(AIM:SAR) **13 March 2018**

SAREUM HOLDINGS PLC

("Sareum" or "the Company")

HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Sareum Holdings plc (AIM: SAR), the specialist cancer drug discovery and development business, announces its half-yearly results for the six months ended 31 December 2017 and provides an update of significant post-period events.

Operational highlights

- Sareum's licence partner Sierra Oncology ("Sierra") made strong progress with the two clinical studies of Chk1 inhibitor SRA737 leading to a significant expansion of the development programme in 2018.
    - SRA737 is being investigated in two Phase 1/2 clinical trials in patients with advanced cancer: a monotherapy study evaluating SRA737 in patients with tumours identified to have genetic aberrations hypothesized to confer sensitivity to Chk1 inhibition, including prostate, ovarian, lung and colorectal cancers; and a drug combination study evaluating SRA737 potentiated by low-dose gemcitabine in four cancer indications, including lung cancer and sarcoma.
    - Sierra presented preclinical data at the AACR-NCI-EORTC congress in October demonstrating that low sub-therapeutic doses of gemcitabine potentiate the anti-tumour effect of SRA737 thereby supporting the design of the combination study.
- Sareum's TYK2 inhibitor autoimmune disease and cancer research programmes advanced with distinct small molecules moving into candidate selection for preclinical development in each therapeutic area.
    - Further patent grants for the TYK2 kinase programme were received in Japan and China.
- The Company's small molecule Aurora+FLT3 candidate, targeting opportunities in haematological cancers, continues in preclinical development.

Financial highlights

- In November, Sareum raised £700,000 before expenses through a placement of 100,000,000 new ordinary shares at 0.7p per share to progress its drug development programmes as well as for working capital purposes.
- Loss on ordinary activities (after taxation) of £722,000 (2016: profit of £573,000).
- Cash at bank as at 31 December 2017 was £2,165,000 (2016: £2,305,000).

Post period end

- In February 2018, Sierra provided an update on the SRA737 clinical development programme

- The Dose Escalation Phase 1 portion of the Phase 1/2 monotherapy trial is in the final stages of optimising the SRA737 dose regimen and the Cohort Expansion Phase 2 portion is ongoing. The Phase 2 portion has been expanded to include more patients across six cancer indications and at a larger number of clinical sites in the UK.
- For the Low-Dose Gemcitabine Phase 1/2 Combination trial, the Dose Escalation Phase 1 has made progress and the Cohort Expansion Phase 2 is anticipated to commence in the second quarter of 2018. This study is targeting enrollment of 80 genetically selected patients across four indications.
- Sierra noted its plans to initiate a Phase 1b/2 combination trial of SRA737 with the orally administered PARP inhibitor, niraparib, in patients with prostate cancer. The trial is expected to start in the fourth quarter of 2018 at The Institute of Cancer Research and The Royal Marsden NHS Foundation Trust (London, UK).
- Sierra presented preclinical data providing evidence of synergy between SRA737 and immune checkpoint blockade, and is currently designing a clinical study for this combination.

Dr Tim Mitchell, CEO of Sareum Holdings plc, said: "The progress being made by Sierra Oncology, our licence partner for the potentially best-in-class Chk1 inhibitor SRA737, has been extremely encouraging and highlights its broad therapeutic potential across multiple cancer indications. We look forward to initial results from the innovative clinical trials expected in the fourth quarter of 2018 and further programme updates during the year.

"Our internal preclinical programmes also continue to advance, and we are particularly pleased that distinct TYK2 inhibitors have emerged in each of the cancer and autoimmune disease areas and are now progressing towards formal preclinical development.

"The new funds raised in November are supporting our internal development activities, which we see as key to generating value for shareholders. We look forward to reporting further progress across our business and portfolio during 2018."

Sareum Holdings plc	
Tim Mitchell	01223 497 700
WH Ireland Limited (Nominated Adviser and Co-Broker)	
Chris Fielding / James Sinclair-Ford	020 7220 1666
Hybridan LLP (Co-Broker)	
Claire Noyce	020 3764 2341
Citigate Dewe Rogerson (Media enquiries)	
Shabnam Bashir/ Mark Swallow/ David Dible	020 7282 9571

About Sareum

Sareum is a specialist drug discovery and development company delivering targeted small molecule therapeutics, focusing on cancer and autoimmune disease, and generating value through licensing them to international pharmaceutical and biotechnology companies at the preclinical or early clinical trials stage.

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

Sareum is also advancing programmes to develop novel tyrosine kinase 2 (TYK2) inhibitors in autoimmune diseases and cancers, and Aurora+FLT3 inhibitors in haematological cancers, which are in the candidate selection and IND-enabling preclinical stages.

The Company's drug discovery technology platform (SKIL® – Sareum Kinase Inhibitor Library) has the potential to generate drug research programmes against other kinase targets.

Sareum Holdings plc is quoted on the Alternative Investment Market (AIM) of the London Stock Exchange, trading under the ticker SAR. For further information, please visit www.sareum.co.uk.

Half-yearly results for the six months ended 31 December 2017

Chairman and CEO's Statement

The first half of the financial year has seen Sierra Oncology, the licence partner for Chk1 inhibitor SRA737, make great progress with its ongoing clinical development programme. Alongside this, they have built a strong scientific platform to support the expansion of SRA737 development into more cancer indications, and also into combination studies with new treatment modalities, such as PARP inhibitors and immuno-oncology agents.

It is very encouraging to see this progress as Sareum will be a direct beneficiary of the success of this programme through potential future milestone payments of up to $88 million, plus a share of future royalties. The progress being reported increases our confidence and the likelihood that key milestones will be achieved and that associated payments will be forthcoming over the coming years.

Sareum's own development programmes are also advancing as we deploy our financial resources and preclinical discovery and lead optimisation expertise, alongside that of partners, to progress promising molecules in both the TYK2 and Aurora+FLT3 programmes. We are particularly pleased that the data to date suggest that we will be able to nominate distinct TYK2 inhibitors for further development in each of the autoimmune and cancer areas.

Programme updates

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

Initial progress leads to significant programme expansion into ten genetically defined cancers, with potential for future combination studies

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

SRA737 is being investigated in two Phase 1/2 clinical trials in patients with advanced cancer:

1. a monotherapy study evaluating SRA737 in patients with tumours identified to have genetic aberrations hypothesized to confer sensitivity to Chk1 inhibition via synthetic lethality; and
2. a drug combination study evaluating the anti-tumour effect of SRA737 potentiated by low-dose gemcitabine.

During the second half of 2017, Sierra established an expert DDR Advisory Committee comprising leading experts in this emerging field of cancer drug development to advise Sierra's management as it advances its DDR-oriented development programmes. Furthermore, in September and October, Sierra hosted two Key Opinion Leader (KOL) events to provide insights to DDR biology, highlighting the clear potential of Chk1 inhibition in treating a broad range of cancers.

In February 2018, Sierra announced significant progress and expansion of its SRA737 programme, as follows:

- Progress in the Dose Escalation Phase 1 portions for both of its ongoing Phase 1/2 clinical trials evaluating SRA737.
- Expansion of the efficacy-oriented Phase 2 portions of both trials, which will now target aggregate enrolment of approximately 200 patients (previously 120) across ten cancer indications often driven by replication stress.
- Plans to initiate a Phase 1b/2 clinical trial in the fourth quarter of 2018 that will evaluate SRA737 in combination with the PARP inhibitor ZEJULA® (niraparib) for the treatment of metastatic castration-resistant prostate cancer (mCRPC).
- Preclinical data providing evidence of synergy between SRA737 and immune checkpoint blockade, and plans to undertake a clinical study of this combination.

The full details of the programme update can be found in Sierra's announcement of 27 February 2018, which can be found at www.sierraoncology.com. A summary of that announcement and the subsequent conference call follows:

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

This trial consists of two phases, a safety-oriented Dose Escalation Phase 1 in unselected 'all-comer' patients and an efficacy-oriented Cohort Expansion Phase 2 in patients with genetically defined tumours that harbour genomic alterations linked to increased replication stress and hypothesized to be more sensitive to Chk1 inhibition.

- SRA737 was well-tolerated up to 1000 mg QD (i.e. once daily) as monotherapy, with dose-limiting toxicity observed at 1300 mg QD.
- Dose escalation is now complete, and a broad potential therapeutic window has been identified; 1000 mg QD & 500 mg BID (i.e. twice daily) cohorts are currently being compared in order to optimise the SRA737 dose regimen.
- Doses of 600mg and 1000mg led to 24 hours of drug exposure at levels above the minimum expected effective concentration from preclinical studies.
- No evidence of emergent or cumulative toxicity and/or declining tolerability was observed with up to eight cycles of drug administered (eight months of daily treatment), supportive of potential for extended dosing.
- The majority of reported adverse events (AEs) have been Grade 1 or 2 in severity, with most commonly observed AEs being fatigue and gastrointestinal events (diarrhoea, nausea, vomiting). These AEs were considered to be 'on-target' effects and were observed in preclinical toxicology studies.

The Cohort Expansion Phase 2 portion of the trial is enrolling genetically defined patients into indication specific cohorts, including advanced or metastatic:

- Castration-resistant prostate cancer (mCRPC);
- High-grade serous ovarian cancer (HGSOC);
- Non-small cell lung cancer (NSCLC);

- Head and neck squamous cell carcinoma (HNSCC) or squamous cell carcinoma of the anus (SCCA);
- Colorectal cancer (mCRC); and
- CCNE1-driven HGSOC. (This new indication was announced in the update on the basis of supportive preclinical data demonstrating that SRA737 has significant anti-tumour activity and strong survival benefit in CCNE1-driven HGSOC preclinical models.)

Sierra is also expanding the number of sites recruiting patients into the trial from three active sites (as of the third quarter of 2017) to a planned 15 active sites across the UK, to support its increased enrolment from eight to 20 patients in each of the six genetically defined cohorts. They also noted that their genetic pre-screening is performing well, with the expected numbers of patients being identified in each of the targeted cancer types.

In total, 120 patients are expected to be enrolled into the Phase 2 portion of the trial. Sierra reported that 20 patients had been enrolled into this portion of the study to date. The Cohort Expansion Phase 2 portion of the study is expected to report preliminary clinical data in the fourth quarter of 2018.

Sierra noted that the adaptive design of the monotherapy study provides flexibility and optionality for future development and that subsequent registration-oriented expansion trials could lead to development in a specific indication, or to a possible tissue agnostic approach.

Phase 1/2 SRA737 plus Low Dose Gemcitabine Combination Trial (SRA737-02): Trial Update and Expansion Plans

This trial aims to explore the effect of low-dose gemcitabine (a chemotherapy that causes replication stress and DNA damage) in potentiating the anti-tumour effect of SRA737 in patients with genetically profiled cancers. Preclinical data were presented at the AACR-NCI-EORTC congress in October supporting the principle and design of the combination study, which has two key parts:

1) A Low Dose Gemcitabine (LDG) Combination Dose Escalation Phase 1 evaluating safety in 'all-comer' non-selected patients, where cohorts of 3-6 patients are being administered escalating doses of SRA737 in addition to LDG (5-10% of the standard gemcitabine dose) until the combination maximum tolerated dose (MTD) is reached.

Sierra reported that significant progress has been made in this part of the trial, and the LDG combination regimen has been very well-tolerated.

- The majority of reported AEs have been Grade 1 or 2 in severity, with most commonly observed AEs being diarrhoea, anaemia, thrombocytopenia, fatigue, influenza-like illness, nausea, neutropenia and vomiting.
- Currently dosing parallel cohorts of 300 mg SRA737 + 100 mg/m^2 & 50 mg/m^2 gemcitabine
- No evidence of emergent or cumulative toxicity and/or declining tolerability was observed with up to five cycles of drug administered, supportive of potential for extended dosing.
- No dose-limiting toxicities (DLTs) have been reported in any LDG dose escalation cohort and dose escalation continues.

2) A Low Dose Gemcitabine Combination Cohort Expansion Phase 2 is anticipated to commence in the second quarter of 2018. This part of the trial will explore the preliminary efficacy of SRA737 plus LDG in genetically defined patients with tumours that harbour genomic alterations hypothesized to be driven by high levels of replication stress.

Sierra reported that this phase has been expanded to target enrolment of 80 genetically selected patients across four indications, including advanced or metastatic:

- urothelial carcinoma;
- small cell lung cancer (SCLC);
- soft tissue sarcoma; and
- cervical/anogenital cancer.

A further update on the study, including preliminary efficacy data, is expected in the fourth quarter of 2018.

SRA737 PARP inhibitor Combination Programme (SRA737-03)

Sierra also presented preclinical data during the Programme Update supporting SRA737's synergistic activity in combination with a poly ADP-ribose polymerase (PARP) inhibitor in a model of PARP inhibitor acquired resistance. PARP inhibitors prevent the repair of DNA damage and are developed as treatments for cancer and other indications. Additional preclinical data supporting this combination will be presented at the American Association of Cancer Research (AACR) Annual Meeting 2018 (14-18 April).

Sierra also announced during the update that it was planning to start a Phase 1b/2 combination trial of SRA737 with ZEJULA® (niraparib), an orally administered PARP inhibitor, in patients with prostate cancer, in the fourth quarter of 2018. The trial is to be led by leading prostate cancer specialist Professor Johann de Bono at The Institute of Cancer Research and The Royal Marsden NHS Foundation Trust.

SRA737 Combination with Immuno-Oncology (SRA737-04)

During the programme update, Sierra presented preclinical data providing evidence of biological synergy between SRA737 and immune checkpoint blockade. Sierra is planning a Phase 1b/2 clinical study for this combination, which potentially could be submitted to regulatory authorities in the fourth quarter of 2018.

Sierra is expected to need to complete registration-oriented Phase 2 trials after completion of the above-mentioned studies. If the data are compelling, Sierra may discuss accelerated approval with the regulatory authorities, which may negate the need for a Phase 3 trial before marketing approval can be applied for.

Tyrosine Kinase 2 (TYK2) inhibitors – distinct molecules moving into candidate selection

Sareum is developing potent and selective TYK2 inhibitors for autoimmune diseases and cancers. A shortlist of six lead compounds have advanced from these programmes with possible best-in-class profiles, including the potential to achieve once daily oral dosing in humans, and have shown initial proof-of-concept in models of:

- Psoriasis, rheumatoid arthritis and ulcerative colitis;
- T-cell Acute Lymphoblastic Leukaemia (T-ALL); and
- Several solid tumours in immune competent disease models.

The Company has been increasing the resources allocated to its TYK2 programmes and is currently undertaking the studies to select preclinical development candidates from the shortlist. Distinct lead molecules are emerging for each therapy area with preclinical candidate nomination expected mid-2018 following completion of the ongoing studies.

Sareum has an ongoing co-development agreement with SRI International (Menlo Park, CA, USA) to develop TYK2 inhibitors in autoimmune diseases and retains commercialisation rights for these and other TYK2 inhibitors with profiles optimised for oncology and immuno-oncology applications.

The Company is developing its TYK2 programmes with the intention of generating compelling preclinical and potentially early clinical data, the basis of which will define the timing and future development and partnering strategy for these candidates.

Targeting psoriasis, rheumatoid arthritis, and other autoimmune disorders, in partnership with SRI International

Our current lead compounds show dose-dependent reductions of disease and disease-associated cytokine levels in preclinical models of arthritis and are safe and well tolerated at efficacious doses.

The six advanced leads, plus other leads with the potential to be administered topically, are being assessed for efficacy when administered either orally or topically in a preclinical model of psoriasis that uses human skin samples.

Sareum's partner SRI International is continuing to investigate advanced lead molecules in disease models of lupus, following promising efficacy observed in the initial experiments.

Data from these studies are expected to support formal preclinical candidate selection in mid-2018.

Targeting acute lymphoblastic leukaemia (T-ALL) and other cancers

Initial studies to investigate the potential of several of Sareum's lead TYK2 inhibitors to treat T-ALL have demonstrated good efficacy in disease models of T-ALL, both as a single agent and in combination with standard-of-care chemotherapy.

Dose dependency and additive efficacy was observed in preclinical T-ALL models when a Sareum TYK2 inhibitor was used in combination with dexamethasone, a standard-of-care rescue therapy for

refractory or resistant T-ALL patients. The Sareum compound as single agent was well tolerated and there was no change in tolerability when combined with dexamethasone.

Our current most favoured lead for cancer applications, which is distinct to the most favoured lead for autoimmune diseases, is being investigated in various preclinical solid tumour models and further data is anticipated mid-2018.

In particular, Sareum is conducting studies to examine the effect TYK2 inhibition has on cells of the immune system in the tumour microenvironment, and on levels of some of the proteins (specifically PD-1, PD-L1 and CTLA4) that are targets of currently marketed immune checkpoint inhibitors.

The Company has seen exciting data emerge from these studies in a number of solid tumour models. Initial results show that TYK2 inhibition has a marked and beneficial effect on certain cells and proteins believed to exert an immunosuppressive effect in the tumour microenvironment, resulting in tumour growth inhibition. The Company is now studying the effect of combining TYK2 inhibition with immune checkpoint inhibitors and with chemotherapies, an area of considerable industry activity and potential value.

Aurora+FLT3 inhibitors – in preclinical development

Targeting AML and other blood cancers, in partnership with HMUBEC

Sareum's third programme is focused on small molecule inhibitors of Aurora and FLT3 kinases that it has identified as having potential to be a single agent therapy for acute myeloid leukaemia (AML) and other leukaemias. A candidate is in preclinical development, funded by Sareum's Chinese partner, Hebei Medical University Biomedical Engineering Center (HMUBEC).

Initial preclinical toxicity studies show good tolerance of the candidate drug at the predicted therapeutic dose, with no significant side effects being seen. Formulation issues however are preventing higher intravenous doses from being explored to establish MTD, and delaying the completion of toxicity studies. To resolve this formulation issue, Sareum has engaged and funded formulation specialists in the UK. This work is ongoing and, if successful, will be expected to enable the completion of preclinical studies during the second half of 2018.

In parallel, Sareum is beginning to explore the potential for oral dosing of its Aurora+FLT3 inhibitors.

Financial review

Sareum ended the six-month period ended 31 December 2017 with net assets of £2,384,000 (2016: £2,510,000) of which £2,165,000 (2016: £2,305,000) comprised cash at bank, including proceeds from a placement, which raised £700,000 net of expenses in November 2017. Non-cash assets include £156,000 of R&D tax credit, of which £43,000 has been received post period end.

Operating expenses for the period have increased to £822,000 (2016: £750,000): this includes an increase in research expenditure on our TYK2 autoimmune disease and cancer programmes and funds directed towards resolving the formulation issue in the Aurora+FLT3 programme.

The loss on ordinary activities (after taxation) was £722,000 (2016: profit of £573,000), since no further milestone payments from Sierra Oncology were received during the period.

Outlook

The Directors continue to be pleased with the progress being made with the Chk1 and TYK2 programmes, and are working to address the formulation issue with the Aurora+FLT3 programme so that the toxicity studies can be completed and the programme advanced into clinical development.

The progress being made by Sierra Oncology is very encouraging and updates across all programmes are expected over the course of 2018. Sareum is eligible to receive significant payments from the ongoing development and commercialisation of SRA737 as it advances over the coming years, and the progress reported provides added confidence to the Board that such payments will be forthcoming as milestones are achieved.

The TYK2 programmes in autoimmune diseases and cancer are advancing according to plan with formal candidate selections anticipated against both therapeutic areas during 2018. The Company also anticipates further data to emerge from its research activities exploring the role of TYK2 in immuno-oncology.

From a corporate perspective, Sareum's financial position is solid following the placement in November, with resources being directed to advancing its existing internal development programmes. In parallel, Sareum continues to engage with potential partners with a view to securing commercial licences for its products and programmes, while exploring new research programmes from its in-house drug discovery platform, as well as external early stage opportunities that potentially could be in-licensed and progressed into the clinic.

Dr Stephen Parker
Chairman, Sareum Holdings plc

Dr Tim Mitchell
CEO, Sareum Holdings plc

Consolidated Income Statement for the six months ended 31 December 2017

	Notes	Unaudited Six months ended 31 Dec 17 £'000	Unaudited Six months ended 31 Dec 16 £'000	Audited Year ended 30 Jun 17 £'000
Revenue		**-**	**-**	**-**
Other operating income		-	20	20
Operating expenses		(822)	(750)	(1,446)
Share of (loss)/profit of associates	3	(9)	1,301	1,776
Operating (loss)/profit		**(831)**	**571**	**350**
Finance income		1	2	3
(Loss)/profit before tax		(830)	573	353
Tax	4	108	-	48
(Loss)/profit on ordinary activities after taxation		**(722)**	**573**	**401**
Basic (loss)/profit per share (pence)	**6**	**(0.03)p**	**0.02p**	**0.015p**
Diluted profit per share (pence)		**(0.03)p**	**0.02p**	**0.015p**

Consolidated Statement of Comprehensive Income for the six months ended 31 December 2017

	Unaudited Six months ended 31 Dec 17 £'000	Unaudited Six months ended 31 Dec 16 £'000	Audited Year ended 30 Jun 17 £'000
(Loss)/profit for the period	**(722)**	**573**	**401**
Other comprehensive income	**-**	**-**	**-**
Total comprehensive income for the period	**(722)**	**573**	**401**
Total comprehensive income attributable to:			
Owners of the parent	**(722)**	**573**	**401**

Consolidated Balance Sheet as at 31 December 2017

	Unaudited As at 31 Dec 17 £'000	Unaudited As at 31 Dec 16 £'000	Audited As at 30 Jun 17 £'000
Non-current assets			
Property, plant and equipment	11	-	13
Investments in associates	45	258	54
	56	**258**	**67**
Current assets			
Debtors	178	56	80
Tax receivable	156	155	48
Cash and cash equivalents	2,165	2,305	2,306
	2,499	**2,516**	**2,434**
Creditors: amounts due within one year	(171)	(264)	(155)
Net current assets	**2,328**	**2,252**	**2,279**
Net assets	**2,384**	**2,510**	**2,346**
Equity			
Called-up share capital	686	661	661
Share premium	12,396	11,765	11,765
Share-based compensation reserve	296	184	192
Retained earnings	(10,994)	(10,100)	(10,272)
Total equity	**2,384**	**2,510**	**2,346**

Consolidated Statement of changes in equity for the six months ended 31 December 2017

	Share Capital £'000	Share Premium £'000	Share-based compensation reserve £'000	Retained Loss £'000	Total £'000
As at 30 June 2016 (Audited)	**661**	**11,765**	**110**	**(10,673)**	**1,863**
Profit for the period	-	-	-	573	573
Share-based compensation reserve	-	-	74	-	74
As at 31 December 2016 (Unaudited)	**661**	**11,765**	**184**	**(10,100)**	**2,510**
Loss for the period	-	-	-	(172)	(172)
Share-based compensation reserve	-	-	8	-	8
As at 30 June 2017 (Audited)	**661**	**11,765**	**192**	**(10,272)**	**2,346**
Issue of share capital (net)	25	631	-	-	656
Loss for the period	-	-	-	(722)	(722)
Share-based compensation reserve	-	-	104	-	104
As at 31 December 2017 (Unaudited)	**686**	**12,396**	**296**	**(10,994)**	**2,384**

Consolidated Cash Flow Statement for the six months ended 31 December 2017

	Unaudited Six Months ended 31 Dec 17 £'000	Unaudited Six Months ended 31 Dec 16 £'000	Audited Year ended 30 Jun 17 £'000
Net cash flow from operating activities			
Continuing operations:			
(Loss)/profit before tax	(830)	573	353
Depreciation	2	1	4
Share-based compensation charge	104	74	82
Share of costs of associate	9	217	192
Finance income	(1)	(2)	(3)
	(716)	863	628
(Increase)/decrease in trade and other receivables	(98)	23	6
Increase/(decrease) in trade and other payables	16	165	56
Cash (used in)/generated from operations	(798)	1,051	690
Tax received	-	-	154
Net cash from operating activities	**(798)**	**1,051**	**844**
Cash flows from investing activities			
Purchase of tangible fixed assets	-	-	(16)
Repayment of investment funds	-	-	229
Interest received	1	2	3
Net cash from investing activities	**1**	**2**	**216**
Cash flows from financing activities			
Loan to Director	-	-	(7)
Share issue	25	-	-
Share premium on share issue	631	-	-
Net cash inflow/(outflow) from financing activities	**656**	**-**	**(7)**
(Decrease)/increase in cash and equivalents	**(141)**	**1,053**	**1,053**
Cash and equivalents at start of period	**2,306**	**1,252**	**1,252**
Cash and equivalents at end of period	**2,165**	**2,305**	**2,306**

NOTES TO THE UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

1. Financial information

These half-yearly financial statements are unaudited and do not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006. The Annual Report and Accounts for the year ended 30 June 2017 have been delivered to the Registrar of Companies and are available from Sareum's web site, www.sareum.com. The report of the auditor on those accounts was not qualified and contained no statement under Section 498 of the Companies Act 2006.

2. Basis of accounting

The accounting policies adopted are consistent with those of the financial statements for the year ended 30 June 2017, as described in those financial statements. As at the date of signing the interim financial statements, there are no new Standards likely to affect the financial statements for the year ending 30 June 2018.

3. Share of (loss)/profit of associates

The share of (loss)/profit of associates is made up as follows:

	Unaudited Six months ended 31 Dec 17 £'000	**Unaudited Six months ended 31 Dec 16 £'000**	**Audited Year ended 30 Jun 17 £'000**
Share of income of associates	-	1,518	1,968
Share of costs of associates	(9)	(217)	(192)
Share of (loss)/profit of associates	(9)	1,301	1,776

4. Taxation

No liability arises for corporation tax for the six-month period ended 31 December 2017. Research and Development tax credits, receivable as cash, are estimated to be £108,000 for the period.

5. Dividends

The directors do not propose the payment of a dividend in respect of the six months ended 31 December 2017.

6. Profit/(loss) per share

Basic loss per share is 0.03p (2016: profit per share 0.02p). The basic loss per ordinary share is calculated by dividing the Group's loss for the six months of £722,000 (2016: profit £573,000) by 2,666,963,118 (2016: 2,645,223,988), the weighted average number of shares in issue during the period.

There is no dilutive effect in respect of share options during the six months to 31 December 2017 because the Group generated a loss in that period. The diluted profit per share is 0.02p for the six months to 31 December 2016, calculated by dividing the Group's profit for the six months of £573,000 by 2,724,897,071, the weighted average number of shares in issue plus the weighted average number of dilutive share options outstanding during the period.

7. Availability of half-yearly report

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