(AIM: SAR) 14 October 2014

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 2014.

Operational Highlights

- Co-development agreement to advance CHK1 programme signed in September 2013 - making good progress as it moves through pre-clinical development and towards Phase 1 clinical trials

- Co-development agreement to advance Aurora+FLT3 signed in December 2013 - successfully synthesised in multi-gram quantities and optimising process for larger scale production

- Currently selecting molecules for TYK2 programme for progression into disease models of psoriasis and other autoimmune disorders

Financial Highlights

- Cash at bank at period end was £701,000 (2013: £422,000)
- Loss on ordinary activities (after tax credit) of £763,000 (2013: Loss of £539,000) in line with expectations and reflecting commitments to co-development agreements
- Oversubscribed placing in December 2013 to raise £1.67 million (before expenses) to satisfy commitment to CHK1 co-development payments and to provide additional working capital
- Further funds raised via a Placing and Equity Swap agreement in June 2014

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

"We have reached a key phase in two of our development programmes where we are progressing rapidly towards human trials. As we achieve significant milestones the commercial interest in, and value of, our programmes are increasing. The next period will prove to be a pivotal one for the Company. With multiple research programmes in progress, we are giving ourselves every chance of success in commercialising and/or conducting human clinical trials in at least one of them."

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Chairman and CEO's Statement

Our strategy, as outlined in February 2013, is to advance our drug discovery pipeline programmes so that they can be commercialised at stages that realise their optimum value. This is being borne out through the securing of co-development agreements for our three lead programmes. These co-development agreements are providing programme funding, expertise and geographical spread whilst reducing the risk to the Company of a programme failure by enabling us to pursue multiple programmes.

The first co-development agreement for our autoimmune and inflammatory disorders programme, TYK2, was signed in April 2013 with SRI International ("SRI"). This was followed, in September 2013, by a second co-development agreement to advance our Checkpoint Kinase 1 (CHK1) inhibitor candidate with Cancer Research Technology Pioneer Fund ("CPF") and London Stock Exchange listed investment company, BACIT Ltd ("BACIT"). A third co-development agreement was concluded with central China-based Hebei Medical University Biomedical Engineering Center ("HMUBEC") in December 2013 for our Aurora+FLT3 programme, targeting blood cancers such as Acute Myeloid Leukaemia ("AML").

The Company ended the year with net assets of £1.72 million (2013: £439,000) of which £701,000 (2013: £422,000) comprised of cash at bank. As well as the higher cash balance, the increase in net assets reflects investment in the CHK1 co-development partnership and the cash that is expected to be received from the Equity Swap agreement announced in June 2014.

The loss after taxation for the year was £763,000 (2013: loss of £539,000). The year-on-year increase arises from associated professional fees resulting from the co-development agreements that were signed in 2013 and additional research funding required by our programmes as they reach more advanced stages of development.

In December 2013, the Company raised £1.67 million, before expenses, in an oversubscribed placing. The funds were, in part, raised in order to satisfy Sareum's commitment to the co-development partnership for the CHK1 kinase programme. This amounted to £797,500 and was paid in February 2014. The funds have also provided additional working capital and facilitated the development of other drug discovery and development programmes.

In June 2014, the Company raised further funds via a Placing and Equity Swap agreement. The Company expects to receive up to £550,000 but this is subject to adjustment, depending on the performance of the Company's shares. These funds provide additional working capital and research funding, particularly for our TYK2 autoimmune disease programme.

Research Update - advanced programmes

Checkpoint Kinase 1 (CHK1)

Our co-development agreement to advance the Checkpoint Kinase 1 (CHK1) inhibitor with CPF and BACIT, is making good progress as it moves through pre-clinical development and towards Phase 1 clinical trials.

Since finalising the co-development agreement in September 2013, research has focused on addressing the key issues of chemistry and toxicology. The development candidate has to be synthesised on a large enough scale to allow for the toxicology evaluation, and to progress to human Phase 1 trials. This synthetic process needs to be reliable, reproducible and cost effective, and to consistently generate high-purity compound with a known and acceptable contaminant profile.

It is necessary to develop the most appropriate formulation for our drug candidate. These studies seek to determine the optimal salt form and polymorph (crystal form) of the molecule, and how it can best be blended with inactive ingredients to create a tablet or capsule with the best overall range of properties, including consistent oral bioavailability and stability (shelf life).

A crucial component of pre-clinical development is the evaluation of the toxicological effects of the drug candidate. These studies seek to predict whether we can expect to be able to deliver a therapeutically useful quantity of our development candidate to patients, with an acceptable side-effects profile. Most importantly, the studies allow us to determine the starting dose for our first in human trials.

Additionally, the project partnership is funding research to develop a robust biomarker strategy for the programme. Several biomarkers are being sought which will enable the determination that the molecule is interacting with the CHK1 target and is having the expected biological effects, at both cellular and molecular levels, upon any administration to patients in clinical trials.

As research progresses, further preclinical studies are underway to explore which cancer types may be more responsive to our candidate drug, either in combination with current chemotherapeutics, or when used as a single-agent. To date, lead series CHK1 inhibitors have shown potent efficacy in disease models of colon cancer and lung cancer in combination with other chemotherapies, in head and neck cancers in combination with radiotherapy, as well as neuroblastoma, AML and lymphoma when administered as a single agent.

The Company's financial commitment for the programme for the year ended 30 June 2015 is a potential further £797,500, depending on the progress made towards initiating first in human Phase 1 trials.

Providing all research milestones are achieved within the current planned timetable, it is hoped that a clinical trials application will be filed within the next twelve months. The primary aim of the co-development partnership is to secure a licence deal when clinical data are available. However, as the programme progresses, commercialisation opportunities will be explored and an opportunity to licence at an earlier stage may be accepted if the terms are considered favourable. These licence

deals typically take the form of a substantial up-front payment followed by success milestone and sales royalty payments.

Aurora+FLT3

This is our second programme to formally enter pre-clinical development. We are generating the data required for clinical trials applications, which we expect to be substantially completed during 2015.

In December 2013, we signed a co-development agreement with HMUBEC. The agreement provides Sareum with access to manufacturing capabilities and well-established sales distribution channels in Greater China (being the People's Republic of China, the special administrative regions of Hong Kong, Macau and the Republic of China (Taiwan)). HMUBEC is funding the pre-clinical studies and has the right to carry out clinical studies and sales marketing within Greater China. In return, Sareum will exclusively receive any data generated by HMUBEC in order to facilitate its own development and commercialisation activities throughout the rest of the world.

As with our CHK1 programme, Sareum and HMUBEC are working on this project with contract research organisations possessing the most appropriate blend of skills and expertise to deliver the required chemistry, formulation, toxicology and regulatory work packages required to file Clinical Trial Applications in China and other territories e.g. UK, US and Europe.

Our development candidate has been synthesised in gram-scale quantities and we are now gearing up to optimise the process suitable for the larger scale production necessary for Phase 1.

Whilst we envisage delivering our development candidate initially via the intravenous (IV) route, we have begun formulation studies to deliver the same molecule via the oral route.

Alongside these pre-clinical development activities, we have been conducting further basic research. We have begun investigating different dosing schedules and levels for our development candidate, and investigating its potential in combination with existing standard of care chemotherapeutics in leukaemia models. Results from these experiments will feed into development of our clinical strategy.

As research progresses, we continue to explore potential commercial opportunities outside Greater China.

TYK2

Our autoimmune and inflammatory disorders programme, with co-development partners SRI International, has focused on developing a series of orally bioavailable inhibitors of TYK2, a member of the Janus kinase ("JAK") family of kinases. SRI and Sareum have been working to complete the lead optimisation phase of discovery prior to moving into formal preclinical studies.

During the course of the lead optimisation research we have discovered a molecule, SAR-20347, which potently inhibits TYK2 and, additionally, the related kinase JAK1. This particular combination

of activities leads to a striking decrease in disease symptoms in one of the standard pre-clinical disease models for psoriasis. Our colleagues at SRI demonstrated how the molecule, dosed via the oral route, reduced the levels of proinflammatory cytokines (signalling molecules) in the skin, believed to be responsible for disease pathology. This research was the subject of a presentation at the Federation of Clinical Immunology Societies conference in June 2014, and was published in the peer-reviewed *Journal of Immunology* in October.

Seeking to build on the insights gained from this research, we are synthesising new molecules related to SAR-20347 with improved potency and other properties. We continue to use a "rapid efficacy model" measuring the extent by which compounds reduce levels of the key cytokine, IFNg, to select molecules for progression into the more resource intensive psoriasis disease model. We intend to progress active compounds into other disease models of inflammatory bowel disease, multiple sclerosis and rheumatoid arthritis.

While these activities take place we have also been seeking a commercial partner to sponsor the ongoing research with a view to licensing the programme at a later stage of development.

Other programmes

The exploration into our Fatty Acid Synthase (FASN) research programme, which received a £150,000 grant from the Technology Strategy Board to match Sareum's £50,000, is not currently being pursued. Although programme compounds have demonstrated promising efficacy in models of breast and colon cancer, significant hurdles to further development need to be overcome. We believe investment in our more advanced programmes is more important at this time.

For our VEGFR-3 kinase programme, we are currently seeking grant funding or a development partner. VEGFR-3 kinase is often over-expressed in many different types of cancer including lung, gastric and prostate. We have a lead series of compounds that demonstrate potent inhibition of lymph cell growth by selectively inhibiting VEGFR-3. Lymph vessels are known to be a major route of metastasis, therefore inhibitors of VEGFR-3 have the potential to reduce, delay or inhibit the spread of cancer throughout the body.

We continue to use our Sareum Kinase Inhibitor Library (SKIL) platform to derive compounds for new research programmes alongside looking to in-license assets, either in oncology or other therapeutic areas, where our expertise could be used to accelerate development.

Outlook

Sareum has reached a critical stage in its development where late preclinical research is relatively expensive but the funding required can be challenging to source. We have addressed this by increasing research capacity whilst reducing costs through co-development agreements. This is in line with our strategic view of pursuing multiple programmes rather than focus our resources on a single one. This approach, we believe, increases the likelihood of commercialising one or more programmes successfully.

Higher value licensing and funding agreements are typically available at later stages of development, once much of the initial development risk has been removed. A licence deal with one or more of our research programmes would, in the Board's opinion, transform the Company and would allow it to deliver on its goal of delivering clinical-stage research programmes.

In the meantime, we continue to seek further development opportunities either from our SKIL platform or from outside the Company.

Dr Paul Harper **Dr Tim Mitchell**

Chairman **Chief Executive Officer**

Consolidated Income Statement for the year ended 30 June 2014

	Notes	**2014** **£**	2013 £
CONTINUING OPERATIONS			
Revenue		**—**	—
Other operating income		**149,960**	—
Administrative expenses		**(991,600)**	(606,134)
OPERATING LOSS		**(841,640)**	(606,134)
Finance income		**4,515**	3,332
LOSS BEFORE INCOME TAX	3	**(837,125)**	(602,802)
Income tax	4	**74,252**	63,671
LOSS FOR THE YEAR		**(762,873)**	(539,131)
OTHER COMPREHENSIVE INCOME		**—**	—
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(762,873)**	—
Loss attributable to:			
Owners of the parent		**(762,873)**	(539,131)
Total comprehensive income attributable to:			
Owners of the parent		**(762,873)**	(539,131)
Loss per share expressed in pence per share:	5		
Basic and diluted loss from continuing operations		**(0.05)p**	(0.04)p

Consolidated Balance Sheet as at 30 June 2014

	Notes	**2014** **£**	2013 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		**—**	—
Property, plant and equipment		**4,852**	—
Investments		**706,796**	—
		711,648	—
CURRENT ASSETS			
Trade and other receivables		**99,783**	41,828
Tax receivable		**76,234**	55,585
Investments		**200,000**	—
Cash and cash equivalents	6	**700,618**	421,611
		1,076,635	519,024
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**65,810**	79,922
NET CURRENT ASSETS		**1,010,825**	439,102
NET ASSETS		**1,722,473**	439,102
SHAREHOLDERS' EQUITY			
Called up share capital		**477,509**	380,384
Share premium		**9,549,595**	7,611,588
Share-based compensation reserve		**64,976**	53,864
Merger reserve		**27**	27
Retained earnings		**(8,369,634)**	(7,606,761)
TOTAL EQUITY		**1,722,473**	439,102

Consolidated Statement of Changes in Equity for the year ended 30 June 2014

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 July 2012	370,075	(7,067,630)	7,131,433
Changes in equity			
Issue of share capital	10,309	—	480,155
Total comprehensive income	—	(539,131)	—
Share-based compensation	—	—	—
Balance at 30 June 2013	380,384	(7,606,761)	7,611,588
Changes in equity			
Issue of share capital	97,125	—	1,938,007
Total comprehensive income	—	(762,873)	—
Share-based compensation	—	—	—
Balance at 30 June 2014	**477,509**	**(8,369,634)**	**9,549,595**

	Share-based compensation reserve £	Merger reserve £	Total equity £
Balance at 1 July 2012	46,473	27	480,378
Changes in equity			
Issue of share capital	—	—	490,464
Total comprehensive income	—	—	(539,131)
Share-based compensation	7,391	—	7,391
Balance at 30 June 2013	53,864	27	439,102
Changes in equity			
Issue of share capital	—	—	2,035,132
Total comprehensive income	—	—	(762,873)
Share-based compensation	11,112	—	11,112
Balance at 30 June 2014	**64,976**	**27**	**1,722,473**

Consolidated Cash Flow Statement for the year ended 30 June 2014

	Notes	**2014** **£**	2013 £
Cash flows from operating activities			
Cash used in operations	7	**(838,947)**	(652,188)
Tax paid		**53,603**	69,448
Net cash outflow from operating activities		**(785,344)**	(582,740)
Cash flows from investing activities			
Purchase of tangible fixed assets		**(5,296)**	—
Purchase of fixed asset investments		**(770,000)**	—
Equity Swap arrangement		**(200,000)**	—
Interest received		**4,515**	3,332
Net cash (outflow)/inflow from investing activities		**(970,781)**	3,332
Cash flows from financing activities			
Share issue		**97,125**	10,309
Share premium on share issue		**1,938,007**	480,155
Net cash inflow from financing activities		**2,035,132**	490,464
Increase/(decrease) in cash and cash equivalents		**279,007**	(88,944)
Cash and cash equivalents at beginning of year		**421,611**	510,555
Cash and cash equivalents at end of year	6	**700,618**	421,611

Notes to the Consolidated Financial Statements for the year ended 30 June 2014

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

Sareum Holdings plc is a research and development based business with, at present, no currently marketed products. The Directors consider that the cash held by the Group, together with financing from the Standby Equity Distribution Agreement will be sufficient to support the Group's activities for the foreseeable future and 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 on 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.

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:

International Financial Reporting Standards		**Effective for accounting periods starting on or after**
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of interest in other entities	1 January 2014
IFRS 10, 11 and 12	Amendments in transition guidance	1 January 2014
IAS 27	Separate financial statements (revised 2011)	1 January 2014
IAS 28	Associates and joint ventures (revised 2011)	1 January 2014
IAS 32	Amendment to financial instruments: presentation	1 January 2014
IAS 36	Recoverable amount disclosures	1 January 2014

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. Loss before income tax

The loss before income tax is stated after charging:

	2014	2013
	£	£
Other operating leases	10,683	10,688
Depreciation – owned assets	444	363
Research and development	574,093	266,899
Auditor's remuneration – see analysis below	13,800	11,975

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	4,100
Audit of subsidiaries	6,800	6,600
Total audit fees	11,000	10,700
Fees payable to the Company's auditor for other services		
Taxation services	1,300	1,275
Other assurance services	1,500	—
Total fees payable to the Company's auditor	13,800	11,975

4. Income tax

	2014	2013
	£	£
Current tax:		
UK corporation tax credit on losses of the period	(74,252)	(55,585)
Adjustments recognised in the current year in relation to the current tax of prior years	—	(8,086)
Tax credit to the income statement	(74,252)	(63,671)

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

	2014	2013
	£	£
Loss before tax	(837,125)	(602,802)
At standard rate of 20% (2013: 20%)	(167,425)	(120,560)
Effects of:		
Capital allowances in excess of depreciation	(1,478)	(546)
Unutilised tax losses	114,496	76,189
Losses surrendered for research and development tax credits (less uplift)	54,407	44,917
Research and development tax credits claimed	(74,252)	(55,585)
Prior year adjustments	—	(8,086)
Actual current tax credit in the year	(74,252)	(63,671)

The tax rate of 20% used above for the 2014 and 2013 reconciliations is the small company corporation tax rate applicable in the United Kingdom.

5. Loss per share

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

	2014	2013
Loss on ordinary activities after tax	£(762,873)	£(539,131)
Weighted average number of shares for basic loss per share	1,693,479,365	1,494,114,039
Basic loss per share	(0.05p)	(0.04p)

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

6. Cash and cash equivalents

	2014	2013
	£	£
Bank deposit account	688,405	411,797
Bank accounts	12,213	9,814
	700,618	421,611

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

	2014	2013
	£	£
Loss before income tax	(837,125)	(602,802)
Depreciation charges	444	363
Add back: Share-based compensation	11,112	7,391
Add back: Impairment charge	63,204	—
Finance income	(4,515)	(3,332)
	(766,880)	(598,380)
Increase in trade and other receivables	(57,955)	(10,856)
Decrease in trade and other payables	(14,112)	(42,952)
Cash used in operations	(838,947)	(652,188)

8. Dividend

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

9. 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, Cambridgeshire CB22 3FX and from the Company's website, www.sareum.co.uk.