(AIM: SAR) 19 October 2017

Sareum Holdings plc

("Sareum" or "the Company")

Final Results

Sareum Holdings plc (AIM: SAR), the specialist cancer drug discovery and development company, announces its final results for the year ended 30 June 2017.

Operational highlights

- Lead cancer drug candidate SRA737 (formerly CCT245737), a novel Chk1 inhibitor, licensed for clinical development and commercialisation to NASDAQ-listed company Sierra Oncology, Inc. by Sareum's co-investment partner, CRT Pioneer Fund (September 2016).
    - Sareum is eligible to receive 27.5% of up to $328.5 million in upfront, development and commercialisation milestone payments as well as royalties on sales.
    - An upfront payment of $7 million and a first milestone payment of $2 million have already been received from Sierra Oncology (September 2016 and January 2017, respectively).
- Good progress reported by Sierra Oncology in the two ongoing clinical studies with SRA737 as both a monotherapy and in combination with chemotherapy in a range of cancers (June 2017).
- Patents protecting SRA737 were granted in the USA and Europe (May 2017), extending the protection period to 2033 in the USA.
- Successful outcome from feasibility study with TYK2 inhibitors in T-Cell Acute Lymphoblastic Leukaemia (T-ALL). In disease models, Sareum's compounds demonstrated good oral bioavailability, were well tolerated and showed tumour reduction of up to 80% (October 2016). These results support the further advancement of the programme.
- Further patent grants for Aurora+FLT3 kinase programme in Japan, Singapore, China, and Hong Kong, completing IP protection for the candidate in all major territories.

Financial highlights

- Maiden profit (after taxation) on ordinary activities of £400,000 (2016: loss of £1.05 million).
- Net assets at period end were £2.34 million (2016: £1.86 million), of which £2.31 million comprised cash at bank (2016: £1.25 million).
- £1.50 million received from Sierra Oncology as the Company's share of the $7 million upfront payment from the out-licensing agreement for SRA737 (September 2016). Milestone payment of £450,000 received (share of $2 million payment) following the successful transfer of the two ongoing Phase 1 clinical trials of SRA737.
- Received £229,000 in unspent funds previously invested in clinical development of Chk1 upon the out-licensing of SRA737.

Dr Tim Mitchell, Chief Executive Officer of the Company, said: "We are very pleased with the progress made during the period across our pipeline. The licensing of SRA737 is an important milestone for several reasons: it places the clinical development and future marketing of this exciting oncology candidate in the hands of a highly experienced and well-funded team; the agreement has the potential to provide substantial funds to Sareum, enabling us to advance and broaden our own pipeline programmes; and overall it provides important validation of our business model and expertise for the design and early development of novel drug candidates that offer attractive licensing opportunities for potential partners. We expect further important newsflow in the coming year and look forward to updating shareholders."

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About Sareum

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

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

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

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

Sareum Holdings plc is listed on the AIM market of the London Stock Exchange, trading under the ticker SAR. For further information, please visit www.sareum.co.uk.

Full year results for the twelve months ended 30 June 2017

Chairman and CEO's statement

Sareum made important progress during the year ended 30 June 2017 across its key development programmes. The highlight of the year was the signing of a licence agreement for the Chk1 programme with Sierra Oncology, Inc (NASDAQ: SRRA). This agreement has brought a highly committed and well-funded partner, with proven experience in oncology drug development, to realise the value of this exciting programme. Already, the impact of Sierra Oncology's commitment is being seen with the implementation of highly innovative clinical trial designs. Additionally, clinical opportunities to explore the potential of SRA737 with other new classes of targeted cancer therapy are expected in 2018.

The agreement with Sierra Oncology represents a significant validation of Sareum's business model, which is based on its expertise in small molecule drug design and its strategy to develop programmes to late preclinical or early clinical stages. Sareum aims to take advantage of the substantial values associated with out-licensing programmes at these stages.

The transfer of development costs to Sierra Oncology, alongside income from the Chk1 agreement, is enabling Sareum to allocate more resources to its other programmes. In particular, the TYK2 programme has made encouraging progress during the period and candidate selection studies for both autoimmune and cancer indications are expected to commence in the first half of 2018, while the Aurora+FLT3 programme is advancing through preclinical development despite some delays.

From a financial perspective, continued efficient capital use and the receipt of licensing income has resulted in the Company achieving a maiden profit of £400,000.

Programme updates

SRA737 – Checkpoint Kinase 1 (Chk1)

Targeting solid tumours, licensed to Sierra Oncology

SRA737 (formerly CCT245737) is a potent, highly selective, orally bioavailable small molecule inhibitor of Chk1, a key regulator of important cell cycle checkpoints and central mediator of the DNA Damage Response (DDR) network. SRA737 was discovered as the result of a research collaboration between Sareum, the Institute of Cancer Research and Cancer Research Technology (CRT). Preclinical and initial clinical development was carried out in a co-investment collaboration between Sareum and the CRT Pioneer Fund. The programme was licensed for further clinical development and commercialisation to Sierra Oncology in September 2016.

Sierra Oncology is advancing next-generation DDR therapeutics for the treatment of patients with cancer, and SRA737 is its lead candidate. This company has a strong management team with a proven track record in oncology drug development and is well financed with $116 million cash as at the end of June 2017.

Under the terms of the co-investment agreement with CRT Pioneer Fund, Sareum is eligible to receive 27.5% of up to $328.5 million in upfront, development and commercialisation milestone payments, as well as royalties on sales. An upfront payment of $7 million and a first milestone payment of $2 million have already been paid by Sierra Oncology (September 2016 and January 2017, respectively), with Sareum receiving a total of nearly £2 million as its share of this licence income.

SRA737 is being evaluated by Sierra Oncology in two innovative Phase 1 clinical trials in patients with advanced cancer and tumours identified to have genetic aberrations (mutations) that are thought to confer sensitivity to Chk1 inhibition. Tumour cells can have many genetic mutations and several of these may result in a strong reliance on Chk1 function for survival of the tumour. By blocking Chk1 function in these cases, the tumour cells die; this is an example of the concept known as "synthetic lethality". Sierra Oncology submitted amended protocols for both trials, approved in May 2017, that aim to take advantage of this fundamental role of Chk1 in cancer with the objective of enhancing patient selection and maximising potential responses. These innovative trial designs were also presented at the American Society of Clinical Oncology (ASCO) annual meeting in June 2017.

The first trial is intended to evaluate the potential of SRA737 as a monotherapy in patients whose cancer has the defined genetic profile described above. In June 2017, Sierra Oncology reported that the dose escalation phase of the monotherapy trial had advanced successfully to beyond 600mg/day dosing (c. 4x the estimated minimum efficacious dose of 160mg/day) with a well-tolerated safety profile. The cohort expansion phase of this trial, now running at eight UK hospitals, is enrolling patients with five cancer types that are predicted to be highly sensitive to Chk1 inhibition: colorectal, head and neck, non-small-cell lung, ovarian and prostate. The trial will assess the maximum tolerated dose (MTD) of SRA737 and recommend a dose for further (Phase 2) clinical studies. To determine potential patient selection strategies for further clinical development, the response of the patients' cancer to treatment will also be measured to evaluate the preliminary efficacy of SRA737.

The second trial is designed to explore the potentiating effects of low-dose gemcitabine (a chemotherapy that causes replication stress and DNA damage) in combination with SRA737, also in patients with genetically profiled cancers. The chemotherapy combination study is initially enrolling patients with the aim to establish the safety profile, to determine the MTD and to propose a recommended dose for further development of SRA737 in combination with low-dose gemcitabine. Once an MTD and dosing schedule have been determined, the study will evaluate the preliminary efficacy of SRA737 in combination with low-dose gemcitabine in genetically defined subjects with bladder or pancreatic cancer.

Sierra Oncology has announced that it will provide an update on the SRA737 development programme in late February 2018. Sierra Oncology also expects to present data from its studies at a medical conference in the second half of 2018.

In addition, Sierra Oncology is evaluating SRA737, with potential clinical opportunities in 2018, in combination with targeted cancer therapeutics where there is a strong biological rationale for synergy with Chk1 inhibition. These include anti-PD-1 and PD-L1 therapies, which are fast becoming established as key therapeutic options for a range of cancers, and other DDR inhibitors such as PARP inhibitors.

Sierra Oncology reported, in May 2017, the grant of US and EU patents extending the protection of SRA737 in these important markets to 2033.

Tyrosine kinase 2 (TYK2)

With Sierra Oncology now funding the development of SRA737, Sareum has increased the resources allocated to developing its TYK2 programmes in autoimmune diseases and cancer.

TYK2 is a member of the Janus kinase (JAK) family of kinases with roles in pro-inflammatory responses in autoimmune diseases and tumour cell proliferation in certain cancers. Members of the JAK family are the targets of several marketed and clinical-stage drugs for cancer and autoimmune diseases, although there are currently no marketed products specifically targeting TYK2.

Sareum is developing potent and selective, orally available TYK2 inhibitors with potential best-in-class profiles that have shown initial proof-of-concept in *in vivo* models of:

- Psoriasis, rheumatoid arthritis and ulcerative colitis; and
- T-cell Acute Lymphoblastic Leukaemia (T-ALL).

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

Targeting autoimmune and inflammatory disorders

Sareum has conducted preclinical studies with several of its TYK2 inhibitors, which have demonstrated promising and potentially superior therapeutic profiles in disease models of psoriasis, rheumatoid arthritis and ulcerative colitis, compared with a marketed JAK family kinase inhibitor in the latter two cases.

These data have led the Company's partner, SRI International, to investigate advanced lead molecules in disease models of lupus, and promising initial efficacy has been observed. These studies are supported by a US government research grant (US Department of Defense) of $360,000.

New analogues, with improved selectivity and ADMET (ADME-Tox, absorption, distribution, metabolism and excretion) properties continue to progress through internal screening cascades. Disease model studies with these compounds are planned during the fourth quarter of 2017. If these disease model studies are successful, the Company expects to move into the candidate selection phase in the first half of 2018.

Targeting cancers

Initial studies, assisted by funding from the Innovate UK Biomedical Catalyst Fund, to investigate the potential of Sareum's lead TYK2 inhibitors to treat T-ALL have concluded successfully. The study demonstrated good efficacy of several Sareum TYK2 inhibitors in disease models of T-ALL, both as a single agent and in combination with standard-of-care chemotherapy. In disease models, Sareum's

compounds demonstrate good oral bioavailability, were well tolerated, presented good exposure to plasma and tumour tissue, and showed a dose-dependent effect on a biomarker of TYK2 inhibition and tumour reduction of up to 80%.

These data were presented by Sareum in November 2016 at the American Association for Cancer Research – National Cancer Institute – European Organisation for Research and Treatment of Cancer (AACR-NCI-EORTC) international conference and updated results were presented by the Company at the International Cancer Cluster Showcase in June 2017.

The Company is also investigating the potential of its TYK2 inhibitors in solid tumours and blood cancers where there is strong evidence in the literature that TYK2 inhibition could be effective, both as a single agent and in combination with standard-of-care chemotherapy. Several of these studies are being carried out in leading academic centres worldwide under material transfer agreements.

Furthermore, Sareum is investigating the potential of its TYK2 inhibitors to overcome tumour resistance to new immune checkpoint inhibitor therapies. Initial results are promising, and additional experiments are in progress seeking to identify which tumour types and immune checkpoint inhibitor combinations might be expected to benefit most from TYK2 inhibition.

The Company expects to select a candidate for further development in the oncology field in the first half of 2018, pending the success of ongoing studies in any one of these cancer applications.

Aurora+FLT3 kinases

Targeting AML and other blood cancers, in partnership with HMUBEC

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

Previous studies have confirmed the potential of this candidate in AML, and particularly FLT3-mutant AML. Toxicology studies are underway with initial results suggesting that the candidate is well tolerated at the predicted therapeutic dose. Further formulation work, which is causing additional delays, is ongoing to complete the toxicology studies, with Sareum funding some studies in the UK to accelerate the resolution of these formulation issues.

The Company is now targeting completion of the preclinical studies in the second half of 2018.

Separately during the period, the Company's intellectual property around its Aurora+FLT3 kinase programme was strengthened by notifications of patents granted in China, Hong Kong, Singapore and Japan. Sareum now has patent protection in all the major territories for this programme.

Financial review

Sareum is pleased to report its maiden profit on ordinary activities for the year ended 30 June 2017 of £400,000 (after taxation) (2016: loss of £1.05 million).

The Company ended the year with net assets of £2.34 million (2016: £1.86 million), of which £2.31 million comprised cash at bank (2016: £1.25 million). The Company received £1.50 million from Sierra Oncology as its share of the $7 million upfront payment from the out-licensing agreement for SRA737 and a milestone payment of £450,000 received (share of $2 million payment) following the successful transfer of the two ongoing Phase 1 clinical trials of SRA737.

Sareum also received £229,000 in unspent funds previously invested in the co-investment partnership with the CRT Pioneer Fund for the clinical development of the Chk1 programme during the second half of the period.

Outlook

Overall, the Directors are delighted with the progress made across the Company's programmes during the period. Sareum's business model and its expertise in the design and early development of novel drug candidates that offer attractive commercialisation opportunities has been strongly validated by the licence agreement with Sierra Oncology.

From a financial perspective, this progress has culminated in a maiden profit for the Company.

More importantly, however, Sareum has gained an experienced, highly committed and well-funded development partner for SRA737 in Sierra Oncology. The next update from the innovative clinical development programme with SRA737 that Sierra Oncology is driving is expected in February 2018.

The income received to date and the future milestone payments possible (pending their achievement) from this programme is providing Sareum with increased resources to accelerate its internal activities. This includes the selection of clinical candidates in its TYK2 programmes in both autoimmune diseases and cancer indications, expected in 2018, and further preclinical progress anticipated in the Aurora+FLT3 programme.

The Company continues to engage with potential partners with a view to securing commercial licences for its products and programmes, while exploring new research programmes from its in-house drug discovery platform, as well as external early stage opportunities that can be potentially in-licensed and progressed into the clinic.

Dr Stephen Parker
Chairman

Dr Tim Mitchell
Chief Executive Officer

Consolidated statement of comprehensive income for the year ended 30 June 2017

	Notes	**2017** **£**	2016 £
Continuing operations			
Revenue		**—**	—
Other operating income		**19,996**	122,599
Administrative expenses		**(1,445,792)**	(995,770)
Share of profit/(loss) of associates	5	**1,775,725**	(331,871)
Operating profit/(loss)		**349,929**	(1,205,042)
Finance income		**2,991**	4,359
Profit/(loss) before income tax	5	**352,920**	(1,200,683)
Income tax	6	**47,423**	152,565
Profit/(loss) for the year		**400,343**	(1,048,118)
Total comprehensive income/(expense) for the year		**400,343**	(1,048,118)
Profit/(loss) attributable to:			
Owners of the parent		**400,343**	(1,048,118)
Total comprehensive income/(expense) attributable to:			
Owners of the parent		**400,343**	(1,048,118)
Earnings per share expressed in pence per share:	7		
Basic		**0.015p**	(0.04)p
Diluted		**0.015p**	—

Consolidated balance sheet as at 30 June 2017

	Notes	**2017** **£**	2016 £
Assets			
Non-current assets			
Property, plant and equipment		**13,333**	1,322
Investments in associates	4	**53,639**	475,038
		66,972	476,360
Current assets			
Trade and other receivables		**80,434**	79,288
Tax receivable		**48,230**	154,840
Cash and cash equivalents	8	**2,305,509**	1,252,595
		2,434,173	1,486,723
Liabilities			
Current liabilities			
Trade and other payables		**155,534**	99,551
Net current assets		**2,278,639**	1,387,172
Net assets		**2,345,611**	1,863,532
Shareholders' equity			
Called up share capital		**661,305**	661,305
Share premium		**11,765,111**	11,765,111
Share-based compensation reserve		**191,945**	110,209
Merger reserve		**27**	27
Retained earnings		**(10,272,777)**	(10,673,120)
Total equity		**2,345,611**	1,863,532

Consolidated statement of changes in equity for the year ended 30 June 2017

	Called up share capital £	Retained earnings £	Share premium £
Balance at 30 June 2015	621,859	(9,625,002)	10,761,261
Changes in equity			
Issue of share capital	39,446	—	1,003,850
Total comprehensive expense	—	(1,048,118)	—
Share-based compensation	—	—	—
Balance at 30 June 2016	**661,305**	**(10,673,120)**	**11,765,111**
Changes in equity			
Total comprehensive income	—	400,343	—
Share-based compensation	—	—	—
Balance at 30 June 2017	**661,305**	**(10,272,777)**	**11,765,111**

	Share-based compensation reserve £	Merger reserve £	Total equity £
Balance at 30 June 2015	105,014	27	1,863,159
Changes in equity			
Issue of share capital	—	—	1,043,296
Total comprehensive expense	—	—	(1,048,118)
Share-based compensation	5,195	—	5,195
Balance at 30 June 2016	**110,209**	**27**	**1,863,532**
Changes in equity			
Total comprehensive income	—	—	400,343
Share-based compensation	81,736	—	81,736
Balance at 30 June 2017	**191,945**	**27**	**2,345,611**

Consolidated cash flow statement for the year ended 30 June 2017

	Notes	**2017** **£**	2016 £
Cash flows from operating activities			
Cash generated from operations	9	**689,837**	(862,025)
Tax received		**154,033**	184,022
Net cash inflow/(outflow) from operating activities		**843,870**	(678,003)
Cash flows from investing activities			
Purchase of tangible fixed asset		**(16,000)**	—
Purchase of fixed asset investments		**—**	(597,101)
Repayment of investment funds		**228,977**	—
Interest received		**2,991**	4,359
Net cash inflow/(outflow) from investing activities		**215,968**	(592,742)
Cash flows from financing activities			
Loan to Director		**(6,924)**	—
Share issue		**—**	39,446
Share premium on share issue		**—**	1,003,850
Net cash inflow from financing activities		**(6,924)**	1,043,296
Increase/(decrease) in cash and cash equivalents		**1,052,914**	(227,449)
Cash and cash equivalents at beginning of year		**1,252,595**	1,480,044
Cash and cash equivalents at end of year	8	**2,305,509**	1,252,595

Notes to the consolidated financial statements for the year ended 30 June 2017

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 for the foreseeable future. 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. Statutory information

Sareum Holdings plc is a public limited company, registered in England and Wales. The Company's registered number is 05147578 and the registered office address can be found in note 10 below.

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.

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 substantively 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. 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 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
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses Amendments to IAS 12	1 January 2017
IFRS 9	Financial Instruments	1 January 2017
IFRS 15	Revenue from Contracts with Customers	1 January 2017

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.

4. Investments in associates

	Interest in associates £
Cost	
At 1 July 2016	**1,367,101**
Less: Refund of unused investment funds	**(228,977)**
At 30 June 2017	**1,138,124**
Impairment	
At 1 July 2016	**892,063**
Impairment for the year	**192,422**
At 30 June 2017	**1,084,485**
Net book value	
At 30 June 2017	**53,639**
At 30 June 2016	**475,038**

The Investment in associates represents the investment by the Group in the partnership with the Cancer Research Technology (CRT) 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 had a seat on the joint research committee. As at 30 June 2017 the partnership had net assets of £200,464 (2016: £1,731,051) and had incurred cumulative losses of £472,756 (2016: £4,068,949). During the year the programme was licensed by the partnership to Sierra Oncology, Inc. and the partnership returned £228,977 to Sareum in respect of unused investment funds.

5. Profit/(loss) before income tax

The profit/(loss) before income tax is stated after charging:

	2017	2016
	£	£
Other operating leases	**11,210**	11,185
Depreciation – owned assets	**3,989**	1,765
Research and development	**1,002,342**	927,644
Auditor's remuneration – see analysis below	**13,915**	14,300
The share of profit/(loss) of associates is made up of:		
Share of income of associate	**1,968,147**	—
Share of costs of associate	**(192,422)**	(331,871)
Share of profit/(loss) of associate	**1,775,725**	(331,871)
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the annual accounts:		
Audit of the Company	**4,500**	4,200
Audit of subsidiaries	**7,300**	6,800
Total audit fees	**11,800**	11,000
Fees payable to the Company's auditor for other services:		
Taxation services	**1,300**	1,300
Other assurance services	**815**	2,000
Total fees payable to the Company's auditor	**13,915**	14,300

6. Income tax

	2017	2016
	£	£
Current tax:		
UK corporation tax credit on profits/losses of the period	**(47,423)**	(151,526)
Adjustments recognised in the current year in relation to the current tax of prior years	**—**	(1,039)
Tax credit to the income statement	**(47,423)**	(152,565)

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

	2017	2016
	£	£
Profit/(loss) before tax	**352,923**	(1,200,683)
At average rate of 19.75% (2016: 20%)	**69,702**	(240,137)
Effects of:		
Capital allowances (less)/more than depreciation	**(161)**	12
Other timing differences	**435**	**—**
Unutilised tax losses	**45,445**	149,255
Losses surrendered for research and development tax credits (less uplift)	**(115,421)**	90,870
Research and development tax credits claimed	**(47,423)**	(151,526)
Prior year adjustments	**—**	(1,039)
Actual current tax credit in the year	**(47,423)**	(152,565)

7. Loss per share

The calculation of profit/(loss) per share is based on the following data:

Basic profit/(loss) per share:

	2017	2016
Profit/(loss) on ordinary activities after tax	**£400,343**	£(1,048,118)
Weighted average number of shares for basic loss per share	**2,645,223,988**	2,524,944,713
Basic profit/(loss) per share	**0.015p**	(0.04)p

Diluted profit/(loss) per share:

	2017
Profit/(loss) on ordinary activities after tax	**£400,343**
Weighted average number of shares for basic loss per share	**2,741,309,965**
Basic profit/(loss) per share	**0.015p**

As the Group generated a loss for the year to 30 June 2016, there was no dilutive effect in respect of share options.

8. Cash and cash equivalents

	2017	2016
	£	£
Bank deposit account	**2,296,439**	1,245,707
Bank accounts	**9,070**	6,888
	2,305,509	1,252,595

9. Reconciliation of profit/(loss) before income tax to cash generated from operations

	2017	2016
	£	£
Profit/(loss) before income tax	**352,920**	(1,200,683)
Depreciation charges	**3,989**	1,765
Share-based compensation	**81,736**	5,195
Share of cost of associate	**192,422**	331,871
Finance income	**(2,991)**	(4,359)
	628,076	(866,211)
Decrease/(increase) in trade and other receivables	**5,778**	(27,922)
Increase in trade and other payables	**55,983**	32,108
Cash used in operations	**689,837**	(862,025)

10. Dividend

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

11. Copies of the report and accounts

Copies of the report and accounts will be posted to those shareholders that have requested them. Copies will also be available from the Company's registered office at 2a Langford Arch, London Road, Pampisford, Cambridge CB22 3FX.