

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 30 June 2019
for
Sareum Limited



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for the Year Ended 30 June 2019

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Sareum Limited

Company Information
for the Year Ended 30 June 2019

DIRECTORS:

T Mitchell PhD
J Reader PhD
S Parker DPhil
C Birch FCA
M Owen PhD

SECRETARY:

T Bunn FCMA

REGISTERED OFFICE:

Unit 2a, Langford Arch
London Road
Pampisford
Cambridge
Cambridgeshire
CB22 3FX

REGISTERED NUMBER:

04863659 (England and Wales)

AUDITOR:

Shipleys LLP
Chartered Accountants and Statutory Auditors
10 Orange Street
Haymarket
London
WC2H 7DQ

Strategic Report
for the Year Ended 30 June 2019

The directors present their strategic report for the year ended 30 June 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of the discovery and development of new therapeutic drugs by a combination of skills in biology, computational chemistry and medicinal chemistry.

REVIEW OF BUSINESS

The results for the year and financial position of the Company are as shown in the annexed financial statements.

Throughout the period under review the Company continued to develop its drug discovery programmes using outsourced biology and chemistry resources as well as exploring commercial opportunities with potential partners.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company are the following:

- The drug discovery programmes undertaken may fail due to fundamental scientific uncertainty.
- The Company may not complete sufficient commercial partnerships to create a sustainable business.
- It may not be possible for Sareum Holdings plc, the Company's parent, to raise sufficient funding to support the Company through to sustained profitability.
- the Directors acknowledge that there is uncertainty concerning the outcome of the UK's negotiations to exit the EU but do not currently consider that this represents a significant risk to the Company's prospects.

The Directors address these uncertainties by reviewing reports on 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.

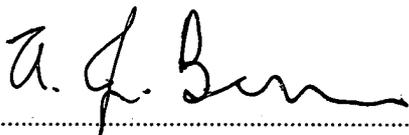
KEY PERFORMANCE INDICATORS

The Directors consider cash and spending on research and development to be the Company'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

In addition to potential revenue from the Chk1 project, the Company will continue to develop its oncology and autoimmune assets arising from its TYK2 discovery programme. The TYK2/JAK1 inhibitor development candidate, SDC-1801, targeting autoimmune diseases will be progressed and the TYK2/JAK1 inhibitor development candidate SDC-1802 will be developed as a cancer therapeutic. 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

Date: 14/10/19
.....

Report of the Directors
for the Year Ended 30 June 2019

The directors present their report with the financial statements of the Company for the year ended 30 June 2019.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2018 to the date of this report.

T Mitchell PhD
J Reader PhD
S Parker DPhil

Other changes in directors holding office are as follows:

C Birch FCA - appointed 13 November 2018
M Owen PhD - appointed 13 November 2018

DIVIDENDS

No dividends will be distributed for the year ended 30 June 2019.

RESEARCH AND DEVELOPMENT

The principal activity of the Company is innovative research and development. It does this in its own right and in collaboration with other organisations.

FINANCIAL INSTRUMENTS

Details regarding the Company's use of financial instruments and their associated risks are given in note 14 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 of the profit or loss of the Company 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors
for the Year Ended 30 June 2019

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 Company'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 Company's auditor is aware of that information.

ON BEHALF OF THE BOARD:



.....
T Bunn FCMA Secretary

Date: 14/10/19.
.....

Report of the Independent Auditors to the Members of
Sareum Limited

Opinion

We have audited the financial statements of Sareum Limited (the 'Company') for the year ended 30 June 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	How the scope of our audit responded to the risk
<i>Management override of controls</i> Journals can be posted that significantly alter the Financial Statements.	We examined journals posted around the year end, specifically focusing on areas which are more easily manipulated such as accruals, prepayments, bank reconciliations and tax.
<i>Going Concern</i> There is a risk that the company is not a going concern.	We made enquiries with the Directors regarding how they have assessed going concern. We have reviewed projections and disclosed accordingly.

Report of the Independent Auditors to the Members of Sareum Limited

Fraud in Revenue Recognition

There is a risk that revenue is materially understated due to fraud.

With no income being reported in the year, potential sources of income were reviewed to ensure no evidence of material understatement. We concluded that no evidence of fraud or other understatement was identified.

Accounting Estimates

Potential risk of inappropriate accounting estimates giving rise to misstatement in the accounts.

Accruals were agreed to expected costs and supporting documentation, and other areas were examined to identify any potential accounting estimates.

Risk of material misstatement within related party transactions

There is the risk that related party transactions are potentially incomplete or materially misstated.

Correspondence, including Board minutes, and accounting records were reviewed for evidence of material related party transactions and it is considered that all relevant items have been disclosed.

Disclosures

There is a risk of incorrect or incomplete disclosures in the financial statements.

The financial statements have been reviewed and checks have been undertaken to ensure all material disclosure requirements have been met.

Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the Financial Statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning and in the scope of our audit work and in evaluating the results of our work.

We determine base materiality for the Company to be £131,332 with a lower materiality of £34,270 for profit and loss transactions. These financial benchmarks, which are used throughout the audit, have been determined by way of a standard formula being applied to key financial results and balances presented in the Financial Statements. Where considered relevant the materiality is further adjusted to suit the specific area risk profile of the Company.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the 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; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of
Sareum Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

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 Auditors 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.



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

Date: 14/10/19

Statement of Comprehensive Income
for the Year Ended 30 June 2019

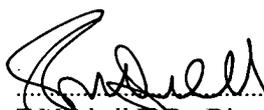
	Notes	2019 £	2018 £
CONTINUING OPERATIONS			
Revenue		-	-
Administrative expenses		(1,364,878)	(1,422,747)
Share of loss of associates		<u>(10,016)</u>	<u>(12,264)</u>
OPERATING LOSS		(1,374,894)	(1,435,011)
Finance income	5	<u>4,085</u>	<u>3,745</u>
LOSS BEFORE INCOME TAX	6	(1,370,809)	(1,431,266)
Income tax	7	<u>229,905</u>	<u>248,697</u>
LOSS FOR THE YEAR		(1,140,904)	(1,182,569)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		<u>(1,140,904)</u>	<u>(1,182,569)</u>

Balance Sheet
30 June 2019

	Notes	2019 £	2018 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	-	8,000
Investments in Associates	9	<u>31,360</u>	<u>41,376</u>
		<u>31,360</u>	<u>49,376</u>
CURRENT ASSETS			
Trade and other receivables	10	59,476	137,832
Tax receivable		230,933	253,562
Cash and cash equivalents	11	<u>919,343</u>	<u>1,375,275</u>
		<u>1,209,752</u>	<u>1,766,669</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	<u>12,040,279</u>	<u>11,474,308</u>
NET CURRENT LIABILITIES		<u>(10,830,527)</u>	<u>(9,707,639)</u>
NET LIABILITIES		<u>(10,799,167)</u>	<u>(9,658,263)</u>
SHAREHOLDERS' EQUITY			
Called up share capital	15	30,000	30,000
Share premium	16	27	27
Retained earnings	16	<u>(10,829,194)</u>	<u>(9,688,290)</u>
TOTAL EQUITY		<u>(10,799,167)</u>	<u>(9,658,263)</u>

The financial statements were approved by the Board of Directors on its behalf by:

16 - Oct - 2019 and were signed on


T Mitchell PhD - Director

Statement of Changes in Equity
for the Year Ended 30 June 2019

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 July 2017	30,000	(8,505,721)	27	(8,475,694)
Changes in equity				
Total comprehensive expense	<u>-</u>	<u>(1,182,569)</u>	<u>-</u>	<u>(1,182,569)</u>
Balance at 30 June 2018	<u>30,000</u>	<u>(9,688,290)</u>	<u>27</u>	<u>(9,658,263)</u>
Changes in equity				
Total comprehensive expense	<u>-</u>	<u>(1,140,904)</u>	<u>-</u>	<u>(1,140,904)</u>
Balance at 30 June 2019	<u>30,000</u>	<u>(10,829,194)</u>	<u>27</u>	<u>(10,799,167)</u>

Cash Flow Statement
for the Year Ended 30 June 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	20	(716,764)	(980,055)
Tax received		<u>252,534</u>	<u>43,365</u>
Net cash outflow from operating activities		<u>(464,230)</u>	<u>(936,690)</u>
Cash flows from investing activities			
Interest received		<u>4,085</u>	<u>3,745</u>
Net cash inflow from investing activities		<u>4,085</u>	<u>3,745</u>
Cash flows from financing activities			
Loan repayment by directors		<u>4,213</u>	<u>2,711</u>
Net cash inflow from financing activities		<u>4,213</u>	<u>2,711</u>
Decrease in cash and cash equivalents		<u>(455,932)</u>	<u>(930,234)</u>
Cash and cash equivalents at beginning of year	21	<u>1,375,275</u>	<u>2,305,509</u>
Cash and cash equivalents at end of year	21	<u><u>919,343</u></u>	<u><u>1,375,275</u></u>

Notes to the Financial Statements
for the Year Ended 30 June 2019

1. **BASIS OF PREPARATION**

The financial statements of Sareum Limited 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 International Accounting Standards Board (IASB). IFRS as adopted by the European Union differ in certain respects from IFRS as issued by the IASB. However, consolidated financial statements for the financial years presented would be no different had IFRS as issued by the IASB been applied. References to IFRS hereafter should be construed as references to IFRS as adopted by the European Union.

Going concern

The directors consider that the cash held at the year-end, together with the proceeds of the placing by Sareum Holdings plc, the Company's parent, received in July 2019, which amounted to £781,484 before expenses, will be sufficient to meet the forecast expenditure for at least one year from the date of signing the financial statements. In the event that there is a shortfall the directors will implement cost savings to ensure that the cash resources last for this period of time. For this reason the financial statements have been prepared on a going concern basis.

In addition, the Directors of Sareum Holdings plc have confirmed that they will not seek repayment of the inter-company balance until sufficient funds are available.

2. **STATUTORY INFORMATION**

Sareum Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

3. **ACCOUNTING POLICIES**

The principal accounting policies applied are set out below.

Property, plant and equipment

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

Motor Vehicles	-	Straight line over three years
Fixtures and computers	-	straight line over three or four years

Financial instruments

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

Cash and cash equivalents

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

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019

3. **ACCOUNTING POLICIES - continued**

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 Company 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.

Revenue recognition

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

Investment in Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the Investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the associate's net assets with recognition in the profit and loss of the share of the associate's profit or loss.

Critical accounting estimates and areas of judgement

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

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019

3. **ACCOUNTING POLICIES - continued**

Accounting standards and interpretations not applied

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

Standard	Effective for accounting periods starting on or after
IFRS 16 Leases	1 January 2019
Amendments to IAS 28 Clarifies how IAS 28 interacts with IFRS 9	1 January 2019
IAS 28	
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to IAS 1 definition of material	1 January 2020

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

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

4. **EMPLOYEES AND DIRECTORS**

	2019	2018
	£	£
Wages and salaries	426,632	412,300
Social security costs	46,466	43,758
Other pension costs	<u>26,128</u>	<u>28,678</u>
	<u>499,226</u>	<u>484,736</u>

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

	2019	2018
Office and management	1	1
Research	<u>1</u>	<u>1</u>
	<u>2</u>	<u>2</u>

	2019	2018
	£	£
Directors' remuneration	428,409	410,840
Directors' pension contributions to money purchase schemes	<u>26,128</u>	<u>28,678</u>

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

Money purchase schemes	<u>2</u>	<u>2</u>
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Information regarding the highest paid director is as follows:

	2019	2018
	£	£
Emoluments etc	174,213	177,976
Pension contributions to money purchase schemes	<u>13,065</u>	<u>12,970</u>

The Directors comprise the key management personnel of the Company.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019

5. **NET FINANCE INCOME**

	2019	2018
	£	£
Finance income:		
Deposit account interest	<u>4,085</u>	<u>3,745</u>

6. **LOSS BEFORE INCOME TAX**

The loss before income tax is stated after charging:

	2019	2018
	£	£
Other operating leases	18,420	13,902
Depreciation - owned assets	8,000	5,333
Auditor's remuneration	7,450	7,300
Auditor's remuneration for non-audit work - taxation services	925	900
Research and development	<u>939,174</u>	<u>1,035,708</u>

7. **INCOME TAX**

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

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

	2019	2018
	£	£
Profit/(loss) before tax	<u>(1,370,809)</u>	<u>(1,431,266)</u>
At average rate of 19% (2018 - 19%)	(260,454)	(271,941)
Effects of:		
Capital allowances (more)/less than depreciation	(699)	699
Other timing differences	633	55
Unutilised tax losses	133,673	127,315
Losses surrendered for research and development tax credits (less uplift)	126,847	143,872
Research and development tax credits claimed	(225,985)	(252,534)
Prior year adjustments	<u>(3,920)</u>	<u>3,837</u>
Actual current tax credit in the year	<u>(229,905)</u>	<u>(248,697)</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019

8. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles £	Fixtures and computers £	Totals £
COST			
At 1 July 2018	16,000	9,894	25,894
Disposals	<u>(16,000)</u>	<u>-</u>	<u>(16,000)</u>
At 30 June 2019	<u>-</u>	<u>9,894</u>	<u>9,894</u>
DEPRECIATION			
At 1 July 2018	8,000	9,894	17,894
Charge for year	8,000	-	8,000
Eliminated on disposal	<u>(16,000)</u>	<u>-</u>	<u>(16,000)</u>
At 30 June 2019	<u>-</u>	<u>9,894</u>	<u>9,894</u>
NET BOOK VALUE			
At 30 June 2019	<u>-</u>	<u>-</u>	<u>-</u>
At 30 June 2018	<u>8,000</u>	<u>-</u>	<u>8,000</u>

9. INVESTMENTS

	Interest in Associates £
COST	
At 1 July 2018 and 30 June 2019	1,138,125
IMPAIRMENT	
At 30 June 2018	1,096,749
Impairment for year	<u>10,016</u>
At 30 June 2019	<u>1,106,765</u>
NET BOOK VALUE	
At 30 June 2019	<u>31,360</u>
At 30 June 2018	<u>41,376</u>

The Investment in Associates represents the investment by the Group in the partnership with the Cancer Research Technology Pioneer Fund to advance the Chk1 programme. The associate has been accounted for using the equity method in the consolidated financial statements. Sareum's interest in the associate partnership is 27.5%. As at 30 June 2019 the partnership had net assets of £121,195 (2018: £157,474) and had incurred cumulative losses of £552,025 (2018: £515,746).

10. TRADE AND OTHER RECEIVABLES

	2019 £	2018 £
Current:		
Directors' loan accounts	-	4,213
VAT	13,059	20,959
Prepayments and accrued income	<u>46,417</u>	<u>112,660</u>
	<u>59,476</u>	<u>137,832</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019

11. **CASH AND CASH EQUIVALENTS**

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

12. **TRADE AND OTHER PAYABLES**

	2019	2018
	£	£
Current:		
Trade creditors	83,556	143,617
Amounts owed to group undertakings	11,893,353	11,290,854
Social security and other taxes	17,774	15,234
Other creditors	14,331	5,999
Accrued expenses	<u>31,265</u>	<u>18,604</u>
	<u>12,040,279</u>	<u>11,474,308</u>

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.

13. **LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019	2018
	£	£
Within one year	13,614	13,614
Between one and five years	<u>7,110</u>	<u>20,724</u>
	<u>20,724</u>	<u>34,338</u>

The outstanding commitments includes rental payments due under the lease for the Company's office premises which expires in December 2020. The lease does not include any onerous restriction of the Company's activities.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019

14. **FINANCIAL INSTRUMENTS**

The Company'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 Company's ongoing operational requirements. The Company does not trade in derivative financial instruments.

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

FOREIGN EXCHANGE RISK

The Company'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 value of the Company's financial instruments is 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.

15. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
3,000,000	Ordinary Shares	£0.01	<u>30,000</u>	<u>30,000</u>

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.

16. **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.
Retained earnings	Cumulative net gains and losses recognised in the balance sheet.

Details of movements in each reserve are set out in the Statement of Changes in Equity.

17. **PENSION COMMITMENTS**

The Company makes contributions to its employees' own personal pension schemes. The contributions for the period of £26,128 (2018: £28,678) are charged to the profit and loss account. At the balance sheet date contributions of £9,325 (2018: £5,994) were owed and are included in creditors.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019

18. RELATED PARTY DISCLOSURES

The Company is a wholly owned subsidiary of Sareum Holdings plc and during the year the Company had the following related party transactions with its parent undertaking:-

The Company increased the borrowing from its parent undertaking by £602,498 (2018: £469,546) and at the balance sheet date £11,893,353 was owed (2018: £11,290,855). The liability to the parent company is considered repayable within one year as it attracts no interest and is repayable on demand.

Disclosure regarding the remuneration of key management personnel is given in note 4, Employees and Directors.

19. ULTIMATE CONTROLLING PARTY

The Directors consider the ultimate parent undertaking to be Sareum Holdings plc. The consolidated accounts of the parent undertaking are publicly available and can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

20. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2019	2018
	£	£
Loss before income tax	(1,370,809)	(1,431,266)
Depreciation charges	8,000	5,333
Share of costs of associate	10,016	12,264
Finance income	<u>(4,085)</u>	<u>(3,745)</u>
	(1,356,878)	(1,417,414)
Decrease/(increase) in trade and other receivables	74,143	(60,109)
Increase in trade and other payables	<u>565,971</u>	<u>497,468</u>
Cash generated from operations	<u><u>(716,764)</u></u>	<u><u>(980,055)</u></u>

21. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 30 June 2019

	30.6.19	1.7.18
	£	£
Cash and cash equivalents	<u>919,343</u>	<u>1,375,275</u>

Year ended 30 June 2018

	30.6.18	1.7.17
	£	£
Cash and cash equivalents	<u>1,375,275</u>	<u>2,305,509</u>

22. CAPITAL RISK MANAGEMENT

Sareum Holdings plc, the Company's parent, manages its capital to ensure that the Group and Sareum Limited will be able to continue as going concerns. The capital structure of Sareum Holdings plc consists of equity, comprising issued share capital and reserves as disclosed in the Sareum Holdings plc financial statements, and cash and cash equivalents.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2019

23. **DEFERRED TAX**

No provision has been made in the Company's accounts and the amounts not provided for at the end of the year are as follows:

	2019	2018
	£	£
Excess of depreciation on fixed assets over taxation allowances claimed	(1,454)	(2,153)
Tax losses available	<u>(1,106,298)</u>	<u>(972,625)</u>
	<u>(1,107,752)</u>	<u>(974,778)</u>

A potential deferred tax asset of £1,107,752 has not been recognised, as there remains a significant degree of uncertainty that the Company 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.