

SAREUM HOLDINGS PLC

(“Sareum” or the “Company”)

FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulation (EU) No. 596/2014

Sareum Holdings plc (AIM: SAR), the specialised small molecule drug development business, announces its results for the year ended 30 June 2019 and provides an update of significant post-period events. The Company will host a conference call today at 10.00 a.m. (see details below).

The Company expects to publish its Annual Report and Accounts in November 2019.

Operational Highlights

Proprietary Selective TYK2/JAK1 Inhibitors in Autoimmune Diseases and Cancer

- Advancing two distinct molecules selected from proprietary dual tyrosine kinase 2 (TYK2) / Janus kinase 1 (JAK1) programmes as potential once-daily, oral immunotherapies for autoimmune diseases (SDC-1801) and cancers (SDC-1802)
 - SDC-1801 has demonstrated excellent tolerability in toxicology studies in rodents and has progressed into longer-term toxicology and dose-finding studies, which would form part of the regulatory documentation needed to apply to begin human trials
 - Additional research to refine the Company’s clinical plans, including prioritisation of indications, is continuing, with detailed profiling of SDC-1801 in human tissue, and of SDC-1802 in immune-competent mouse models of cancer
 - Positive preclinical data demonstrating the anti-tumour activity of SDC-1802 via novel immunotherapeutic mechanism of action to be presented at the upcoming 2019 AACR-NCI-EORTC International Cancer Conference
 - Human clinical trials are targeted to start in late-2020, subject to successful progress and financing
 - Programmes continue to attract interest from international pharmaceutical companies

SRA737 – Chk1 inhibitor in Multiple Cancer Indications Exhibiting Defined Genetic Profiles

- In June 2019, Sierra Oncology (“Sierra”), the licence holder of SRA737 (an oral selective Chk1 inhibitor), announced promising preliminary efficacy and safety data at the annual meeting of the American Society of Clinical Oncology (ASCO) from two ongoing Phase 1/2 clinical trials. These trials were evaluating SRA737 across multiple indications, both as a monotherapy and as a combination, potentiated by non-cytotoxic low-dose gemcitabine (LDG)
- In June 2019, following its ASCO presentation, Sierra announced it was exploring non-dilutive strategic options to support the next stages of development of SRA737, as it had decided to prioritise the development of its Phase 3 myelofibrosis candidate, momelotinib
- The ongoing SRA737 monotherapy and SRA737+LDG combination Phase 1/2 studies continue with completion expected in the first half of 2020

- Sierra also presented evidence at international congresses highlighting the potential of combining SRA737 with other novel therapeutic approaches that are gaining traction as mainstays of targeted cancer treatment, including PARP inhibition (PARPi) and immune checkpoint blockade

Corporate update – Board of Directors strengthened

- Dr Michael Owen and Mr Clive Birch were appointed as Non-Executive Directors in November 2018, bringing significant experience in the development of innovative biopharmaceutical products and in financial management and corporate governance

Financial highlights (subject to audit)

- Raised £850,000 before expenses in November 2018, through a placement of 130,769,231 new ordinary shares at 0.65p per share, to progress internal drug development programmes as well as for working capital purposes
- Raised £781,484 before expenses through a placement and offer of 195,371,000 new ordinary shares at 0.4p per share that completed in July 2019, to progress the Company’s TYK2/JAK1 drug development programmes as well as for working capital purposes
- Loss on ordinary activities (after taxation) of £1.45m (2018: loss of £1.47m)
- Cash at bank as at 30 June 2019 was £0.92m (excluding the £0.78m raised in the placing that completed in July 2019) (£1.54m as at 31 December 2017; £1.38m as at 30 June 2018)

Dr Tim Mitchell, CEO of Sareum, commented:

“We are very pleased with the progress of our proprietary dual TYK2/JAK1 programmes. We believe these offer a novel oral immunotherapy approach to addressing unmet needs in autoimmune diseases and cancer and that their mechanism is gaining increasing interest from the pharmaceutical industry. In line with our business model, we continue to engage with potential partners with a view to securing commercial licences when they reach late preclinical or early clinical stages.”

“We also remain optimistic that Sierra will be successful in finding a non-dilutive solution that will enable the development of SRA737 to advance. The positive clinical results presented in June and the exciting preclinical findings presented throughout the year from combining SRA737 with advanced cancer therapies suggests that SRA737 has significant value. In addition, the advancement of SRA737 in its clinical studies could result in Sareum receiving significant milestone payments in due course.”

“We expect to report on continued progress across our active portfolio during the coming year and beyond, which we believe will result in important value generation for our shareholders.”

Conference call

Drs Stephen Parker (Chairman), Tim Mitchell (Chief Executive Officer) and John Reader (Chief Scientific Officer) will present the financial and operational results in a conference call today at 10.00 a.m. The presentation will be followed by a Q&A session.

Please dial into the call using the numbers below 5-10 minutes before the scheduled start time. Dial-in details are:

- UK Toll Free: 0808 109 0700
- Standard International Access: +44 (0)20 3003 2666

The call password is Sareum.

The results presentation is available in the Document Centre in the Investors section of the Sareum website (www.sareum.com/investors).

For further information, please contact:

Sareum Holdings plc

Tim Mitchell 01223 497 700

Strand Hanson Limited (Nominated Adviser)

James Dance / Richard Tulloch 020 7409 3494

Hybridan LLP (Nominated Broker)

Claire Noyce / John Beresford-Peirce 020 3764 2341

Citigate Dewe Rogerson (Media enquiries)

Shabnam Bashir/ Mark Swallow/ David Dible 020 7638 9571

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 aims to generate value through licensing its candidates to international pharmaceutical and biotechnology companies at the preclinical or early clinical trials stage.

Sareum is 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). The Company is targeting first human clinical trials in each indication in 2020.

Sareum also has an economic interest in SRA737, a clinical-stage oral, selective Checkpoint kinase 1 (Chk1) inhibitor that targets cancer cell replication and DNA damage repair mechanisms. Preliminary data suggest SRA737 may have broad application in combination with other oncology and immunology drugs in genetically defined patients.

SRA737 was discovered and initially developed by scientists at The Institute of Cancer Research in collaboration with Sareum, and with funding from Cancer Research UK. SRA737 was licensed by CRT Pioneer Fund (CPF) to Sierra Oncology, in a \$328.5m plus royalties licence deal, with Sareum eligible to receive 27.5% of all payments to CPF under the agreement.

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

- Ends -

Full year results for the 12 months ended 30 June 2019

Chairman's and CEO's Statement

The year to end June 2019 has yielded good reasons to be optimistic about Sareum's prospects: solid preclinical progress was made with our internal proprietary TYK2/JAK1 programmes and the results for clinical trials with SRA737, an oral Chk1 inhibitor, continued to highlight the potential of these compounds as important and valuable new approaches to treating major disorders with unmet need.

We have been very encouraged by the good progress with our TYK2/JAK1 inhibitors SDC-1801 (targeting autoimmune diseases) and SDC-1802 (targeting cancer) in formal preclinical development.

SDC-1801 is advancing as planned and has demonstrated excellent tolerability in rodent studies and has now moved into longer-term toxicology and dose-finding studies, which would form part of the regulatory documentation needed to apply to begin human trials.

We are also pleased to have the opportunity to present new preclinical data, demonstrating the anti-tumour activity of SDC-1802 (formerly SAR-20351) and novel immunotherapeutic mechanism of action in multiple cancer disease models, at the upcoming 2019 AACR-NCI-EORTC International Cancer Conference, at the end of October 2019, in Boston, USA. These data provide increasing evidence that highlight TYK2/JAK1 inhibition as a new approach to cancer therapy and further support our SDC-1802 cancer research programme.

We believe our two TYK2/JAK1 inhibitors offer a novel oral immunotherapy approach to addressing unmet needs in autoimmune diseases and cancer and the mechanism by which they act appears to be gaining increasing credibility and interest from the pharmaceutical industry. In line with our business model, we continue to engage with potential partners with a view to securing commercial licences when they reach late preclinical or early clinical stages.

With regards to SRA737, in June 2019, Sierra Oncology, the licence holder of SRA737 (an oral selective Chk1 inhibitor), announced promising preliminary efficacy and safety data at the annual meeting of the American Society of Clinical Oncology (ASCO) from two ongoing Phase 1/2 clinical trials. These trials were evaluating SRA737 across multiple cancer indications, as a monotherapy and as a combination potentiated by non-cytotoxic low-dose gemcitabine (LDG).

These data clearly highlight the potential of SRA737 to become an attractive new therapeutic option for patients in several important and underserved cancer indications. In addition, Sierra outlined a possible route to market for SRA737 in anogenital cancer, and indicative initial human trials of SRA737 in combination with other drug modalities (PARP inhibitors and immuno-oncology drugs).

Shortly after the ASCO data were presented, Sierra announced that it was exploring non-dilutive strategic options to support the next stages of development of SRA737. Sierra made this decision on the basis that it was prioritising its resources on advancing the development of its Phase 3 myelofibrosis candidate momelotinib.

We continue to believe, based on the promising clinical and preclinical data generated to date, that Sierra has every chance of finding a suitable solution that will enable the development of SRA737 to advance. This, in due course, would lead to Sareum receiving the milestone payments under the licensing agreement between Sierra and CRT Pioneer Fund (CPF), the licensor of SRA737, with which Sareum has a Co-investment and Partnership agreement. We remain in dialogue with CPF to ensure

we are informed of developments and are committed to updating shareholders and the market in general as and when the restrictions in the two agreements allow.

Sierra's decision does mean, however, that the clinical development milestones payments that Sareum could have anticipated if SRA737 development had progressed as previously planned, have now been delayed until Sierra finds a solution.

Achieving two near-term milestones in particular – dosing of the first patient with SRA737 in a Phase 1 trial in the US and/or dosing of the first patient in a randomised Phase 2 trial – would generate revenue to Sareum of around US\$5.3 million. These previously confidential milestones were disclosed by Sierra for the first time in August 2019 and announced by the Company.

The short-term absence of this milestone income has led to the Company focusing its cash spend by investing in its proprietary TYK2/JAK1 inhibitor assets as efficiently as possible. The Company is therefore deploying its resources on the necessary studies that would enable these assets to enter clinical studies in late 2020 in priority indications, as well as developing a compelling data package designed to attract a development partner at an appropriate point.

We are now fully focused on these goals which would put us in a strong position to achieve a licensing agreement with a third party during the late preclinical or early clinical phases and are expected to provide significant returns to Sareum and its shareholders. The Board's confidence is based on the quality of the Company's drug candidates and the growing industry interest in the TYK2/JAK1 space.

Programme updates

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

Sareum's internal programmes focus on distinct dual TYK2/JAK1 inhibitors, which are progressing through preclinical development as therapies for autoimmune diseases (SDC-1801) and cancers (SDC-1802).

TYK2 and JAK1 are both 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 promoting inflammatory responses in autoimmune diseases and tumour cell proliferation in certain cancers.

There are currently no marketed products with specific selectivity for TYK2. However, members of the JAK family are the targets of several marketed and clinical-stage drugs in both disease areas. There is notable interest in the pharmaceutical industry for novel molecules that can selectively target TYK2 and JAK1, and particularly for those that can avoid side-effects from inadvertent activity via JAK2 or JAK3.

We remain optimistic about both Sareum programmes given they have progressed well in preclinical development since formal candidate selection in September 2018, building on the compelling efficacy seen in autoimmune and cancer models, the potential for once-daily oral dosing and good early safety profiles.

Additional research to refine the Company's clinical plans, including prioritisation of indications, is underway for clinical trials, which are targeted to start in late 2020, subject to successful progress and financing.

SDC-1801 – targeting autoimmune diseases

SDC-1801 and related molecules have previously shown promising activity in autoimmune disease models, including psoriasis, rheumatoid arthritis, inflammatory bowel disease and systemic lupus erythematosus (lupus).

SDC-1801 is currently being advanced through a series of toxicology and other preclinical studies designed to form part of the regulatory documentation needed to apply to begin human trials in healthy volunteers, which are targeted to begin in 2020, subject to successful progress and financing.

The compound has demonstrated excellent tolerability in toxicology studies in rodents (as reported in June 2019), with doses up to 30 times the level that displayed good responses in efficacy studies. Dosing in two short-term dose range finding studies has now completed and laboratory analysis of the data obtained is on-going. These studies have been designed to identify low, medium and high doses to use in specific longer-term toxicology studies.

In addition, a short and robust manufacturing route has been developed for SDC-1801 to produce active ingredient for both preclinical and clinical studies and the product required for the next round of toxicology studies has been delivered. Research is ongoing to find the most reliable manufacturing process for the best solid form of the molecule to progress into clinical studies.

Sareum has a co-development agreement with SRI International (Menlo Park, CA, USA), a non-profit scientific research institute, to develop TYK2 inhibitors in autoimmune diseases. SRI, working under a US Department of Defense (“DoD”) grant, has completed a preclinical study using Sareum TYK2/JAK1 inhibitors in lupus disease models and the final report from this study is expected to be made public by the DoD in the near future.

Sareum retains commercialisation rights for these and other TYK2 inhibitors with profiles optimised for oncology and immuno-oncology applications.

SDC-1802 – targeting cancers

SDC-1802 and related TYK2/JAK1 inhibitors have previously shown encouraging anti-tumour activity in multiple cancer disease models.

Sareum will present new preclinical data supporting these findings at the American Association for Cancer Research (AACR) National Cancer Institute (NCI) European Organisation for Research and Treatment of Cancer (EORTC) International Conference, to be held 26-30 October 2019 in Boston, USA.

The presentation will describe how SDC-1802 (formerly SAR-20351) significantly reduces tumour growth in disease models of cancer of the pancreas, colon, skin and kidney, plus B-cell lymphoma. The studies also determined that SDC-1802 induces this anti-cancer activity through a novel immunotherapeutic mechanism of action that stimulates the local immune system to attack cancer cells.

These positive results were seen when SDC-1802 was dosed orally, as a monotherapy or in combination with chemotherapy/ They provide increasing evidence that TYK2/JAK1 inhibition could become a new approach to cancer therapy and further supports the SDC-1802 cancer research programme.

Sareum's recent and current activities have been geared towards the toxicology studies designed to gain insight to the maximum-tolerated doses (MTD) of SDC-1802 in rodents, as it has been doing for SDC-1801.

The Company has completed formulation studies to maximise the amount of compound delivered following oral dosing of SDC-1802. The chemistry to produce SDC-1802 uses the same sequence of reactions as those utilised in the production of SDC-1801. Formal optimisation of this process has not yet been initiated for SDC-1802, however, the compound has already been prepared on a >100g scale, meaning the Company has enough material in hand to initiate short-term toxicology studies in rodents.

Sareum intends to publish further research from its TYK2/JAK1 programmes at conferences and in peer-reviewed publications in the future to support its ongoing business development activities with potential partners.

The Company's stated value-generating strategy is to secure commercial licences when its assets reach late preclinical or early clinical stages and management is engaged in initial discussions with several potential partners.

Licensed programme – SRA737: A Selective Chk1 inhibitor

SRA737 is a potent, highly selective, orally bioavailable small molecule inhibitor of Checkpoint Kinase 1 (Chk1), a key regulator of important cell cycle checkpoints and central mediator of the DNA Damage Response (DDR) network.

SRA737 was discovered and initially developed by scientists at The Institute of Cancer Research (London, UK) in collaboration with Sareum, and with funding from Cancer Research UK ("CRUK"). CRT Pioneer Fund ("CPF"), which is dedicated to financing assets and companies including projects derived from CRUKs oncology drug discovery portfolio, licensed SRA737 to the Nasdaq-listed company Sierra Oncology in 2016. In return, CPF is eligible for up to US\$328.5 million, including an upfront payment of US\$7 million and US\$321.5 million payable upon the achievement of certain developmental, regulatory and commercial milestones, plus royalties on future sales.

CPF has a Co-investment and Partnership agreement with Sareum. Under this agreement Sareum is eligible to receive 27.5% of all payments made to CPF as SRA737 advances, equivalent to up to a total of US\$88 million in future milestone payments, plus sales royalties.

SRA737 clinical update

During 2018/2019, SRA737 was investigated by Sierra in a broad clinical development programme targeting patients with genetically defined tumours of different origins that harbour genomic alterations linked to increased DNA replication stress. Such tumours are hypothesised to be more sensitive to Chk1 inhibition.

At the American Society of Clinical Oncology (ASCO) annual meeting in June 2019, Sierra presented positive preliminary clinical data from two first-in-human Phase 1/2 studies evaluating SRA737 across multiple indications, as a monotherapy and as a combination potentiated by non-cytotoxic low-dose gemcitabine (LDG).

The studies delivered highly encouraging results:

- SRA737 demonstrated notable anti-cancer activity in multiple indications including a 30% Overall Response Rate (ORR) in evaluable patients with anogenital cancer treated with SRA737+LDG.

Anogenital cancer is an indication for which the second-line metastatic setting represents a significant unmet medical need, with there being no approved therapies and a very poor life expectancy for patients.

- Additionally, evaluable subjects whose tumours harboured distinct genetic profiles (RAS wild type with FA/BRCA gene network mutations) displayed favourable outcomes across multiple indications, with an ORR of 25%.

SRA737 Preclinical Opportunities

Sierra also presented evidence highlighting the potential of combining SRA737 with other novel therapeutic approaches that are gaining traction as mainstays of targeted cancer treatment. These include PARP inhibition (PARPi) and immune checkpoint blockade.

- At the DDR Therapeutics Summit in January 2019, Sierra noted promising data demonstrating that Chk1 inhibition, with agents such as SRA737, could address the significant and growing clinical problem of acquired resistance to PARP inhibitors.
- At the American Association of Cancer Research (AACR) conference in April 2019, Sierra showed that SRA737+LDG induced significant anti-tumour activity when combined with anti-PD-L1 immunotherapy. These data demonstrated durable tumour regressions in a mouse model of small cell lung cancer (SCLC). These data were subsequently published in the *Journal of Thoracic Oncology*, alongside additional data showing substantial additive improvements in efficacy when SRA737 was combined with anti-PD-1 immunotherapy in mouse models of colon, bladder and pancreatic cancer.
- At an analysts' meeting held during ASCO, Sierra presented similarly striking data with the SRA737+LDG plus anti-PD-L1 combination in a mouse model of colorectal cancer, with 80% regressions observed following three treatment cycles.

SRA737 – Current Status

The development work that Sierra has conducted has positioned SRA737 as potentially one of the leading clinical assets targeting the DDR pathway, with clinical safety & efficacy of SRA737 +/- LDG supporting standalone development and compelling preclinical data supporting its use in combination with both PARP inhibitors (PARPi) and immuno-oncology (IO) therapy such as immune checkpoint blockade.

Sierra had stated that future studies were being planned to investigate SRA737 further in all of these areas. However, in June 2019, a few days after its ASCO presentation, Sierra announced it was exploring non-dilutive strategic options to support the next stages of development of SRA737, as it had decided to prioritise the development of its Phase 3 myelofibrosis candidate, momelotinib.

The ongoing SRA737 monotherapy and SRA737+LDG combination Phase 1/2 studies are expected to run through to completion, currently anticipated in the first half of 2020 (clinicaltrials.gov database).

Sareum continues to believe that, based on the promising clinical and preclinical data generated to date, Sierra has every chance of finding a suitable solution that will enable it to advance the

development of SRA737. However, Sierra's decision does mean that the clinical development milestone payments that Sareum could have anticipated if SRA737 development had progressed as previously planned, have now been delayed until Sierra finds a solution.

The achievement of two near-term milestones in particular – dosing of the first patient with SRA737 in a Phase 1 trial in the US and/or dosing of the first patient in a randomised Phase 2 trial – will generate revenue to Sareum of around US\$5.3 million. These previously confidential milestones were disclosed by Sierra for the first time in August 2019.

Sareum remains in dialogue with CPF to ensure it is informed of developments and is committed to updating shareholders and the market in general as and when it can.

Aurora+FLT3 Inhibitors

While the Company focuses its research resources on completing the preclinical development of its TYK2/JAK1 programmes, it is seeking a licence partner for the Aurora+FLT3 programme and discussions are ongoing with a number of interested parties.

Corporate Update

During the year, Sareum took steps to improve its financial management and corporate governance and its ability to execute its product development and growth strategies.

In November 2018, Sareum appointed Michael Owen, PhD and Clive Birch, FCA as Non-Executive Directors, bringing significant relevant experience and expertise. Dr Owen and Mr Birch will also serve the Board as members of the Audit & Risk, Remuneration and Nominations Committees.

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 GlaxoSmithKline 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 as 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 year to 30 June 2019 with net assets of £1.09 million (2018: £1.63 million) of which £0.92 million (2018: £1.38 million) comprised cash at bank.

The cash balance includes proceeds from a placement that raised £850,000 before expenses in November 2018, through the placement of 130,769,231 new ordinary shares at 0.65p per share.

It does not include the proceeds from a placement and offer that was announced in June 2019 and completed in July 2019 raising £781,484 before expenses through the placement of 195,371,000 new

ordinary shares at 0.4p per share, as these funds had not been transferred to the Company's bank account as at the balance sheet date. These funds were received on 3 July 2019. The cash balance as at 30 September 2019 was £1.39 million.

The new funds are being deployed to progress the Company's TYK2/JAK1 drug development programmes as well as for working capital purposes.

Non-cash assets include a R&D tax credit of £231,000, the receipt of which is expected as cash in Q1 2020.

Operating expenses for the period at £1.68 million (2018: £1.71 million) have remained approximately in line with that of the previous 12-month period as the Company continues to focus its research expenditure on its TYK2 autoimmune disease and cancer programmes.

The loss on ordinary activities (after taxation) was £1.45 million (2018: £1.47 million).

Outlook

Good progress is continuing to be made with our wholly owned TYK2/JAK1 inhibitor assets and positive clinical and preclinical data has been generated with SRA737. However, these positives have been somewhat overshadowed by Sierra's decision, which has delayed the achievement of near-term clinical milestones that would have resulted in significant revenue for Sareum.

The Board continue to believe that the data with SRA737 clearly highlights its potential to become an attractive new therapeutic option for patients in several important and underserved cancer indications. Final results from the two ongoing clinical trials are expected in 2020. This gives the Board confidence that Sierra will find a solution that will enable the development of SRA737 to advance, and, in due course, Sareum would receive the milestone payments for which it is eligible.

The Board remains in dialogue with CPF to ensure it is informed of developments and is committed to updating shareholders and the market in general as and when it can.

The Board and management are also continuing to employ rigorous capital management in the development of its internal assets and its overall business.

The Company is fully focused advancing the preclinical development programmes with SDC-1801 and SDC-1802. These programmes are designed to enable the selection of priority indications for clinical studies so that the Company can continue to generate compelling evidence for these candidates to facilitate ongoing discussions with potential partners towards future licensing agreements at optimal valuations. The Directors will continue to review the potential higher value of a later-stage licensing deal versus the requirement for any extra funding.

The Company expects to report on continued progress during the coming year and beyond, which the Board believes will demonstrate the value that is being generated from both internally and externally controlled programmes.

Dr Stephen Parker
Chairman

Dr Tim Mitchell
Chief Executive Officer

Consolidated statement of comprehensive income for the year ended 30 June 2019

		2019	2018
	Notes	£	£
CONTINUING OPERATIONS			
Revenue		—	—
Other operating income		—	—
Administrative expenses		(1,676,439)	(1,709,699)
Share of (loss)/profit of associates		(10,016)	(12,264)
OPERATING LOSS		<u>(1,686,455)</u>	<u>(1,721,963)</u>
Finance income		<u>4,085</u>	<u>3,745</u>
LOSS BEFORE INCOME TAX	5	(1,682,370)	(1,718,218)
Income tax	6	<u>229,905</u>	<u>248,697</u>
LOSS FOR THE YEAR		<u>(1,452,465)</u>	<u>(1,469,521)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		<u>(1,452,465)</u>	<u>(1,469,521)</u>
Loss attributable to:			
Owners of the parent		<u>(1,452,465)</u>	<u>(1,469,521)</u>
Total comprehensive income attributable to:			
Owners of the parent		<u>(1,452,465)</u>	<u>(1,469,521)</u>
Earnings per share expressed in pence per share:			
Basic and diluted	7	<u>(0.05)p</u>	<u>(0.05)p</u>

Consolidated balance sheet as at 30 June 2019

	Notes	2019 £	2018 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		—	—
Property, plant and equipment		—	8,000
Investments in Associates	4	31,359	41,375
		<u>31,359</u>	<u>49,375</u>
CURRENT ASSETS			
Trade and other receivables		59,476	137,832
Tax receivable		230,933	253,562
Cash and cash equivalents	8	919,343	1,375,275
		<u>1,209,752</u>	<u>1,766,669</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		146,926	183,455
		<u>146,926</u>	<u>183,455</u>
NET CURRENT ASSETS		1,062,826	1,583,214
		<u>1,062,826</u>	<u>1,583,214</u>
NET ASSETS		1,094,185	1,632,589
		<u>1,094,185</u>	<u>1,632,589</u>
SHAREHOLDERS' EQUITY			
Called up share capital		718,997	686,305
Share premium		13,162,052	12,395,744
Share-based compensation reserve		407,872	292,811
Merger reserve		27	27
Retained earnings		(13,194,763)	(11,742,298)
		<u>(13,194,763)</u>	<u>(11,742,298)</u>
TOTAL EQUITY		1,094,185	1,632,589
		<u>1,094,185</u>	<u>1,632,589</u>

Consolidated statement of changes in equity for the year ended 30 June 2019

	Called up share capital	Retained earnings	Share premium	Share-based compensation reserve	Merger reserve	Total equity
	£	£	£	£	£	£
Balance at 30 June 2017	661,305	(10,272,777)	11,765,111	191,945	27	2,345,611
Changes in equity						
Issue of share capital	25,000	—	630,633	—	—	655,633
Total comprehensive income	—	(1,469,521)	—	—	—	(1,469,521)
Share-based compensation	—	—	—	100,866	—	100,866
Balance at 30 June 2018	686,305	(11,742,298)	12,395,744	292,811	27	1,632,589
Changes in equity						
Issue of share capital	32,692	—	766,308	—	—	799,000
Total comprehensive income	—	(1,452,465)	—	—	—	(1,452,465)
Share-based compensation	—	—	—	115,061	—	115,061
Balance at 30 June 2019	718,997	(13,194,763)	13,162,052	407,872	27	1,094,185

Consolidated cash flow statement for the year ended 30 June 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	9	(1,515,764)	(1,635,688)
Tax received		252,534	43,365
		<hr/>	<hr/>
Net cash outflow from operating activities		(1,263,230)	(1,592,323)
Cash flows from investing activities			
Interest received		4,085	3,745
		<hr/>	<hr/>
Net cash from investing activities		4,085	3,745
Cash flows from financing activities			
Loan repayment by director		4,213	2,711
Share issue		32,692	25,000
Share premium on share issue		766,308	630,633
		<hr/>	<hr/>
Net cash inflow from financing activities		803,213	658,344
		<hr/>	<hr/>
Decrease in cash and cash equivalents		(455,932)	(930,234)
Cash and cash equivalents at beginning of year	8	1,375,275	2,305,509
		<hr/>	<hr/>
Cash and cash equivalents at end of year	8	919,343	1,375,275
		<hr/>	<hr/>

Notes to the consolidated financial statements for the year ended 30 June 2019

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 consider that the cash held at the year-end, together with the proceeds of the placing received in July 2019, which amounted to £781,484 before expenses, will be sufficient to meet the forecast expenditure for at least one year from the date of signing the financial statements. In the event that there is a shortfall, the directors will implement cost savings to ensure that the cash resources last for this period of time. For this reason 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. Statutory Information

Sareum Holdings plc is a public company, registered in England and Wales. The company's registered number is 05147578 and the registered office address can be found in note 11 below.

3. Accounting policies

The principal accounting policies applied are set out below.

Property, plant and equipment

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

Motor vehicles - straight line over three years

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 substantially 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. Investments in associates are accounted for using the equity method, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the associate's net assets with recognition in the profit and loss of the share of the associate's profit or loss.

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 16 Leases	1 January 2019
Amendments to IAS 28 Clarifies how IAS 28 interacts with IFRS 9 to IAS 28	1 January 2019
Annual improvements to IFRS Standards 2015-2017 cycle	1 January 2019
Amendments to IAS 1 Definition of material	1 January 2020

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.

4. Investments in associates

	Interest in associates £
Cost	
At 1 July 2018 and 30 June 2019	<u>1,138,125</u>
Impairment	
At 1 July 2018	
Impairment for year	1,096,750
	<u>10,016</u>
At 30 June 2019	<u>1,106,766</u>
Net book value	
At 30 June 2019	<u><u>31,359</u></u>
At 30 June 2018	<u><u>41,375</u></u>

Interest in joint venture

The Investment in Associates represents the investment by the Group in the partnership with the Cancer Research Technology 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%. As at 30 June 2019, the partnership had net assets of £121,195 (2018: £157,474) and had incurred cumulative losses of £552,025 (2018: £515,746).

5. (Loss)/profit before income tax

The (loss)/profit before income tax is stated after charging:

	2019	2018
	£	£
Other operating leases	18,420	13,902
Depreciation – owned assets	8,000	5,333
Research and development	939,174	1,035,708
Auditor’s remuneration – see analysis below	13,375	13,100

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	4,600	4,500
Audit of subsidiaries	7,450	7,300

Total audit fees	12,050	11,800
------------------	---------------	--------

Fees payable to the Company's auditor for other services:

Taxation services	1,325	1,300
-------------------	--------------	-------

Total fees payable to the Company's auditor	13,375	13,100
---	---------------	--------

6. Income tax

	2019	2018
	£	£
Current tax:		
UK corporation tax credit on (losses)/profits of the period	(225,985)	(252,534)
Adjustments recognised in the current year in relation to the current tax of prior years	<u>(3,920)</u>	<u>3,837</u>
Tax credit to the income statement	<u>(229,905)</u>	<u>(248,697)</u>

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

	2019	2018
	£	£
(Loss)/profit before tax	(1,682,370)	<u>(1,718,218)</u>
At standard rate of 19% (2017: 19.75%)	(319,650)	(326,461)
Effects of:		
Capital allowances in excess of depreciation	(699)	699
Other timing differences	633	55
Unutilised tax losses	192,869	181,835
Losses surrendered for research and development tax credits (less uplift)	126,847	143,872
Research and development tax credits claimed	(225,985)	(252,534)
Prior year adjustments	(3,920)	<u>3,837</u>
Actual current tax credit in the year	(229,905)	<u>(248,697)</u>

7. Loss per share

The calculation of (loss)/profit per share is based on the following data:

Basic (loss)/profit per share:

	2019	2018
(Loss)/profit on ordinary activities after tax	£(1,452,465)	£(1,469,521)
Weighted average number of shares for basic loss per share	2,826,717,857	2,705,771,933
Basic (loss)/profit per share	(0.05)p	(0.05)p

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

8. Cash and cash equivalents

	2019	2018
	£	£
Bank deposit account	908,676	1,368,687
Bank accounts	10,667	6,588
	919,343	<u>1,375,275</u>

9. Reconciliation of (loss)/profit before income tax to cash generated from operations

	2019	2018
	£	£
(Loss)/profit before income tax	(1,682,370)	(1,718,218)
Depreciation charges	8,000	5,333
Share-based compensation	115,061	100,866
Share of cost of associate	10,016	12,264
Finance income	(4,085)	(3,745)
	(1,553,378)	<u>(1,603,500)</u>
(Increase)/decrease in trade and other receivables	74,143	(60,109)
Increase in trade and other payables	(36,529)	27,921
	(1,515,764)	<u>(1,635,688)</u>

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, will be available from the Company's registered office at 2a Langford Arch, London Road, Pampisford, Cambridge CB22 3FX, and will be placed on the Company's website at <http://www.sareum.com/>.