Group Strategic Report, Report of the Directors and

Audited Consolidated Financial Statements for the Year Ended 30 June 2015

for

Sareum Holdings plc

Contents of the Consolidated Financial Statements for the Year Ended 30 June 2015

Company Information
for the Year Ended 30 June 2015

DIRECTORS:	T Mitchell PhD J Reader PhD P Harper PhD
SECRETARY:	T Bunn FCMA
REGISTERED OFFICE:	Unit 2a, Langford Arch London Road Pampisford Cambridge Cambridgeshire CB22 3FX
REGISTERED NUMBER:	05147578 (England and Wales)
AUDITOR:	Shipleys LLP Chartered Accountants and Registered Auditors 10 Orange Street Haymarket London 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 £1.44m, 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 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 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

Date: 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

Date: 23 OCTOBER 2015

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 three, 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

Date: 23 OCT 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)	(63204)
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

Sareum Holdings plc (Registered number: 05147578)

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 22 - Oct - 2015 and were signed on its behalf by:

T Mitchell PhD - Director

The notes form part of these financial statements

Sareum Holdings plc (Registered number: 05147578)

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 - Oct - 2015 and were signed on its behalf by:

....
T Mitchell PhD - Director

The notes form part of these financial statements

Sareum Holdings plc (Registered number: 05147578)

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

The notes form part of these financial statements

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

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

The notes form part of these financial statements

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

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 £1.44m (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.

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2. **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 Group does not operate a pension scheme for the benefit of its employees but instead makes contributions to their personal pension policies. The contributions due for the period are charged to the profit and loss account.

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

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

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

The amendment to IAS27, 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.

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2. ACCOUNTING POLICIES - continued

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 IAS27, 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

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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

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5. **LOSS BEFORE INCOME TAX - continued**

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)

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.

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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	(0.06p)	(0.05p)

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

INVESTMENTS IN ASSOCIATES

	Interest 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).

continued...

11. **INVESTMENTS - continued**

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.

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.

continued...

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 10 day 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

continued...

16. LEASING AGREEMENTS - continued

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 shareholder, 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.

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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.

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

continued...

23. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS - continued**

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

continued...

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 (in pence)	Number of share options	Weighted average exercise price (in 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

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 pre-determined 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).

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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)

26. CASH AND CASH EQUIVALENTS

The amounts disclosed on 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				
	30.6.15	1.7.14	30.6.15	1.7.14
	£	£	£	£
Cash and cash equivalents	1,480,044	700,618	-	-
Year ended 30 June 2014				
	30.6.14	1.7.13	30.6.14	1.7.13
	£	£	£	£
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.

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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	(1,124,784)	(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.