareum" or "the Company")

Final Results

Sareum Holdings plc (AIM: SAR), the specialist cancer drug discovery and development business, is pleased to announce its final results for the year ended 30 June 2016.

Financial highlights

- Net assets at year-end were £1.86 million (2015: £1.86 million), of which £1.25 million comprised cash at bank (2015: £1.48 million), plus £0.48 million unspent investment in the Chk1 project (2015: £0.21 million).
- Loss on ordinary activities (after tax credit) of £1.05 million (2015: loss of £1.26 million).
- Successful placing in March 2016 to raise £1.1 million before expenses.
- Received £111k of the £140k funding award for TYK2 cancer studies from Innovate UK Biomedical Catalyst; the remainder received post year-end.

Operational highlights

- Chk1 clinical trials applications for two clinical trials, one as a single agent and the other in combination with standard of care chemotherapies, submitted, approved and opened at The Royal Marsden Hospital.
- TYK2 lead inhibitors show good activity in disease models of rheumatoid arthritis and colitis, and compare favourably with a marketed JAK-family kinase inhibitor.
- Appointment of Dr Stephen Parker as Non-executive Chairman

Post year end highlights

- Chk1 inhibitor cancer drug candidate CCT245737 (renamed PNT737) licensed to ProNAi Therapeutics, Inc. (NASDAQ: DNAI) by co-investment partner, the CRT Pioneer Fund. Sareum will receive an upfront payment of US$1.9 million, potential future milestone payments of up to US$88.4 million, plus a share of any sales royalties, and repayment of approximately £300k in unspent funds previously invested in the collaboration.
- Successful outcome from TYK2 cancer feasibility study, part-funded by £140k award from Innovate UK Biomedical Catalyst; results support case to advance programme further.

Dr Tim Mitchell, Chief Executive Officer of the Company, said:

"I am delighted with the progress we have made in the last year and in particular our work that has culminated in a licence agreement for the Chk1 programme. We are now in a good position, both financially and with the knowledge that we have a proven strategy, to pursue our other drug candidates and expand our asset portfolio."

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Chairman's Statement

In my first statement as Non-executive Chairman of Sareum, I am very pleased to report on a year of considerable progress, which has culminated in the licensing of Chk1 by our co-investment partners to ProNAi Therapeutics, Inc., a well funded US clinical stage drug development company. The progress made validates the business model to pursue multiple drug development programmes and affirms the team's ability to grow the value of these assets in order to make them attractive to potential licensees and commercial partners.

The most advanced programme, Chk1, achieved a series of significant milestones, which led to the approval of two clinical trials to commence towards the end of the period. These were officially opened at The Royal Marsden Hospital in May 2016. Discussions with potential licensees continued throughout the year with the Company's first licensing deal signed by our co-development partner, the CRT Pioneer Fund, at the end of September.

Preclinical development of the Aurora+FLT3 candidate, with Chinese partner Hebei Medical University Biomedical Engineering Center, has had to overcome a number of challenges which have resulted in delays to the project. With these believed to have been largely resolved, preclinical studies are now expected to complete in the latter part of 2017.

The two TYK2 programmes targeting autoimmune diseases and the blood cancer T-ALL continue their progression through preclinical studies. A feasibility study, supported with a £140k grant from the Innovate UK BioMedical Catalyst, was concluded successfully having shown tumour regression in a disease model of T-ALL, opening the programme for further investigation. Given the wide potential for our TYK2 programmes, we continue to seek a commercial partner to share the ongoing research costs with a view to licensing the programme at a later stage of development.

Board changes

I succeeded Dr Paul Harper as Chairman of the Company on 17 May 2016. I would like to thank Dr Harper for his invaluable contribution to the Company during his twelve year tenure as Non-executive Chairman. During his time with Sareum, Dr Harper helped to define the direction and strategy of the Company which allowed considerable value to be built into our multiple programmes through their progression towards, and into, early clinical development.

Financial review

The Company ended the year with net assets of £1.86 million (2015: £1.86 million) of which £1.25 million comprised cash at bank, and £0.48 million unspent in the Chk1 project account (2015: £0.21 million).

The loss on ordinary activities after taxation for the year was £1.05 million (2015: loss of £1.26 million) including £332k as our share of the expenditure on the Chk1 programme during the course of the year. In March 2016, the Company raised £1.10 million, before expenses, through a share placing to progress our drug development programmes as well as to provide working capital. In

addition to this, £111k of a £140k funding award was received for TYK2 cancer studies from Innovate UK Biomedical Catalyst, with the remainder received post year-end.

Following the licensing of Chk1 to ProNAi Therapeutics, we have received £900k of the £1.50 million upfront payment. The remaining £600k plus the unspent co-investment funds, estimated at approximately £300k, are expected to be received in the near future.

Outlook

The ongoing development of our most advanced asset, Chk1, is now being conducted by ProNAi. In addition to the upfront payments noted above, Sareum is entitled to receive further milestone payments of up to US$88.4 million over the course of the drug candidate's development, registration and commercialisation, plus a 27.5% share of high single to low double-digit royalties on future sales. We are also encouraged by ProNAi's stated intention to expand the development of the programme into the United States, with broader clinical studies.

Sareum is now in a strong position to continue to pursue the three assets that remain under its control and explore new potential autoimmune and anti-cancer drug candidates, either from its own kinase library or by in-licensing early stage discoveries from external sources.

We look forward to reporting on our progress over the coming year.

Dr Stephen Parker
Chairman

1st November 2016

Research update

Checkpoint kinase 1 (Chk1)

Working with our co-investment partner, the CRT Pioneer Fund, clinical trial applications were prepared in the first half of the financial year for two clinical trials in cancer patients, one with CCT245737 as a single anti-cancer agent targeting a variety of cancers, and the other in combination with standard-of-care chemotherapies, ultimately targeting lung and pancreatic cancers.

Clinical trial applications were submitted at the beginning of February 2016 triggering a £200k success milestone payment from Cancer Research Technology Ltd to Sareum. With permission granted in April by The MHRA to conduct trials, these were opened at The Royal Marsden Hospital in May 2016.

Meanwhile, data on the candidate were published and described in the leading scientific journals Oncotarget (July 2015) and the Journal of Medicinal Chemistry (May 2016). Data on an earlier lead compound, showing encouraging results against certain aggressive breast cancer cell types and

improving the efficacy of chemoradiotherapy in a head and neck cancer disease model were also published during the period.

It was this progress that enabled our collaboration partner to secure a licence agreement for the Chk1 programme, including drug candidate CCT245737 (now renamed PNT737), with ProNAi Therapeutics, Inc. post year end. ProNAi benefits from a world-class oncology development team and is well capitalised, and we believe these studies and the ongoing development strategy for this drug are in excellent hands. With plans to expand the programme into the US, we will continue to monitor and report on progress.

Aurora+FLT3 kinases

Our Aurora+FLT3 candidate molecule, targeting acute myeloid leukaemia, is being developed in collaboration with our Chinese partner, Hebei Medical University Biomedical Engineering Center (HMUBEC).

Having overcome difficulties in synthesising sufficient compound material for toxicology studies, the programme has faced further significant challenges in the formulation and administration of the compound. We believe these have been largely overcome, but this has resulted in further delays to the project. As a result we now expect to complete the toxicology and safety pharmacology studies by H2 2017.

During the period and post period-end, our intellectual property was strengthened by notifications of patents granted in Europe, the US, China, Hong Kong, Singapore and Japan. As a result, Sareum now has approved patent protection in all the major territories for this programme.

TYK2 kinase – autoimmune and inflammatory disorders

Our autoimmune and inflammatory disorders programme, with co-development partner SRI International, is developing a series of orally bioavailable inhibitors of TYK2, a member of the Janus kinase (JAK) family of kinases. JAK family kinases are the targets of several marketed and clinical stage drugs for cancer and autoimmune diseases, although none of these specifically target TYK2, giving us a potentially unique position in this area.

We have previously reported the discovery of our initial lead candidate SAR-20347, which has shown that, when dosed orally, it can significantly decrease psoriasis pathology in a disease model as well as demonstrating strong efficacy in a standard model of rheumatoid arthritis.

Building on the rheumatoid arthritis data package, we have synthesised further analogues of SAR-20347 and carried out studies on disease models of ulcerative colitis. These compounds show good activity in standard models of both diseases and compare favourably with a marketed JAK family kinase inhibitor.

The next steps are to complete the optimisation of the molecule and to validate our candidate in other models of autoimmune diseases including inflammatory bowel disease and multiple sclerosis. In addition, Sareum's co-development partner has secured a US government grant award of

approximately US$360k to carry out research to evaluate our TYK2 inhibitors as a possible strategy for treating lupus. Lupus is a complex and poorly understood autoimmune disease mainly suffered by women and it affects many parts of the body; its symptoms can range from mild to debilitating and even life threatening.

TYK2 kinase – cancer

On 17 June 2015, Sareum announced that it had received notification from Innovate UK for a BioMedical Catalyst funding award of £140k to explore TYK2 inhibition as a potential strategy to prevent the spread of and/or to combat resistance to treatment for T-ALL, a type of leukaemia that predominantly affects children and adolescents.

The project was concluded successfully in August 2016, with lead compounds showing significant tumour regressions of up to 80%. Additionally, the compounds, dosed orally, were found to be well tolerated, presented good exposure to plasma and tumour tissue, and showed a dose-dependent effect on a biomarker of TYK2 inhibition.

Following on from these positive results, we will now be working toward completing the optimisation of the molecule and looking to demonstrate its efficacy in further cancer models. In order to support these investigations, we will be submitting new grant funding applications.

Dr Tim Mitchell
Chief Executive Officer

1st November 2016

Consolidated statement of comprehensive income for the year ended 30 June 2016

	Notes	**2016** **£**	2015 £
CONTINUING OPERATIONS			
Revenue		**—**	—
Other operating income		**122,599**	—
Administrative expenses		**(995,770)**	(811,878)
Share of loss of associates	3	**(331,871)**	(496,989)
OPERATING LOSS		**(1,205,042)**	(1,308,867)
Finance expense	4	**—**	(135,348)
Finance income		**4,359**	2,997
LOSS BEFORE INCOME TAX	5	**(1,200,683)**	(1,441,218)
Income tax	6	**152,565**	185,850
LOSS FOR THE YEAR		**(1,048,118)**	(1,255,368)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(1,048,118)**	(1,255,368)
Loss attributable to:			
Owners of the parent		**(1,048,118)**	(1,255,368)
Total comprehensive income attributable to:			
Owners of the parent		**(1,048,118)**	(1,255,368)
Loss per share expressed in pence per share:	7		
Basic and diluted loss from continuing operations		**(0.04)p**	(0.06)p

Consolidated balance sheet as at 30 June 2016

	Notes	**2016** **£**	2015 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		**—**	—
Property, plant and equipment		**1,322**	3,087
Investments	3	**475,038**	209,808
		476,360	212,895
CURRENT ASSETS			
Trade and other receivables		**79,288**	51,366
Tax receivable		**154,840**	186,297
Cash and cash equivalents	8	**1,252,595**	1,480,044
		1,486,723	1,717,707
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**99,551**	67,443
NET CURRENT ASSETS		**1,387,172**	1,650,264
NET ASSETS		**1,863,532**	1,863,159
SHAREHOLDERS' EQUITY			
Called up share capital		**661,305**	621,859
Share premium		**11,765,111**	10,761,261
Share-based compensation reserve		**110,209**	105,014
Merger reserve		**27**	27
Retained earnings		**(10,673,120)**	(9,625,002)
TOTAL EQUITY		**1,863,532**	1,863,159

Consolidated statement of changes in equity for the year ended 30 June 2016

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 July 2014	477,509	(8,369,634)	9,549,595
Changes in equity			
Issue of share capital	144,350	—	1,211,666
Total comprehensive expense	—	(1,255,368)	—
Share-based compensation	—	—	—
Balance at 30 June 2015	621,859	(9,625,002)	10,761,261
Changes in equity			
Issue of share capital	39,446	—	1,003,850
Total comprehensive expense	—	(1,048,118)	—
Share-based compensation	—	—	—
Balance at 30 June 2016	**661,305**	**(10,673,120)**	**11,765,111**

	Share-based compensation reserve £	Merger reserve £	Total equity £
Balance at 1 July 2014	64,976	27	1,722,473
Changes in equity			
Issue of share capital	—	—	1,356,016
Total comprehensive expense	—	—	(1,255,368)
Share-based compensation	40,038	—	40,038
Balance at 30 June 2015	105,014	27	1,863,159
Changes in equity			
Issue of share capital	—	—	1,043,296
Total comprehensive expense	—	—	(1,048,118)
Share-based compensation	5,195	—	5,195
Balance at 30 June 2016	**110,209**	**27**	**1,863,532**

Consolidated cash flow statement for the year ended 30 June 2016

	Notes	**2016** **£**	2015 £
Cash flows from operating activities			
Cash used in operations	9	**(862,025)**	(720,026)
Tax paid		**184,022**	75,787
Net cash outflow from operating activities		**(678,003)**	(644,239)
Cash flows from investing activities			
Purchase of fixed asset investments		**(597,101)**	—
Equity swap arrangement		**—**	64,652
Interest received		**4,359**	2,997
Net cash (outflow)/inflow from investing activities		**(592,742)**	67,649
Cash flows from financing activities			
Share issue		**39,446**	144,350
Share premium on share issue		**1,003,850**	1,211,666
Net cash inflow from financing activities		**1,043,296**	1,356,016
Increase in cash and cash equivalents		**(227,449)**	779,426
Cash and cash equivalents at beginning of year		**1,480,044**	700,618
Cash and cash equivalents at end of year	8	**1,252,595**	1,480,044

Notes to the consolidated financial statements for the year ended 30 June 2016

1. Basis of preparation

The consolidated financial statements of Sareum Holdings plc and its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union, with IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

IFRS comprise standards and interpretations approved by the IASB. IFRS as adopted by the European Union differ in certain respects from IFRS as issued by the IASB. However, consolidated financial statements for the financial years presented would be no different had IFRS as issued by the IASB been applied. References to IFRS hereafter should be construed as references to IFRS as adopted by the European Union.

Going concern

The Directors estimate that the cash held by the Group, together with payments to be received as a result of the licensing agreement with ProNAi Therapeutics, Inc. described above, will be sufficient to support the current level of activities for the foreseeable future. Therefore, the financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of another entity or business, so as to obtain benefits from its activities. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions and balances between Group companies are eliminated on consolidation.

2. Accounting policies

The principal accounting policies applied are set out below.

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 five years

Property, plant and equipment

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

Fixtures and computers	- straight line over three or four years

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of change in value.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exception:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Operating lease agreements

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

Pension contributions

The Group does not operate a pension scheme for the benefit of its employees but instead makes contributions to their personal pension policies. The contributions due for the period are charged to the profit and loss account.

Employee share scheme

The Group has in place a share option scheme for employees, which allows them to acquire shares in the Company. Equity settled share-based payments are measured at fair value at the date of grant. The fair value of options granted is recognised as an expense spread over the estimated vesting period of the options granted. Fair value is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Revenue recognition

Revenue is measured as the fair value of the consideration received or receivable in the normal course of business, net of discounts, VAT and other sales related taxes and is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company. Grant income is recognised as earned based on contractual conditions, generally as expenses are incurred.

Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The amendment to IAS27 'Separate Financial Statements' (revised 2014), allowing investments in associates to be accounted for under the equity method in separate financial statements, has been adopted early.

Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have the most significant effects on the carrying amounts of the assets and liabilities in the financial information are considered to be research and development costs and Equity settled share-based payments.

Accounting standards and interpretations not applied

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group that have not been applied in these financial statements were in issue but not yet effective:

Standard		**Effective for accounting periods starting on or after**
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11	1 January 2016
IAS 1	Presentation of Financial Statements – Amendments to IAS 1	1 January 2016
IAS 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	1 January 2016
IAS 27	Equity Method in Separate Financial Statements – Amendments to IAS 27	1 January 2016
Annual Improvements to IFRS – 2012-2014 Cycle		1 January 2016

The amendment to IAS27 'Separate Financial Statements (revised 2014), allowing investments in associates to be accounted for under the equity method in separate financial statements, has been adopted early.

The Directors anticipate that the adoption of these standards and interpretations in future years will have no material impact on the financial statements of the Group.

No standards or interpretations adopted in the year had any material impact on the financial statements of the Group.

3. Investments in associates

	Interest in associates £
Cost	
At 1 July 2015	**770,000**
Additions	**597,101**
At 30 June 2016	**1,367,101**
Impairment	
At 1 July 2015	**560,192**
Impairment for year	**331,871**
At 30 June 2016	**892,063**
Net book value	
At 30 June 2016	**475,038**
At 30 June 2015	**209,808**

Interest in joint venture

The investment in associates represents the investment by the Group in the partnership with the CRT Pioneer Fund to advance the Chk1 programme. The associate has been accounted for using the equity method in the consolidated financial statements. Sareum's interest in the associate partnership is 27.5% and it has a seat on the joint research committee. As at 30 June 2016 the partnership had net assets of £1,731,051 (2015: £762,937) and had incurred cumulative losses of £4,068,949 (2015: £2,137,063). The additional investment of £597,101 is made up of £797,500 paid into the partnership, less a milestone payment amounting to £200,399 received from Cancer Research Technology Ltd.

4. Finance expense

	2016	2015
	£	£
Loss on settlement of swap	**—**	(135,348)

5. Loss before income tax

The loss before income tax is stated after charging:

	2016	2015
	£	£
Other operating leases	**11,185**	10,936
Depreciation – owned assets	**1,765**	1,765
Research and development	**927,644**	891,156
Auditor's remuneration – see analysis below	**14,300**	12,300

The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the annual accounts:		
Audit of the Company	**4,200**	4,200
Audit of subsidiaries	**6,800**	6,800
Total audit fees	**11,000**	11,000
Fees payable to the Company's auditor for other services:		
Taxation services	**1,300**	1,300
Other assurance services	**2,000**	—
Total fees payable to the Company's auditor	**14,300**	12,300

6. Income tax

	2016	2015
	£	£
Current tax:		
UK corporation tax credit on losses of the period	**(151,526)**	(185,850)
Adjustments recognised in the current year in relation to the current tax of prior years	**(1,039)**	—
Tax credit to the income statement	**(152,565)**	(185,850)

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

	2016	2015
	£	£
Loss before tax	**(1,200,683)**	(1,441,218)
At standard rate of 20% (2015: 20%)	**(240,137)**	(288,243)
Effects of:		
Capital allowances in excess of depreciation	**12**	(63)
Unutilised tax losses	**149,255**	174,375
Losses surrendered for research and development tax credits (less uplift)	**90,870**	113,931
Research and development tax credits claimed	**(151,526)**	(185,850)
Prior year adjustments	**(1,039)**	—
Actual current tax credit in the year	**(152,565)**	(185,850)

7. Loss per share

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

	2016	2015
Loss on ordinary activities after tax	**£(1,048,118)**	£(1,255,368)
Weighted average number of shares for basic loss per share	**2,524,944,713**	1,941,676,629
Basic loss per share	**(0.04)p**	(0.06)p

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

8. Cash and cash equivalents

	2016	2015
	£	£
Bank deposit account	**1,245,707**	1,469,023
Bank accounts	**6,888**	11,021
	1,252,595	1,480,044

9. Reconciliation of loss before income tax to cash generated from operations

	2016	2015
	£	£
Loss before income tax	**(1,200,683)**	(1,441,218)
Depreciation charges	**1,765**	1,765
Share-based compensation	**5,195**	40,038
Share of loss of associate	**331,871**	496,988
Finance costs	**—**	135,348
Finance income	**(4,359)**	(2,997)
	(866,211)	(770,076)
(Increase)/decrease in trade and other receivables	**(27,922)**	48,417
Increase in trade and other payables	**32,108**	1,633
Cash used in operations	**(862,025)**	(720,026)

10. Dividend

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

11. Copies of the report and accounts

Copies of the report and accounts will be posted to those shareholders that have requested them. Copies will also be available from the Company's registered office at 2a Langford Arch, London Road, Pampisford, Cambridge CB22 3FX.