Sareum

Specialists in Cancer Drug Discovery and Development

Sareum Holdings plc
Annual Report and Accounts 2015

Building value through drug development and licensing

Sareum's small molecule drug discovery expertise builds value by developing drug candidates, focused on cancer and autoimmune diseases, for licensing to pharmaceutical and biotechnology companies.

Highlights

Operational

- Final preparations to submit CHK1 candidate for two concurrent Phase 1 clinical trials to assess different administration strategies: one as a single agent and the other in combination with chemotherapy.
- Clinical trial applications for CHK1 expected to be submitted in Q1 2016 with trials to commence, subject to approval, shortly thereafter.
- Preclinical development of the Aurora+FLT3 candidate progressing to plan, with toxicology and additional efficacy studies ongoing.
- TYK2 inhibitor lead molecule demonstrates striking decrease in psoriasis pathology in a disease model and encouraging results in a rheumatoid arthritis model.

Financial

- Net assets at period end were £1.86 million (2014: £1.72 million), of which £1.48 million comprised of cash at bank.
- Loss on ordinary activities (after tax credit) of £1,26 million (2014: loss of £763,000), an improvement on expectations, reflecting re-phasing of commitments to CHK1 programme.
- Successful placing in June 2015 to raise £1.44 million (before expenses) to satisfy ongoing commitments to CHK1 co-development payments and to provide additional working capital.

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visit us online:
www.sareum.com

Our website provides comprehensive information about our business, including the latest news on our drug development programmes and investor information.

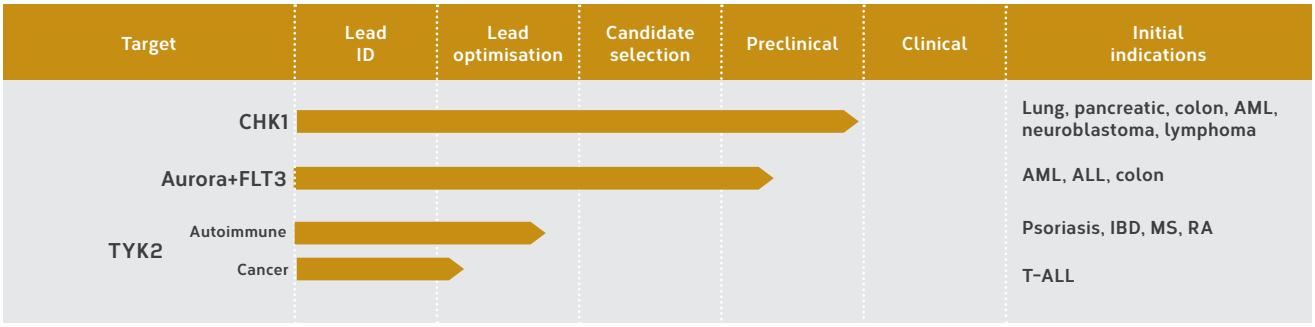
At a glance

Good progress has been made in the last year, with two cancer programmes advancing through preclinical validation and potential new indications for our autoimmune disease programme. With the two planned in-human clinical trials for CHK1 commencing, subject to approval, in early 2016, as well as the progress in our other programmes adding further commercial value, we look forward to next year with real anticipation and optimism.

What we do

Sareum discovers and develops innovative drug candidates aimed at cancers and autoimmune diseases. Our drug development programmes aim to improve outcomes for patients with serious medical conditions and where current therapies are inadequate.

We are currently actively pursuing the following drug discovery and development programmes:



Our year

2014

July
The Japan Patent Office gave notification that a patent has been granted for a key invention that forms the basis of Sareum's SKIL drug discovery platform.

September
The European Patent Office issued notification that a patent has been granted for one of the inventions associated with the CHK1 inhibitor programme.

October
Scientists at Sareum and SRI International publish their latest findings, including a novel molecule that significantly decreases psoriasis disease model pathology in the peer-reviewed Journal of Immunology.

December
The Company was notified by the China Patent & Trademark Office that a patent has been granted for a key invention that forms the basis of Sareum's SKIL drug discovery platform.

2015

January
The US Patent and Trademark Office issued notification that a further patent has been granted for a key invention that forms the basis of Sareum's SKIL drug discovery platform.

Drug development pipeline

Sareum's pipeline is built on the drug discovery expertise of its founders, particularly in the field of cancer.

The Company operates a collaborative and outsourced business model. All our laboratory-based research is carried out in the laboratories of collaborators or third-party providers. This enables us to access drug discovery expertise throughout the world with a very flexible cost base.

Sareum focuses on developing new therapies against biochemical targets where existing preclinical or early clinical data is available. This data can give a strong indication that a therapy will disrupt a targeted biochemical process and improve patient outcome without significant side effects. Sareum's approach is lower risk than developing therapies against entirely novel targets.

CHK1 kinase

Checkpoint Kinase 1 (CHK1) is the Company's most advanced programme. Lead series compounds have shown strong potency in disease models of:

- lung, pancreatic and colon cancers in combination with chemotherapy;
- Acute Myeloid Leukaemia (AML), B-cell lymphoma and paediatric neuroblastoma as a single agent; and
- head and neck cancers in combination with radiotherapy.

Phase I clinical trials for the clinical development candidate, CCT245737, are planned in partnership with the Cancer Research Technology (CRT) Pioneer Fund. These trials will ultimately target lung and pancreatic cancers in combination with chemotherapy, and various cancer types dosed as a single agent.

Read more on **page 5**

Aurora+FLT3 kinase

Our Aurora+FLT3 kinase programme is being developed in partnership with Hebei Medical University Biomedical Engineering Center. The programme targets AML and other blood cancers.

In disease models of AML, the candidate molecule demonstrates greater than 98% tumour inhibition. The molecule also has potent cell-killing activity against other cancers, particularly Acute Lymphoblastic Leukaemia (ALL) and other blood cancers.

Read more on **page 5**

TYK2 kinase – autoimmune diseases

This programme is focused on developing a series of TYK2 inhibitors that can be dosed via the oral route. TYK2 inhibition is expected to be efficacious against many autoimmune and inflammatory disorders, including:

- psoriasis;
- rheumatoid arthritis;
- inflammatory bowel disease (IBD);
- multiple sclerosis.

Co-development partners SRI International and Sareum are working to complete the lead optimisation phase of discovery, prior to moving into formal preclinical development. In the course of this research we have discovered advanced lead molecules such as SAR-20347, which leads to a striking decrease in symptoms in standard preclinical disease models of psoriasis and rheumatoid arthritis.

Read more on **page 6**

TYK2 kinase – cancer

Sareum has discovered a novel series of selective inhibitors of TYK2 from its TYK2 autoimmune disease programme, and has shown that they can prevent T-cell Acute Lymphoblastic leukaemia (T-ALL) cells from proliferating by causing programmed cell death.

A feasibility study, part-funded by the Innovate UK Biomedical Catalyst, is being undertaken to further assess Sareum's TYK2 inhibitors against T-ALL cell lines and to develop a broader understanding of the biology connecting T-ALL and TYK2.

Read more on **page 6**

May

CEO Dr Tim Mitchell presents Sareum's drug development programmes at BioTrinity, Europe's leading partnering and investment conference. The Company also launches a new and updated website.

The Company announces a fundraising of £1.44 million, before expenses, by way of a share placing by Hybridan LLP and WH Ireland Limited.

June

Sareum is notified of its success in obtaining a £140,000 funding award from the Innovate UK Biomedical Catalyst. The funding is to investigate the use of its TYK2 inhibitors as potential therapy for the adolescent leukaemia, T-ALL.

July

Scientists at Sareum and the Institute of Cancer Research publish the first description of the CHK1 clinical development candidate, CCT235737, in the peer-reviewed journal, Oncotarget.

September

The U.S. Patent and Trademark Office and the European Patent Office issue notifications that patents will be granted for inventions associated with Sareum's Aurora+FLT3 kinase inhibitor programme.

Chairman and Chief Executive's statement

Dr Paul Harper Dr Tim Mitchell

In summary

- With positive preclinical results for the CHK1 candidate, both as a single agent and in combination with chemotherapy, two Clinical Trial Applications are expected to be made in Q1 2016.
- Preclinical development of the Aurora+FLT3 candidate, with our Chinese partner HMUBEC, is progressing as planned.
- The TYK2 lead molecule shows efficacy in disease models of psoriasis and rheumatoid arthritis. Funding to investigate its efficacy in cancer models has been granted by the Innovate UK Biomedical Catalyst.

This year, in line with our stated strategy, we have concentrated on advancing our three lead drug discovery programmes in order to maximise their value and make them attractive to potential licensors and commercial partners.

The CHK1 programme, in collaboration with CRT Pioneer Fund, is in its final preparations before submitting the Clinical Trial Applications for Phase 1 clinical trials. With positive preclinical results for the candidate, both as a single agent and in combination with chemotherapy, two Clinical Trial Applications are now expected to be made in Q1 2016 and, if successful, trials should commence shortly thereafter.

We continue to make good progress with our TYK2 programme targeting autoimmune diseases including psoriasis and rheumatoid arthritis. Further investigations, funded in part by the Innovate UK Biomedical Catalyst, will also be conducted on the efficacy of our lead molecules against certain cancers that require TYK2 signalling for survival.

Meanwhile, preclinical development of the Aurora+FLT3 candidate, with our Chinese partner HMUBEC (Hebei Medical University Biomedical Engineering Center), is progressing as planned.

In addition to progressing these programmes towards in-human clinical trials, we have continued our work in securing the intellectual property that protects them. Our SKIL platform is the foundation of our Aurora+FLT3 and TYK2 discoveries, and has the potential to produce inhibitors against many additional kinase targets. Patents for inventions associated with the platform have now been granted in the US, China and Japan, and we are currently awaiting confirmation for a European patent grant. European and US patents for our most advanced programme, CHK1, and more recently European and US patent grants for Aurora+FLT3, and a European grant for TYK2 have also been secured.

Further work is being undertaken to bring our programmes to the attention of the scientific community, including potential licence partners and investors, through publication in peer-reviewed journals and presentations at conferences and investor meetings. In October 2014 the effect of SAR-20347, one of our TYK2 inhibitor molecules, on significantly reducing psoriasis pathology was described in the Journal of Immunology. In July this year, the first description of an orally active clinical development candidate CHK1 inhibitor was made with the publication in the peer-reviewed journal, Oncotarget, of how CCT245737 boosts the effectiveness of chemotherapies used to treat lung and pancreatic cancers.

Financial review

The Company ended the year with net assets of £1.86 million (2014: £1.72 million), of which £1.48 million (2014: £701,000) comprised of cash at bank.

The loss after taxation for the year was £1.26 million (2014: loss of £763,000), reflecting the financial commitment of £497,000 made to the CHK1 programme during the course of the year as well as additional research funding invested in our TYK2 programme.

In June 2015, the Company raised £1.44 million (before expenses) via a share placing primarily to satisfy its ongoing commitment towards the co-development partnership for the CHK1 programme as we plan for its first in-human trials. A portion of the funds will also be used to provide additional working capital and research funding, particularly to progress our TYK2 autoimmune and inflammatory diseases programme.

Outlook

We are extremely pleased that the CHK1 programme will have, subject to receiving clinical trials approval, two opportunities to demonstrate its potential.

With our CHK1 programme reaching a pivotal point early next year, and our other two advanced programmes progressing, we continue to seek licence partners for these programmes as well as opportunities for further programme development.

Dr Paul Harper
Chairman
23 October 2015

Dr Tim Mitchell
Chief Executive Officer

Research update

Checkpoint Kinase 1 (CHK1)

This is the most advanced programme in our pipeline. It is being developed in collaboration with CRT Pioneer Fund, and is now being prepared for Clinical Trial Applications.

In preclinical studies, CCT245737, the clinical development candidate, has shown potent efficacy against various cancers when dosed, via the oral route, as a single agent as well as in combination with chemotherapies. These cancers include lung, colon and pancreatic, as well as certain types of Acute Myeloid Leukaemia (AML), neuroblastoma and B-cell lymphoma. We believe this molecule has the potential to be a best-in-class compound. In order to assess a fuller range of potential applications and therefore maximise the commercial value of the programme, two clinical trials are planned. The primary objectives of these trials are to assess the safety of CCT245737 and to determine dose levels for future studies. One trial plans to examine CCT245737 in combination with other chemotherapies, ultimately targeting lung and pancreatic cancers, and the second clinical trial plans to assess CCT245737 as a single agent in various cancer types.

Analysis of clinical trial data is greatly facilitated by the ability to monitor the extent of enzyme target inhibition that results from the administration of the candidate drug to patients. To this end, working with colleagues at the Institute of Cancer Research, the collaboration has developed a novel "biomarker" assay that quantitatively measures the degree of CHK1 inhibition by CCT245737. This biomarker assay is expected to translate into the clinical setting to confirm that CHK1 inhibition has occurred upon administering CCT245737.

These preclinical studies are on track to complete in Q4 2015, as stated in our February 2015 Research Update. In our February 2015 Half-Yearly Results Statement, it was noted that application for clinical trials would be submitted within the same period. The additional data and administration required to support the plan for two Clinical Trial Applications means we now expect to submit these applications as early as possible in Q1 2016.

A financial commitment from Sareum of £797,500 will be triggered one month before the Clinical Trial Applications and this payment is expected to be made around the end of this calendar year.

Aurora+FLT3 kinase

In collaboration with our Chinese partner, HMUBEC, we are now able to manufacture the larger scale batches of our preclinical development candidate that would be required for Phase 1 clinical trials.

We are now embarking on additional efficacy and toxicology studies which we expect to complete before our financial year end and, if successful, to file Clinical Trials Applications in multiple territories shortly thereafter.

In an *in vivo* disease model of AML, the candidate molecule demonstrates greater than 98% tumour inhibition. Patients with AML are susceptible to the development of resistance to current drugs used to treat their disease and, whilst our clinical strategy is still evolving, it is likely that such resistant patients will be a focus of any Phase 1 trial. The molecule also has potent cell-killing activity against other cancers, particularly Acute Lymphoblastic Leukaemia (ALL), neuroblastoma and Anaplastic Large-Cell Lymphoma.

Alongside this preclinical development of the compound intended for intravenous dosing, good progress has been made in developing a new formulation that can be used to administer the candidate molecule via the oral route. One formulation has been developed which we believe can deliver therapeutically useful amounts of the candidate when dosed orally. We have now begun assessment of efficacy and safety in a suitable disease model.

Research update continued

TYK2 kinase – autoimmune and inflammatory disorders

Our autoimmune and inflammatory disorders programme, with co-development partner SRI International, is developing a series of orally bioavailable inhibitors of TYK2, a member of the Janus kinase (JAK) family of kinases.

JAK family kinases are the targets of several marketed and clinical-stage drugs for cancer and autoimmune diseases, although none of these specifically target TYK2, giving us a potentially unique position in this area.

We have previously reported the discovery of our initial lead candidate SAR-20347, which has shown that, when dosed via the oral route, it can significantly decrease psoriasis pathology in a disease model. Furthermore, we are pleased to report that we have subsequently demonstrated an equally striking effect in a standard model of rheumatoid arthritis. In this model, SAR-20347 reduces joint inflammation in a dose-dependent manner, and is more effective than a commonly used steroid treatment.

Recently synthesised analogues of SAR-20347 show improved potency against TYK2 and selectivity profiles against other JAK family kinases. We are currently assessing their pharmacokinetic properties before progressing into additional disease models such as ulcerative colitis.

TYK2 kinase – cancer

Reports in the scientific literature have identified TYK2 inhibition as a potential strategy to directly target the growth of certain cancers, or to overcome resistance to targeted drugs in the treatment of certain cancers.

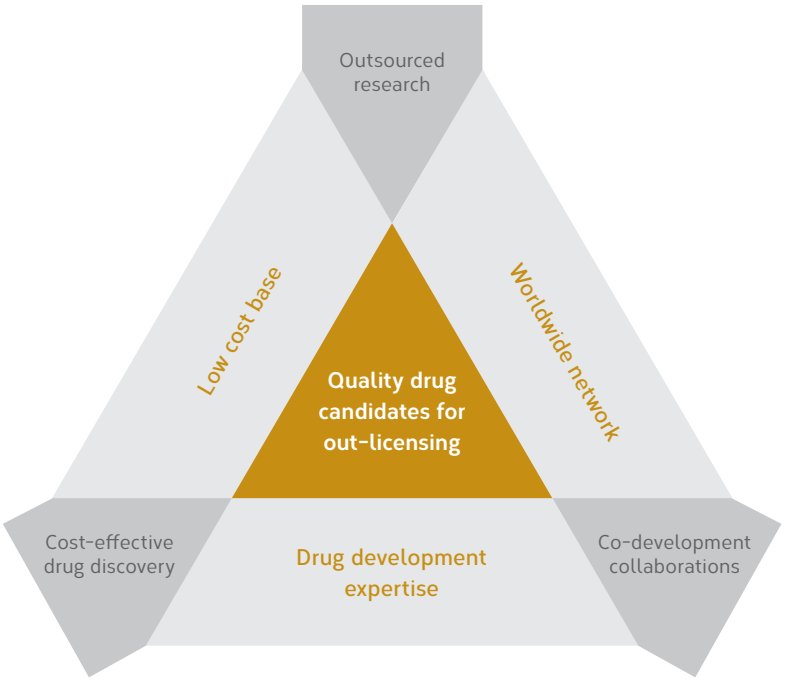
Cancers potentially requiring TYK2 signalling to spread or to develop resistance include small cell lung cancer, bone cancers and T-ALL, a type of leukaemia that predominantly affects children and adolescents.

In order to determine the feasibility of this novel approach we successfully secured funding of £140,000 from the Innovate UK Biomedical Catalyst to investigate the potential of our lead molecules to treat T-ALL. This grant-supported project began in August 2015 and is expected to run for one year.

Given the wide potential for our TYK2 programme we continue to seek a commercial research partner to sponsor the ongoing research with a view to licensing the programme at a later stage of development.

Business model

Sareum operates a lean business model to deliver the most productive return for our research spend. The goals are to build value by progressing our research programmes through early clinical development and generate revenues by licensing them to pharmaceutical company partners.



Cost-effective drug discovery

Sareum ensures its research spend yields the most productive return. This is accomplished by undertaking its laboratory-based research and development activities through co-development collaborations and third-party research providers. From this Sareum builds a dossier of data on the performance and safety of candidate drug compounds, coupled with patent filings to protect the intellectual property. This forms the basis of the information package provided to potential licensees. A small in-house team ensures the management and advisory board are able to make effective and efficient decisions to progress programmes as quickly as possible.

Co-development collaborations

Sareum's co-development collaborations with world-class research institutes provide access to expertise and the ability to progress a number of programmes simultaneously by reducing research costs. Our co-development collaborations in China and the USA also give us valuable presence in these markets. Each collaboration agreement is different. Typically, however, Sareum offsets a share of future licence income and ongoing royalties in exchange for research funding, use of facilities and access to expertise.

Outsourced research

Sareum operates an outsourced research model.
Its laboratory-based research is undertaken via a worldwide network of collaborators and research providers. This reduces the high capital cost of running in-house laboratories and provides access to best-in-class expertise for its programmes.

Drug development expertise

Sareum generates value by developing a strong pipeline of candidate drugs. To date this has been done through its drug discovery platform, SKIL® (Sareum Kinase Inhibitor Library), where new compounds targeting cancer and autoimmune diseases are identified. The Company is also looking to access potential drug candidates from external sources, particularly where its skill and expertise can add substantial value to the development programme.

Low cost base

The Company maintains a low cost base by having a small in-house team, outsourcing as many functions as possible and entering into collaboration agreements with third parties. These collaborations ensure Sareum benefits from the potential upside of future licensing deals without carrying the full cost required to progress its development programmes to later stages.

Worldwide network

As a consequence of its virtual research model, Sareum is able to access a worldwide network of experts. It selects the best-in-class research providers and individuals to progress its programmes. The Company works with laboratories and individuals based across Europe, the USA and China, which also provides access to these markets for potential licensing deals.

Our strategy

Sareum's strategy is to develop programmes to late preclinical or early clinical stages to take advantage of the higher asset values associated with licensing programmes at these stages.

Pursue multiple programmes	- Increase potential success rate - Mitigate development risk
Seek collaboration partners	- Spread financial cost and risk - Access specialist research expertise
Develop programmes to preclinical/early clinical development	- Minimise ongoing development risk - Move up value chain - Potential for higher deal values

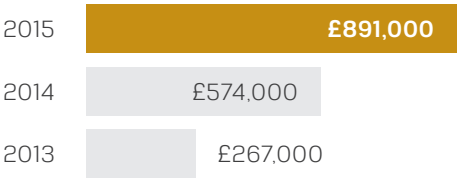
Key performance indicators

The Directors use the following KPIs as a measure of the Group's performance:

Research and development

Sareum undertakes research and development on its cancer and autoimmune disease programmes. The investment in R&D increased in 2015 due to the higher costs associated with advancing later stage programmes. This is in line with management expectations.

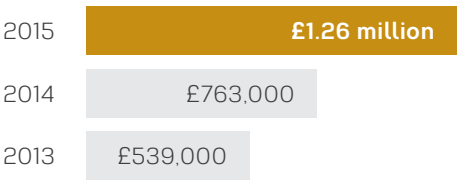
£891,000



Loss on ordinary activities

The Company management aims to minimise the loss to the Group through a low cost base and a lean operating model. The loss has risen this year primarily as a result of increased investment in R&D, which includes financial commitments to the co-development agreements.

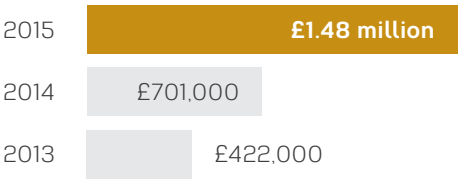
£1.26 million



Cash at bank

Sareum requires cash for working capital purposes and to advance its development programmes. The Company's low cost base ensures that funds are used in the most efficient way possible. Cash at bank increased as a result of the fund raising that took place during the year.

£1.48 million



Risks and risk management

Risk	Description	Mitigation	Risk change
Financial	The principal financial risks are the ability to raise sufficient funds to support the Company through to profitability and failure to secure licensing agreements.	The Company's low cost base ensures that funds are used in the most efficient way possible. Sareum has historically raised the majority of its funds from investors via licensed brokers and this continues to be an option.	Increased risk
Research and development	There are a number of risks in developing drug candidates due to a long and complex development process. Any programme must undergo extensive research to get to preclinical or clinical stage. This process takes several years and is very costly. Preclinical development focuses on safety and can fail at any point.	We undertake extensive early research and create a dossier of information that enables us and our advisers to evaluate the potential of a candidate before we seek to progress to preclinical or clinical phases. We also seek collaboration partners whose own due diligence reaffirms our assessment of a candidate's potential.	Decreased risk
Intellectual property	Our ability to stop others exploiting our intellectual property, without first obtaining a licence, is critical to our long term success. Therefore, we file patent applications in the patent offices of the major commercial territories. To obtain patent protection, our inventions must be considered novel, inventive and useful. However, some, or all, of the patent offices may reject or seek to modify our patent applications.	Intellectual property protection is fundamental to our strategy of developing novel drug candidates and underpins our R&D programmes and we invest appropriately in this area. We are exploiting our SKIL platform, which already has a strong patent position through a number of granted and pending applications. Our CHK1 project is likewise supported by several granted and pending applications. IP considerations form a crucial part of due diligence when we are assessing in-licensing opportunities.	Decreased risk
Collaboration and outsourcing	Working with third parties carries a risk of loss of control on progress and can lead to research delays. This can increase Sareum's own financial commitment as a result of continued spend on fixed costs during a delay and potential additional financial contributions required in order to progress a programme.	We work closely with our partners to anticipate and plan around any likely delays. Collaboration contracts clearly outline responsibilities and key milestones as well as cost, licensing and revenue sharing.	No change
Competition	There always remains the possibility that a similar drug is being developed by a competitor that demonstrates greater efficacy or a better safety profile. Alternatively, a similar drug in development may conclude a licensing deal or reach a later stage of development before we are able to, thus reducing the likelihood of Sareum securing a licensing agreement.	The management and advisory boards gather as much information as possible on competitive products and programmes. Progress and key milestones are monitored to understand how these may affect our own programmes. Sareum also pursues more than one development programme in order to mitigate the overall risk to the Company.	Increased risk

Directors and Company information

Paul Harper PhD
Non-executive Chairman

Dr Paul Harper, aged 69, has over 35 years' experience in the life sciences industry covering both drug development and medical devices. He is Chairman of Physiomics plc and Director of Reneuron Holdings plc, both AIM-quoted companies. In addition, he is Chairman of Oval Medical Technologies Ltd. Paul has served as Chief Executive of Cambridge Antibody Technology Limited and founded Provensis Limited. He has also served as Corporate Development Director of Unipath Limited, then the medical diagnostics business of Unilever PLC, and as Director of Research and Development for Johnson & Johnson Limited. Formerly head of antimicrobial chemotherapy for Glaxo PLC, Paul has a PhD in molecular virology and is the author of over 50 publications.

Tim Mitchell PhD
Founder and CEO

Dr Tim Mitchell, aged 55, has over 25 years' experience in the industry with key management and business expertise gained from his positions at Cambridge Discovery Chemistry Ltd and his roles at Millennium Pharmaceuticals Research and Development Ltd as a member of the management team and in forming the integrated Structure-Based Discovery department. As Director of the Millennium Structure-Based Discovery department, Tim was responsible for global provision of protein structure and high throughput chemical synthesis for Millennium as well as for local computational chemistry, informatics and automation capabilities. Prior to that, he was Director of computational chemistry at Cambridge Discovery Chemistry Ltd and a team leader in the Computational and Structural Sciences department at SmithKline Beecham Pharmaceuticals. Tim has a PhD in computational chemistry and a BSc in chemistry.

John Reader PhD
Founder and CSO

Dr John Reader, aged 48, has over 20 years' experience within the industry and was formerly Associate Director, Chemical Technologies at Millennium Pharmaceuticals Research and Development Ltd, prior to which he worked with Pharmacopeia Inc. and Cambridge Discovery Chemistry Ltd in the provision of high throughput chemistry services to external and internal clients. John has extensive experience of leading large research teams and in the invention and application of new technologies to the drug discovery process, with an excellent track record of delivering successful projects to clients and has authored or co-authored many patents and publications. The majority of patents granted to John cover composition of matter discovered in the multiple projects in which he has worked, with further patents covering technological innovations in the field. John is a member of the EPSRC Peer Review College and has a PhD in chemistry and a BSc in applied chemistry.

Directors
T Mitchell PhD
J Reader PhD
P Harper PhD

Secretary
T Bunn FCMA

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Registered number
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Auditor
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Chartered Accountants and Registered Auditors
10 Orange Street
Haymarket
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WC2H 7DQ

Group strategic report
for the year ended 30 June 2015

The Directors present their strategic report of the Company and the Group for the year ended 30 June 2015.

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

Review of business
The loss for the year was £1,255,368 and at 30 June 2015 cash and cash equivalents amounted to £1,480,044.

The Group raised a total of £1.44 million, before expenses, by way of a placing in June 2015. The funds raised are being used to fund the Group's investment in the CHK1 co-development with the CRT Pioneer Fund and to underwrite the ongoing development of the Group's other programmes.

Throughout the period under review the Group continued to develop its drug discovery programmes using outsourced biology and chemistry resources as well as exploring commercial opportunities with potential partners. In the future the Group will continue to build value from its in-house research and development by seeking to advance and commercialise its drug discovery programmes.

Principal risks and uncertainties
The principal risks facing the Group are the following:

- the drug discovery programmes undertaken may fail due to fundamental scientific uncertainty;
- the Group may not complete sufficient commercial partnerships to create a sustainable business; and
- it may not be possible to raise sufficient funding to support the Company through to profitability.

The Directors address these uncertainties by reviewing reports scientific progress, business development and financial status at the monthly Board meetings and implementing alternative plans to reduce the risks if these are considered necessary.

Key performance indicators
The Directors consider cash and spending on research and development to be the Group's key performance indicators. A budget is approved by the Board at the beginning of each financial year and performance is regularly monitored against budget with significant variances investigated.

Future outlook
The Group will continue to develop its oncology programmes and, in particular, the CHK1 and Aurora+FLT3 projects will be advanced through pre clinical development into Phase 1 clinical trials. The TYK2 inhibitor, targeting autoimmune diseases, will also be progressed in conjunction with SRI International. The recently announced award from Innovate UK will support an investigation into the potential application of TYK2 inhibitors for the treatment of T-cell Acute Lymphoblastic Leukaemia. Commercially, significant licensing deals will be sought to realise the high value inherent in the Company's technology.

On behalf of the Board

T Bunn FCMA
Secretary
23 October 2015

Report of the Directors
for the year ended 30 June 2015

The Directors present their report with the financial statements of the Company and the Group for the year ended 30 June 2015.

Directors
The Directors shown below have held office during the whole of the period from 1 July 2014 to the date of this report.

T Mitchell PhD

J Reader PhD

P Harper PhD

Dividends
No dividends will be distributed for the year ended 30 June 2015.

Research and development
The Group undertakes research and development on its cancer research programmes. The costs relating to this, which have been written off during the year, amounted to £891,156 (2014: £574,093).

Financial instruments
Details regarding the Group's use of financial instruments and their associated risks are given in note 17 to the consolidated financial statements.

Statement of Directors' responsibilities
The Directors are responsible for preparing the report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

Statement as to disclosure of information to auditor
So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

On behalf of the Board

T Bunn FCMA
Secretary
23 October 2015

Corporate governance report

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

The Board
The Board of Directors comprises two Executive Directors and one independent Non-executive Director, the Chairman.

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

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

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

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

Remuneration Committee
The Remuneration Committee currently comprises Dr Paul Harper, Non-executive Chairman. It meets at least once a year. It is the Remuneration Committee's role to establish a formal and transparent policy on executive remuneration and to set remuneration packages for individual Directors. The Committee also ensures that recommendations made by the Executive Directors on staff remuneration are appropriate and fair from a shareholder's perspective. Further information on the work of the Committee can be found on page 15.

Shareholder relations
The Company meets with its institutional shareholders and analysts as appropriate and uses the AGM to encourage communication with shareholders. In addition, the Company issues the Annual Report and Accounts, Interim Statement and press releases as well as using its website (www.sareum.com) to provide further information to shareholders.

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

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

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

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

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

Health and safety
The Company is proactive in considering the safety of staff, visitors and the public. It had no notifiable safety incidents during the year and no working days were lost due to accidents.

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

Environment
Sareum disposes of its waste products using reputable agents. The Company's landlord provides these agents to enable it to recycle its waste as appropriate.

Remuneration Committee report

Introduction

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

The Remuneration Committee of the Board is responsible for considering staff and Directors' remuneration packages and makes its recommendations to the Board. The Committee currently comprises Dr Paul Harper, Non-executive Chairman. It meets at least once a year to review salaries and share option schemes for the Directors.

Remuneration policy

Remuneration packages are designed to be competitive and to reward above average performance. At present, Executive Directors receive salary, death-in-service benefit, critical illness and medical cover and a pension contribution.

Executive Directors' service contracts

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

For the year from 1 July 2014 a Directors' bonus scheme was, in effect, to reward the Directors based on performance targets that build shareholder value.

Pensions

The Group does not have a pension scheme but makes contributions to Executive Directors' personal pension schemes amounting to 6.375% of annual salary. In addition, the Executive Directors contribute to their pension schemes via salary sacrifice, and the National Insurance savings made by the Group as a result of this arrangement are added to the Group's contributions.

Share option schemes

In setting up share option schemes for staff, the Committee took into account the recommendations of shareholder bodies, such as that of the insurance companies, on the number of options to issue and the criteria for vesting. It approved the following share incentive arrangements for staff:

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

The interests in the share option schemes of the Directors who served during the year were as follows:

Director	Share scheme	Exercise price pence	As at 1 July 2014 No.	Granted during the year No.	Lapsed during the year	**As at 30 June 2015 No.**
Dr Tim Mitchell	EMI	0.25	6,400,000	–	–	**6,400,000**
Dr Tim Mitchell	EMI	0.26	6,153,846	–	–	**6,153,846**
Dr Tim Mitchell	EMI	1.2	2,566,666	–	–	**2,566,666**
Dr Tim Mitchell	EMI	0.6	4,752,000	–	–	**4,752,000**
Dr Tim Mitchell	EMI	0.425	–	7,198,353	–	**7,198,353**
Dr John Reader	EMI	0.25	6,400,000	–	–	**6,400,000**
Dr John Reader	EMI	0.26	6,153,846	–	–	**6,153,846**
Dr John Reader	EMI	1.2	2,566,666	–	–	**2,566,666**
Dr John Reader	EMI	0.6	4,752,000	–	–	**4,752,000**
Dr John Reader	EMI	0.425	–	7,198,353	–	**7,198,353**
Dr Paul Harper	Unapproved	0.6	810,000	–	–	**810,000**
Dr Paul Harper	Unapproved	0.425	–	1,227,059	–	**1,227,059**

The market price of the shares at 30 June 2015 was 0.225 pence and the range during the year was 0.225 pence to 0.6 pence.

Remuneration Committee report continued

Non-executive Directors

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

Directors' remuneration

Details of Directors' remuneration for the year to 30 June 2015 are set out below:

	Salary £	Bonus £	Healthcare £	Emoluments £	Pension £	**Total 2015 £**	Total 2014 £
Executive Directors							
Dr TJ Mitchell	98,509	–	916	99,425	7,598	**107,023**	126,094
Dr JC Reader	98,509	–	779	99,288	8,183	**107,471**	126,670
Non-executive Directors							
Dr PB Harper	16,791	–	–	16,791	–	**16,791**	16,000
Total	213,809	–	1,695	215,504	15,781	**231,285**	268,764

Report of the independent auditor
to the members of Sareum Holdings plc

We have audited the financial statements of Sareum Holdings plc for the year ended 30 June 2015 which comprise the consolidated statement of comprehensive income, consolidated and company balance sheet, consolidated and company statement of changes in equity, consolidated and company cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a Report of the Auditor and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern
In forming our opinion on the financial statements, which are not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning Going Concern. In view of the significance of this matter we consider that it should be drawn to your attention and the financial statements do not include any adjustments that would result if the Company was not able to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Stewart Jell (Senior Statutory Auditor)
for and on behalf of Shipleys LLP
Chartered Accountants and Statutory Auditors
10 Orange Street
Haymarket
London
WC2H 7DQ
23 October 2015

Consolidated statement of comprehensive income
for the year ended 30 June 2015

	Notes	2015 £	2014 £
Continuing operations			
Revenue		**–**	–
Other operating income		**–**	149,960
Administrative expenses		**(811,878)**	(928,396)
Share of loss of associates		**(496,989)**	(63,204)
Operating loss		**(1,308,867)**	(841,640)
Finance costs	4	**(135,348)**	–
Finance income	4	**2,997**	4,515
Loss before income tax	5	**(1,441,218)**	(837,125)
Income tax	6	**185,850**	74,252
Loss for the year		**(1,255,368)**	(762,873)
Total comprehensive expense for the year		**(1,255,368)**	(762,873)
Loss attributable to:			
Owners of the parent		**(1,255,368)**	(762,873)
Total comprehensive income attributable to:			
Owners of the parent		**(1,255,368)**	(762,873)
Loss per share expressed in pence per share:	8		
Basic and diluted loss from continuing operations		**(0.06)p**	(0.05)p

The notes form part of these financial statements.

Consolidated balance sheet
30 June 2015

	Notes	2015 £	2014 £
Assets			
Non-current assets			
Intangible assets	9	**–**	–
Property, plant and equipment	10	**3,087**	4,852
Investments in associates	11	**209,808**	706,796
		212,895	711,648
Current assets			
Trade and other receivables	12	**51,366**	99,783
Tax receivable		**186,297**	76,234
Investments	13	**–**	200,000
Cash and cash equivalents	14	**1,480,044**	700,618
		1,717,707	1,076,635
Liabilities			
Current liabilities			
Trade and other payables	15	**67,443**	65,810
Net current assets		**1,650,264**	1,010,825
Net assets		**1,863,159**	1,722,473
Shareholders' equity			
Called up share capital	18	**621,859**	477,509
Share premium	19	**10,761,261**	9,549,595
Share-based compensation reserve	19	**105,014**	64,976
Merger reserve	19	**27**	27
Retained earnings	19	**(9,625,002)**	(8,369,634)
Total equity		**1,863,159**	1,722,473

The financial statements were approved by the Board of Directors on 23 October 2015 and were signed on its behalf by:

T Mitchell PhD
Director
23 October 2015

The notes form part of these financial statements.

Company balance sheet
30 June 2015

	Notes	2015 £	2014 £
Assets			
Non-current assets			
Investments	11	**30,000**	30,000
Trade and other receivables	12	**–**	–
		30,000	30,000
Current assets			
Investments	13	**–**	200,000
Liabilities			
Current liabilities		**–**	–
Net current assets		**–**	200,000
Net assets		**30,000**	230,000
Shareholders' equity			
Called up share capital	18	**621,859**	477,509
Share premium	19	**10,761,261**	9,549,595
Share-based compensation reserve	19	**105,014**	64,976
Retained earnings	19	**(11,458,134)**	(9,862,080)
Total equity		**30,000**	230,000

The financial statements were approved by the Board of Directors on 23 October 2015 and were signed on its behalf by:

T Mitchell PhD
Director
23 October 2015

The notes form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 30 June 2015

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 July 2013	380,384	(7,606,761)	7,611,588
Changes in equity			
Issue of share capital	97,125	–	1,938,007
Total comprehensive expense	–	(762,873)	–
Share-based compensation	–	–	–
Balance at 30 June 2014	477,509	(8,369,634)	9,549,595
Changes in equity			
Issue of share capital	144,350	–	1,211,666
Total comprehensive expense	–	(1,255,368)	–
Share-based compensation	–	–	–
Balance at 30 June 2015	621,859	(9,625,002)	10,761,261

	Share-based compensation reserve £	Merger reserve £	Total equity £
Balance at 1 July 2013	53,864	27	439,102
Changes in equity			
Issue of share capital	–	–	2,035,132
Total comprehensive expense	–	–	(762,873)
Share-based compensation	11,112	–	11,112
Balance at 30 June 2014	64,976	27	1,722,473
Changes in equity			
Issue of share capital	–	–	1,356,016
Total comprehensive expense	–	–	(1,255,368)
Share-based compensation	40,038	–	40,038
Balance at 30 June 2015	105,014	27	1,863,159

Company statement of changes in equity
for the year ended 30 June 2015

	Called up share capital £	Retained earnings £	Share premium £	Share-based compensation reserve £	Total equity £
Balance at 1 July 2013	380,384	(8,015,836)	7,611,588	53,864	30,000
Changes in equity					
Issue of share capital	97,125	–	1,938,007	–	2,035,132
Total comprehensive expense	–	(1,846,244)	–	–	(1,846,244)
Share-based compensation	–	–	–	11,112	11,112
Balance at 30 June 2014	477,509	(9,862,080)	9,549,595	64,976	230,000
Changes in equity					
Issue of share capital	144,350	–	1,211,666	–	1,356,016
Total comprehensive expense	–	(1,596,054)	–	–	(1,596,054)
Share-based compensation	–	–	–	40,038	40,038
Balance at 30 June 2015	621,859	(11,458,134)	10,761,261	105,014	30,000

The notes form part of these financial statements.

Consolidated cash flow statement
for the year ended 30 June 2015

	Notes	2015 £	2014 £
Cash flows from operating activities			
Cash generated from operations	25	**(720,026)**	(838,947)
Tax received		**75,787**	53,603
Net cash outflow from operating activities		**(644,239)**	(785,344)
Cash flows from investing activities			
Purchase of tangible fixed assets		**–**	(5,296)
Purchase of fixed asset investments		**–**	(770,000)
Equity swap arrangement		**64,652**	(200,000)
Interest received		**2,997**	4,515
Net cash inflow/(outflow) from investing activities		**67,649**	(970,781)
Cash flows from financing activities			
Share issue		**144,350**	97,125
Share premium on share issue		**1,211,666**	1,938,007
Net cash inflow from financing activities		**1,356,016**	2,035,132
Increase in cash and cash equivalents		**779,426**	279,007
Cash and cash equivalents at beginning of year	26	**700,618**	421,611
Cash and cash equivalents at end of year	26	**1,480,044**	700,618

Company cash flow statement
for the year ended 30 June 2015

	Notes	2015 £	2014 £
Cash flows from operating activities			
Cash generated from operations	25	**(1,420,668)**	(1,835,132)
Net cash outflow from operating activities		**(1,420,668)**	(1,835,132)
Cash flows from investing activities			
Equity swap arrangement		**64,652**	(200,000)
Net cash inflow/(outflow) from investing activities		**64,652**	(200,000)
Cash flows from financing activities			
Share issue		**144,350**	97,125
Share premium on share issue		**1,211,666**	1,938,007
Net cash inflow from financing activities		**1,356,016**	2,035,132
Increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year	26	**–**	–
Cash and cash equivalents at end of year	26	**–**	–

The notes form part of these financial statements.

Notes to the consolidated financial statements
for the year ended 30 June 2015

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

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

Going concern
The Directors estimate that the cash held by the Group will be sufficient to support the current level of activities into the third quarter of 2016. The Directors also expect that the Group will secure equity-based financing sufficient for the future needs of the business beyond the third quarter of next year. The Directors' confidence in the Group's ability to raise equity-based financing is underwritten by the funds of £1.44 million (before expenses) raised by way of a placing of new ordinary shares on AIM in June 2015. Therefore the financial statements have been prepared on a going concern basis.

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

2. Accounting policies
The principal accounting policies applied are set out below.

Amortisation of intangibles
Amortisation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Intellectual property - straight line over five years

Property, plant and equipment
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and computers – straight line over three or four years

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

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

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

Notes to the consolidated financial statements continued
for the year ended 30 June 2015

2. Accounting policies continued

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

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

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

The amendment to IAS 27 'Separate Financial Statements' (revised 2014), allowing investments in associates to be accounted for under the equity method in separate financial statements, has been adopted early.

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

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

Standard		Effective for accounting periods starting on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	1 January 2016
IAS 27	Equity Method in Separate Financial Statements – Amendments to IAS 27	1 January 2016
Annual Improvements to IFRS – 2012–2014 Cycle		1 January 2016

The amendment to IAS 27 'Separate Financial Statements' (revised 2014), allowing investments in associates to be accounted for under the equity method in separate financial statements, has been adopted early.

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

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

3. Employees and Directors

	2015 £	2014 £
Wages and salaries	**217,334**	254,628
Social security costs	**17,925**	26,466
Other pension costs	**15,781**	15,998
	251,040	297,092

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

	2015	2014
Office and management	**1**	1
Research	**1**	1
	2	2

3. Employees and Directors continued

	2015 £	2014 £
Directors' remuneration	**215,504**	251,253
Directors' pension contributions to money purchase schemes	**15,781**	15,998

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

Money purchase schemes	**2**	2

Information regarding the highest paid Director is as follows:

	2015 £	2014 £
Emoluments etc.	**99,425**	117,627
Pension contributions to money purchase schemes	**7,598**	8,349

The Directors comprise the key management personnel of the Group.

4. Net finance costs

	2015 £	2014 £
Finance income:		
Deposit account interest	**(2,997)**	(4,515)
Finance costs:		
Loss on settlement of swap facility	**135,348**	–
Net finance costs	**132,351**	(4,515)

5. Loss before income tax

The loss before income tax is stated after charging:

	2015 £	2014 £
Other operating leases	**10,936**	10,683
Depreciation – owned assets	**1,765**	444
Research and development	**891,156**	574,093
Auditor's remuneration – see analysis below	**12,300**	13,800

The analysis of auditor's remuneration is as follows:

	2015 £	2014 £
Fees payable to the Company's auditor for the audit of the annual accounts		
Audit of the Company	**4,200**	4,200
Audit of subsidiaries	**6,800**	6,800
Total audit fees	**11,000**	11,000
Fees payable to the Company's auditor for other services		
Taxation services	**1,300**	1,300
Other assurance services	**–**	1,500
Total fees payable to the Company's auditor	**12,300**	13,800

6. Income tax

	2015 £	2014 £
Current tax:		
UK corporation tax credit on losses of the period	**(185,850)**	(74,252)
Adjustments recognised in the current year in relation to the current tax of prior years	**–**	–
Tax credit to the income statement	**(185,850)**	(74,252)

Notes to the consolidated financial statements continued
for the year ended 30 June 2015

6. Income tax continued
The credit for the year can be reconciled to the accounting loss as follows:

	2015 £	2014 £
Loss before tax	**(1,441,218)**	(837,125)
At standard rate of 20% (2014: 20%)	**(288,243)**	(167,425)
Effects of:		
Capital allowances in excess of depreciation	**(63)**	(1,478)
Unutilised tax losses	**174,375**	114,496
Losses surrendered for research and development tax credits (less uplift)	**113,931**	54,407
Research and development tax credits claimed	**(185,850)**	(74,252)
Prior year adjustments	**–**	–
Actual current tax credit in the year	**(185,850)**	(74,252)

The tax rate of 20% used above for the 2015 and 2014 reconciliations is the small company corporation tax rate applicable in the United Kingdom.

7. Loss of parent company
As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £1,596,054 (2014: £1,846,244).

The loss represents costs of £118,544 (2014: £103,531) associated with the Company's obligations to maintain its AIM listing, the share-based compensation adjustment of £40,038 (2014: £11,112), loss on settlement of Swap facility £135,348 (2014: £nil), and a provision of £1,302,124 (2014: £1,731,601) for impairment of amounts owed by Group undertakings.

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

	2015	2014
Loss on ordinary activities after tax	**£(1,255,368)**	£(762,873)
Weighted average number of shares for basic loss per share	**1,941,676,629**	1,693,479,365
Basic and diluted loss per share	**(0.06)p**	(0.05)p

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

9. Intangible assets

Group	Intellectual property £
Cost	
At 1 July 2014 and **30 June 2015**	**2,953**
Amortisation	
At 1 July 2014 and **30 June 2015**	**2,953**
Net book value	
At 30 June 2015	**–**
At 30 June 2014	–

10. Property, plant and equipment

Group	Fixtures and computers £
Cost	
At 1 July 2014 and **30 June 2015**	**9,894**
Depreciation	
At 1 July 2014	5,042
Charge for year	1,765
At 30 June 2015	**6,807**
Net book value	
At 30 June 2015	**3,087**
At 30 June 2014	4,852

11. Investments

Group	Interest in associates £
Investments in associates	
Cost	
At 1 July 2014 and **30 June 2015**	**770,000**
Impairment	
At 1 July 2014	63,204
Impairment for year	496,988
At 30 June 2015	**560,192**
Net book value	
At 30 June 2015	**209,808**
At 30 June 2014	706,796

Interest in associates

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% and they have a seat on the joint research committee. As at 30 June 2015 the partnership had net assets of £762,937 (2014: £2,571,169) and had incurred cumulative losses of £2,137,063 (2014: £329,831).

Company	Shares in Group undertakings £
Cost	
At 1 July 2014 and **30 June 2015**	30,000
Net book value	
At 30 June 2015	**30,000**
At 30 June 2014	30,000

At the balance sheet date the Company owned 100% of the issued ordinary share capital of Sareum Limited ("subsidiary"). The subsidiary is included within the consolidated financial statements of Sareum Holdings plc.

Notes to the consolidated financial statements continued
for the year ended 30 June 2015

12. Trade and other receivables

	Group	
	2015 £	2014 £
Current:		
VAT	**10,639**	5,939
Prepayments and accrued income	**40,727**	93,844
	51,366	99,783

	Company	
	2015 £	2014 £
Non-current:		
Amounts owed by Group undertakings	**10,054,621**	8,752,497
Provision for impairment	**(10,054,621)**	(8,752,497)
	–	–

The Directors have confirmed that they will not seek repayment of the inter-company balance owing from Sareum Limited within the next twelve months and therefore this balance is considered to be repayable in more than a year from the balance sheet date. The Directors have also considered the recoverability of the inter-company balance and have made provision for the full value of the debt.

13. Investments

	Group		Company	
	2015 £	2014 £	**2015 £**	2014 £
Other	**–**	200,000	**–**	200,000

The investment arose from the Equity Swap Agreement entered into with YA Global Master SPV, Ltd (YAGM) in June 2014, whereby the Group paid £200,000 to YAGM who were due to repay the investment by making twelve equal monthly payments to the Group. The payments would be adjusted up or down depending upon the average of the lowest ten-day volume weighted average price (VWAP) of the Group's shares during the relevant month. In May 2015 the Group announced the early conclusion of the Equity Swap Agreement.

14. Cash and cash equivalents

	Group	
	2015 £	2014 £
Bank deposit account	**1,469,023**	688,405
Bank accounts	**11,021**	12,213
	1,480,044	700,618

15. Trade and other payables

	Group	
	2015 £	2014 £
Current:		
Trade creditors	**35,523**	38,184
Social security and other taxes	**6,976**	6,499
Other creditors	**3,410**	3,122
Accrued expenses	**21,534**	18,005
	67,443	65,810

The Company has no creditors outstanding at the year-end date.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit term agreed with suppliers is 30 days and payment is generally made within the agreed terms.

16. Leasing agreements

Group

	Non-cancellable operating leases	
	2015 £	2014 £
Within one year	**11,100**	5,300
Between one and five years	**16,650**	–
	27,750	5,300

The outstanding commitments represent rental payments due under the lease for the Group's office premises, which expires in December 2017. The lease does not include any onerous restriction of the Group's activities.

Company

The Company had no lease commitments at 30 June 2015.

17. Financial instruments

The Group's principal financial instruments are trade and other receivables, trade and other payables and cash. The main purpose of these financial instruments is to finance the Group's ongoing operational requirements. The Group does not trade in derivative financial instruments.

The major financial risks faced by the Group, which remained unchanged throughout the year, are interest rate risk, foreign exchange risk and liquidity risk.

Policies for the management of these risks are shown below and have been consistently applied.

Market risks

INTEREST RATE RISK

The Group is exposed to interest rate risk as cash balances in excess of immediate needs are placed on short term deposit. The Group seeks to optimise the interest rates received by continuously monitoring those available.

FOREIGN EXCHANGE RISK

The Group's activities expose it to fluctuations in the exchange rate for the Euro and the US Dollar.

Funds are maintained in Sterling and foreign currency is acquired on the basis of committed expenditure.

The Group's results are not considered to be materially sensitive to the above risks and therefore no sensitivity analysis has been provided.

Non-market risks

LIQUIDITY RISK

The Board has responsibility for reducing exposure to liquidity risk and ensures that adequate funds are available to meet anticipated requirements from existing operations by a process of continual monitoring.

18. Called up share capital

Allotted, issued and fully paid:

Number	Class	Nominal value	**2015 £**	2014 £
2,487,438,273 (2014: 1,910,038,273)	Ordinary shares	0.025p	**621,859**	477,509

The ordinary shares carry equal rights in respect of voting at a general meeting of shareholders, payment of dividends and return of assets in the event of a winding up.

In June 2015, 577,400,000 ordinary shares of 0.025 pence were issued at 0.25 pence per share.

Details of share options granted can be found in note 24 to the financial statements, "share-based payment transactions".

19. Reserves

Reserve	Description and purpose
Share capital	Amount of the contributions made by shareholders in return for the issue of shares
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Premium on shares issue in consideration of the acquisition of subsidiaries
Retained earnings	Cumulative net gains and losses recognised in the consolidated and the Company balance sheet
Share-based compensation reserve	Cumulative fair value of share option granted and recognised as an expense in the income statement

Details of movements in each reserve are set out in the consolidated statement of changes in equity.

Notes to the consolidated financial statements continued
for the year ended 30 June 2015

20. Pension commitments
The Group makes contributions to its employees' own personal pension schemes. The contributions for the period of £15,781 (2014: £15,998) are charged to the profit and loss account. At the balance sheet date contributions of £3,404 (2014: £3,117) were owed and are included in creditors.

21. Contingent liabilities
There are no contingent liabilities (2014: £nil).

22. Related party disclosures
Disclosure regarding the remuneration of key management personnel is given in note 3, "Employees and Directors".

Transactions between the Company and its subsidiary, Sareum Limited, which is a related party, have been eliminated on consolidation. The ultimate holding company of the Group is Sareum Holdings plc.

During the year, Sareum Holdings plc continued to provide an interest-free loan to Sareum Limited, further details of which can be found in note 12 to the financial statements.

23. Reconciliation of movements in shareholders' funds

	Group	
	2015 £	2014 £
Loss for the financial year	**(1,255,368)**	(762,873)
Issue of share capital	**1,356,016**	2,035,132
Share-based compensation reserve	**40,038**	11,112
Net addition to shareholders' funds	**140,686**	1,283,371
Opening shareholders' funds	**1,722,473**	439,102
Closing shareholders' funds	**1,863,159**	1,722,473

	Company	
	2015 £	2014 £
Loss for the financial year	**(1,596,054)**	(1,846,244)
Issue of share capital	**1,356,016**	2,035,132
Share-based compensation reserve	**40,038**	11,112
Net (reduction)/addition to shareholders' funds	**(200,000)**	200,000
Opening shareholders' funds	**230,000**	30,000
Closing shareholders' funds	**30,000**	230,000

24. Share-based payment transactions
The Group operates a share option scheme under the Enterprise Management Incentive Scheme (EMI) for employees of the Group and it also operates an unapproved share option scheme. If the options under either scheme remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	2015		2014	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of period	**50,555,024**	**0.49**	40,241,024	0.461
Granted during the period	**15,623,765**	**0.425**	10,314,000	0.6
Forfeited during the period	**–**	**–**	–	–
Exercised during the period	**–**	**–**	–	–
Expired during the period	**–**	**–**	–	–
Outstanding at the end of the period	**66,178,789**	**0.474**	50,555,024	0.49
Exercisable at the end of the period	**39,653,725**	**0.442**	35,747,784	0.444

24. Share-based payment transactions continued

The options outstanding at 30 June 2015 had a weighted average remaining contractual life of six years and eleven months (30 June 2014: seven years and two months). The options outstanding but not exercisable at 30 June 2015 and 30 June 2014 vest subject to predetermined performance criteria.

Fair value calculation

Fair value was estimated using the Black-Scholes model. The key data and assumptions used were:

Date of grant	November 2014	December 2013	March 2012	December 2010	December 2009
Share price	0.45 pence	0.5 pence	1.2 pence	0.25 pence	0.25 pence
Exercise price	0.425 pence	0.6 pence	1.2 pence	0.26 pence	0.25 pence
Volatility	50%	50%	50%	50%	83%
Time until maturity	one year	three years	three years	three years	three years
Risk-free rate of interest	1%	1%	1%	1%	1%
Expected dividend yield	nil	nil	nil	nil	nil

Volatility for the options granted in November 2014, December 2013, March 2012 and December 2010 is based on share price performance for companies operating in a similar field. Volatility for the options granted in December 2009 is calculated using the Group's historical share price data and is the annual volatility at 30 June 2010.

The weighted average fair value of the share options at 30 June 2015 was 0.166 pence per share (2014: 0.191 pence per share). A fair value charge of £40,038 has been provided in the year (2014: £11,112).

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

	Group	
	2015 £	2014 £
Loss before income tax	**(1,441,218)**	(837,125)
Depreciation charges	**1,765**	444
Share-based compensation	**40,038**	11,112
Share of loss of associate	**496,988**	63,204
Finance costs	**135,348**	–
Finance income	**(2,997)**	(4,515)
	(770,076)	(766,880)
Decrease/(increase) in trade and other receivables	**48,417**	(57,955)
Increase/(decrease) in trade and other payables	**1,633**	(14,112)
Cash used in operations	**(720,026)**	(838,947)

	Company	
	2015 £	2014 £
Loss before income tax	**(1,596,054)**	(1,846,244)
Impairment provision	**1,302,124**	1,731,601
Share-based compensation	**40,038**	11,112
Finance costs	**135,348**	–
	(118,544)	(103,531)
Increase in trade and other receivables	**(1,302,124)**	(1,731,601)
Cash used in operations	**(1,420,668)**	(1,835,132)

Notes to the consolidated financial statements continued
for the year ended 30 June 2015

26. Cash and cash equivalents
The amounts disclosed in the cash flow statements in respect of cash and cash equivalents are in respect of these balance sheet amounts:

	Group		Company	
Year ended 30 June 2015	**30 June 2015 £**	1 July 2014 £	**30 June 2015 £**	1 July 2014 £
Cash and cash equivalents	**1,480,044**	700,618	**–**	–

	Group		Company	
Year ended 30 June 2014	30 June 2014 £	1 July 2013 £	30 June 2014 £	1 July 2013 £
Cash and cash equivalents	700,618	421,611	–	–

27. Capital risk management
The Group manages its capital to ensure that the Group and its subsidiary company will be able to continue as going concerns.

The capital structure of the Group consists of equity, comprising issued share capital and reserves as disclosed in notes 18 and 19, and cash and cash equivalents.

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

	2015 £	2014 £
Excess of depreciation on fixed assets over taxation allowances claimed	**(1,277)**	(1,340)
Tax losses available	**(1,124,785)**	(964,162)
	(1,126,062)	(965,502)

A potential deferred tax asset of £1,126,062 has not been recognised, as there is significant uncertainty that the Group will make sufficient profits in the foreseeable future to justify recognition. The deferred tax asset would be recognised should sufficient profits be generated in the future against which it may be recovered.

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