

SUMMIT (OXFORD) LIMITED
ANNUAL REPORT
FOR THE ELEVEN MONTHS ENDED
31 DECEMBER 2019
Registered No. 04636431

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SUMMIT (OXFORD) LIMITED

COMPANY INFORMATION

Director G O Edwards

Company Number 04636431

Registered Office 136A Eastern Avenue
Milton Park
Abingdon
Oxfordshire
OX14 4SB
United Kingdom

Independent Auditors PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
Berkshire
RG1 3JH
United Kingdom

DIRECTOR'S REPORT**For the eleven months ended 31 December 2019**

The Company changed its fiscal year end from 31 January to 31 December effective 31 December 2019. The director presents his report and the audited financial statements for eleven months ended 31 December 2019.

GENERAL INFORMATION

Summit (Oxford) Limited is a private company limited by shares and incorporated and domiciled in England and Wales.

RESULTS AND DIVIDENDS

The company made a loss for the eleven months ended 31 December 2019 of £15,080,401 (year ended 31 January 2019: profits of £19,008,213).

The director does not recommend the payment of a dividend (year ended 31 January 2019: £nil).

DIRECTOR

The director of the Company who was in office during the eleven months period and up to the date of signing the financial statements was:

G O Edwards

PRINCIPAL ACTIVITIES OF BUSINESS

The principal activity of the Company is the discovery and development of novel drug candidates to treat areas of high unmet medical need. The Parent company financial statements provide further information on the principal activities and future developments of the group including Summit (Oxford) Limited. These are available at the company registered office or the parent company website, www.summitplc.com.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Director must not approve the financial statements unless he is 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 the financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is 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.

The Director is 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.

DIRECTOR'S REPORT (continued)**GOING CONCERN**

The financial information in these financial statements has been prepared on a going concern basis due to the continued financial support of the ultimate parent company, Summit Therapeutics plc, the cash held by the Company and the future forecasted net operating cash flows. The director has received confirmation that Summit Therapeutics plc intends to support the Company for a period beyond 12 months from the date of issuance of these financial statements.

As noted in the Summit Therapeutics plc accounts, based on management's forecasts, the Group's existing cash and cash equivalents, anticipated payments from BARDA under its contract for the development of ridinilazole, anticipated payments from CARB-X under its contract for the development of its gonorrhoea antibiotic programme, and anticipated milestone payments from its license and commercialisation agreement with Eurofarma are expected to be sufficient to enable the Group to fund its operating expenses and capital expenditure requirements through 31 January 2021.

The Group will need to raise additional funding in order to support, beyond this date, its planned research and development efforts, its preparatory commercialization related activities should ridinilazole receive marketing approval, as well as to support activities associated with operating as a public company in the United States. Should the Group be unable to raise additional funding, management has the ability to take mitigating action to fund its operating expenses and capital expenditure requirements in relation to its clinical development activities for only a short period beyond 12 months from the date of issuance of these financial statements. These circumstances represent a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. These financial statements do not contain any adjustments that might result if the Group was unable to continue as a going concern.

The Group is evaluating various options to finance its cash needs through a combination of some, or all, of the following: equity offerings, collaborations, strategic alliances, grants and clinical trial support from government entities, philanthropic, non-government and not-for-profit organizations and patient advocacy groups, debt financings, and marketing, distribution or licensing arrangements. Whilst the Group believes that funds would be available in this manner before the end of January 2021, there can be no assurance that the Group will be able to generate funds, on terms acceptable to the Group, on a timely basis or at all, which would impact the Group's ability to continue as a going concern. The failure of the Group to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on the Group's business, results of operations and financial condition.

The parent is not intending to call in the liabilities which are currently short term and due on demand.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP has expressed its willingness to be appointed to office as auditors for the year. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

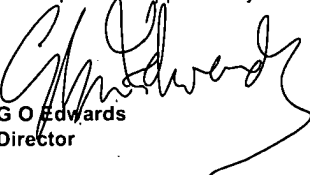
DIRECTOR'S CONFIRMATIONS

In the case of the Director in office at the date the Director's Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The Company has also taken advantage of the small companies exemption from preparing the strategic report.

This report was approved by the board on 30 April 2020 and signed on its behalf.


G O Edwards
Director

Independent auditors' report to the members of Summit (Oxford) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Summit (Oxford) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the 11 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income; the Statement of Changes in Equity for the eleven month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Company's ability to continue as a going concern. At the balance sheet date, the Company, with the Group's support, has available cash resources that the Director believes are sufficient to support the Company's operating expenses and capital expenditure requirements for its major programmes up until 31 January 2021. The Director has concluded that the Group will be able to secure sufficient financing to support the Company to continue its activities for the foreseeable future, being not less than 12 months from the date of approval of these financial statements, and has therefore prepared the financial statements on a going concern basis; however, this Group financing is not secured at the date of approval of these financial statements. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Director's Report for the period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Director's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Director for the financial statements

As explained more fully in the Statement of Director's responsibilities in respect of the financial statements set out on page 3, the Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Director is also responsible for such internal control as they determine is 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 Director is 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 Director either intends to liquidate the Company or to cease operations, or has 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 an auditors' report 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

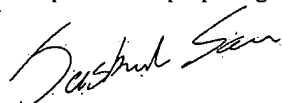
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Director was not entitled to: take advantage of the small companies exemption in preparing the Director's Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Jaskamal Sarai (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
30 April 2020

STATEMENT OF COMPREHENSIVE INCOME
For the eleven months ended 31 December 2019

	Note	Eleven months ended 31 December 2019	Year ended 31 January 2019 (Adjusted*)
		£	£
Revenue	5	582,524	42,766,006
Gross profit		582,524	42,766,006
Research and development costs		(28,006,471)	(35,975,484)
Administrative expenses		(4,726,011)	(5,602,928)
Impairment		(865,704)	-
Other operating income	6	15,140,260	14,774,108
Operating (loss) / profit	7	(17,875,402)	15,961,702
Finance income	8	2,971	2,785,736
Finance costs	8	(16,265)	(253,667)
(Loss) / profit before taxation		(17,888,696)	18,493,771
Tax on (loss) / profit	11	2,808,295	514,442
(Loss) / profit for the financial period / year		(15,080,401)	19,008,213
Other comprehensive income for the financial period / year		-	-
Total comprehensive (loss) / profit for the period / financial year		(15,080,401)	19,008,213

* See Note 4 - "Changes to accounting policies - Adoption of IFRS 16 Leases"

The notes on pages 10 to 22 form an integral part of these financial statements

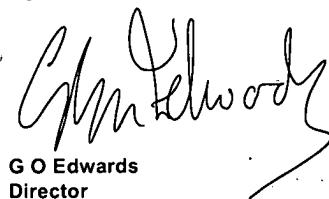
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	31 December 2019 £	31 January 2019 (Adjusted*) £
Non-current assets			
Intangible assets	12	94,039	132,774
Property, plant and equipment	13	674,615	815,837
		<u>768,654</u>	<u>948,611</u>
Current assets			
Trade and other receivables	14	7,291,587	12,095,067
Current tax receivable		2,839,264	5,086,900
Amounts owed from group undertakings	15	137,315	782,857
Cash and cash equivalents		4,386,032	2,238,370
		<u>14,654,198</u>	<u>20,203,194</u>
Total assets		15,422,852	21,151,805
Creditors: amounts falling due within one year			
Trade and other payables	16	(6,498,848)	(7,057,164)
Deferred revenue and income	17	(1,135,502)	(3,374,487)
Lease Liabilities	18	(166,135)	(166,135)
Amounts owed to group undertakings	19	(98,605,695)	(86,465,818)
		<u>(106,406,180)</u>	<u>(97,063,604)</u>
Net current liabilities		(91,751,982)	(76,860,410)
Total assets less current liabilities		(90,983,328)	(75,911,799)
Creditors: amounts falling due after more than one year			
Deferred revenue	17	(374,021)	(831,158)
Lease Liabilities	18	(189,373)	(340,634)
		<u>(563,394)</u>	<u>(1,171,792)</u>
Provisions for other liabilities	21	(195,327)	(193,936)
Net liabilities		(91,742,049)	(77,277,527)
Capital and reserves			
Share capital	22	1,000	1,000
Share premium account		99,000	99,000
Capital contribution		8,594,411	7,978,532
Accumulated losses		(100,436,460)	(85,356,059)
Total shareholders' deficit		(91,742,049)	(77,277,527)

* See Note 4 - 'Changes to accounting policies - Adoption of IFRS 16 Leases'

The notes on pages 10 to 22 form an integral part of these financial statements

The financial statements on pages 7 to 22 were approved by the board and authorised for issue on 30 April 2020 and signed on its behalf by



G O Edwards
Director

STATEMENT OF CHANGES IN EQUITY

For the eleven months ended 31 December 2019

	Note	Share capital £	Share Premium account £	Capital contribution £	Accumulated losses £	Total Shareholders' deficit £
At 31 January 2019 (as previously reported)		1,000	99,000	7,978,532	(85,342,304)	(77,263,772)
Change in accounting policy (full retrospective application IFRS 16)		-	-	-	(13,755)	(13,755)
At 1 February 2019 (Adjusted*)		1,000	99,000	7,978,532	(85,356,059)	(77,277,527)
Loss and total comprehensive Loss for the eleven month period		-	-	-	(15,080,401)	(15,080,401)
Warrants	23	-	-	14,301	-	14,301
Share-based payment		-	-	601,578	-	601,578
At 31 December 2019		1,000	99,000	8,594,411	(100,436,460)	(91,742,049)

	Note	Share capital £	Share Premium account £	Capital contribution £	Accumulated losses £	Total Shareholders' deficit £
At 1 February 2018		1,000	99,000	4,903,969	(91,312,464)	(86,308,495)
Change in accounting policy (full retrospective application IFRS 15)		-	-	-	(13,059,261)	(13,059,261)
Change in accounting policy (full retrospective application IFRS 16)		-	-	-	7,453	7,453
Profit and total comprehensive profit for the financial year		-	-	-	19,008,213	19,008,213
Share-based payment		-	-	3,074,563	-	3,074,563
At 31 January 2019 (Adjusted*)		1,000	99,000	7,978,532	(85,356,059)	(77,277,527)

* See Note 4 - 'Changes to accounting policies - Adoption of IFRS 16 Leases'

The notes on pages 10 to 22 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 COMPANY INFORMATION

Summit (Oxford) Limited, ('the Company') is a biopharmaceutical company focused on the discovery, development and commercialisation of novel medicines for indications for which there are no existing or only inadequate therapies.

The Company is incorporated and domiciled in England and Wales and the registered office is noted on the Company information page of these financial statements.

2 BASIS OF ACCOUNTING

The principal accounting policies adopted by Summit (Oxford) Limited in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of Summit (Oxford) Limited have been prepared under the historical cost convention modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss and in accordance with the Companies Act 2006 as applicable to companies using the Financial Reporting Standard 101 - 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the eleven months period unless otherwise stated.

The financial statements are presented in Sterling (£).

Going concern

The financial information in these financial statements has been prepared on a going concern basis due to the continued financial support of the ultimate parent company, Summit Therapeutics plc, the cash held by the Company and the future forecasted net operating cash flows. The director has received confirmation that Summit Therapeutics plc intends to support the Company for a period beyond 12 months from the date of issuance of these financial statements.

As noted in the Summit Therapeutics plc accounts, based on management's forecasts, the Group's existing cash and cash equivalents, anticipated payments from BARDA under its contract for the development of ridinilazole, anticipated payments from CARB-X under its contract for the development of its gonorrhoea antibiotic programme, and anticipated milestone payments from its license and commercialisation agreement with Eurofarma are expected to be sufficient to enable the Group to fund its operating expenses and capital expenditure requirements through 31 January 2021.

The Group will need to raise additional funding in order to support, beyond this date, its planned research and development efforts, its preparatory commercialization related activities should ridinilazole receive marketing approval, as well as to support activities associated with operating as a public company in the United States. Should the Group be unable to raise additional funding, management has the ability to take mitigating action to fund its operating expenses and capital expenditure requirements in relation to its clinical development activities for only a short period beyond 12 months from the date of issuance of these financial statements. These circumstances represent a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. These financial statements do not contain any adjustments that might result if the Group was unable to continue as a going concern.

The Group is evaluating various options to finance its cash needs through a combination of some, or all, of the following: equity offerings, collaborations, strategic alliances, grants and clinical trial support from government entities, philanthropic, non-government and not-for-profit organizations and patient advocacy groups, debt financings, and marketing, distribution or licensing arrangements. Whilst the Group believes that funds would be available in this manner before the end of January 2021, there can be no assurance that the Group will be able to generate funds, on terms acceptable to the Group, on a timely basis or at all, which would impact the Group's ability to continue as a going concern. The failure of the Group to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on the Group's business, results of operations and financial condition.

The parent is not intending to call the liabilities which are currently short term and due on demand.

Use of estimates

The preparation of the financial statements, in conformity with IFRS, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 'Critical accounting judgements and key sources of estimation uncertainty'.

Parent company

The Company is a wholly owned subsidiary of Summit Therapeutics plc which prepares publicly available consolidated financial statements in accordance with IFRS. The Company is included in the consolidated financial statements of Summit Therapeutics plc for the eleven months ended 31 December 2019. These financial statements are available at the Company-registered office or from the investor section of the parent Company website, www.summitplc.com.

Disclosure exemptions

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).

IFRS 7, 'Financial instruments: Disclosures'.

Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:

(i) paragraph 79(a)(iv) of IAS 1;

(ii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 BASIS OF ACCOUNTING (continued)

The following paragraphs of IAS 1, 'Presentation of financial statements':

- 10(d) (statement of cash flows);
- 16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B-D (additional comparative information);
- 111 (cash flow statement information); and
- 134-136 (capital management disclosures).

IAS 7, 'Statement of cash flows':

Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'

Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).

The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

Revenue Recognition

Revenue is accounted for in line with principles of IFRS 15 Revenue from contracts with customers.

Licensing agreements may consist of multiple elements and provide for varying consideration terms, such as upfront, development, regulatory and sales milestones, sales-based royalties and similar payments. Such arrangements are determined to be within the scope of IFRS 15 and are assessed under the five-step model of the standard, to determine revenue recognition. The distinct performance obligations within the contract and the arrangement transaction price are identified. The fair value of the arrangement transaction price is allocated to the different performance obligations based on the relative stand-alone selling price of those services provided and the performance obligation activities to which the terms of the payments specifically relate to. The allocated transaction price is recognised over the respective performance period of each performance obligation. Amounts received in advance of the revenue recognition criteria being met are initially reported as deferred revenue on the Statement of Financial Position and are recognised as revenue over the development period.

Development and regulatory approval milestone payments are included within the allocated transaction price only when it becomes highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Revenues attributable to the development cost share element of a licensing agreement are also recognised over the performance period.

Sales-based royalty income is recognised when the related sales occur, as the license granted is the predominant element of the performance obligation. Sales related milestone payments are recognised in full in the period in which the relevant milestone is achieved, since these payments are inherently received once the development period is completed and the license granted is useable.

Intangible assets

In-process research and development that is separately acquired as part of a company acquisition or in-licensing agreement is capitalised even if they have not yet demonstrated technical feasibility, which is usually signified by regulatory approval. Amortisation will commence when either products underpinned by the intellectual property rights or the rights themselves become available for use. Intangible assets not subject to amortisation are tested for impairment at least annually or whenever there is an indicator of impairment.

All patents (once filed)

Over the period of the relevant patents (assumed to be 20 years)

Software licenses

3-5 years

Impairment of assets

At each period end date the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and the value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units is charged *pro rata* to the other assets in the cash generating unit. All tangible and intangible assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation. Cost comprises the purchase price plus any incidental costs of acquisition and commissioning. Depreciation is calculated to write off the cost, less residual value, in equal annual instalments over their estimated useful lives as follows:

Leasehold improvements

Over the period of the remaining lease

Laboratory equipment

2 - 10 years

Office and IT equipment

3 - 5 years

The residual value, if not insignificant, is reassessed annually.

Leases

At inception of a contract, the company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognises a right-of-use asset within property, plant and equipment and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option and periods covered by an option to terminate if it is reasonably certain not to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method and is remeasured when there is a change in future contractual lease payments or if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

Financial liabilities on funding arrangements

When entering into funding agreements with charitable and not for profit organisations, management is required to assess whether, based on the terms of the agreement, they can avoid a transfer of cash by settling using a non-financial obligation. Under IFRS, when such arrangements also give the counterparties rights over unexploited intellectual property, all or part of the funding agreement should be accounted for as a financial liability recognised in the Statement of Financial Position rather than as a charitable grant.

Financial liabilities are initially recognised at fair value using a discounted cash flow model with the difference between the fair value of the liability and the cash received considered to represent a charitable grant. The financial liabilities are subsequently measured at amortised cost using discounted cash flow models which calculate the risk adjusted net present values of estimated potential future cash flows for the relevant project. The financial liabilities are remeasured when there is a specific significant event that provides evidence of a significant change in the probability of successful development such as the completion of a phase of research or public reporting of significant interim data and changes in use or market for a product. The model is updated for changes in the clinical probability of success and other associated assumptions with the discount factor remaining unchanged within the model.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 BASIS OF ACCOUNTING (continued)

Impairment of financial assets

Under IFRS 9 'Financial Instruments', intercompany receivable balances are required to be considered for impairment under the general approach model. The Company is required to recognise lifetime expected losses, which is assessed on the ability of the Company's affiliate undertakings to repay. The Company has deemed that the most appropriate measure to use to assess the recoverability of intercompany receivables is to use the cumulative probability of achieving key development milestones based on industry standards for each undertaking.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, the expected future cash flows will be discounted using a pre-tax discount rate, adjusted for risk where it is inherent in a specific liability.

Other operating income

Other operating income includes income received and recognised from government agencies, philanthropic, non-government, not for profit organisations and patient advocacy groups which are accounted for in accordance with IAS 20, 'Accounting for Government Grants and Disclosure of Government Assistance'. Monies received through these means are held as deferred income in the Statement of Financial Position and are released to the Statement of Comprehensive Income as the underlying expenditure is incurred and to the extent the conditions of the

Also included in other operating income is Management income. Management income is calculated at arm's length and is recognised in the period the expenditure is incurred.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year end date. All differences are taken to the Statement of Comprehensive Income.

Employee benefits

All employee benefit costs, notably holiday pay, bonuses and contributions to Company or personal defined contribution pension schemes are charged to the Statement of Comprehensive Income on an accruals basis.

Research and development

All ongoing research expenditure is currently expensed in the period in which it is incurred. Due to the regulatory environment inherent in the development of the Company's products, the criteria for development costs to be recognised as an asset, as set out in IAS 38 'Intangible Assets', are not met until a product has received regulatory approval and it is probable that future economic benefit will flow to the Company. The Company currently has no qualifying expenditure.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call with the bank.

Share-based payments

Summit Therapeutics plc issues share options to Company employees to attract, retain and incentivise staff. Staff within the Company are employed by wholly owned subsidiaries and therefore Summit (Oxford) Limited records the details of the share option charge as if it were the entity issuing the share options. This is treated as a capital contribution in the equity shareholder's funds of the Company. The fair value of the employee services received in exchange for the grant of the options and rewards is recognised as an expense. The expense is based upon a number of assumptions as disclosed in Note 23, Share-based payment. The selection of different assumptions could affect the future results of the Company.

In accordance with IFRS 2 'Share-based payment', share options and restricted stock units are measured at fair value at their grant date. The fair value for the majority of the options is calculated using the Black-Scholes formula and charged to the Statement of Comprehensive Income on a straight-line basis over the expected vesting period. For those options issued with vesting conditions other than remaining in employment (for example, those conditions upon the Group achieving certain predetermined financial criteria) either a Monte-Carlo or Hull White trinomial lattice model has been used. At each year end date, the Company revises its estimate of the number of options that are expected to become exercisable. This estimate is not revised according to estimates of changes in market based conditions.

Current taxation

Income tax is recognised or provided at amounts expected to be recovered or paid using the tax rates and tax laws that have been enacted or substantively enacted at the year end date.

Current tax includes research and development tax credits which are calculated in accordance with the UK research and development tax credit regime applicable to small and medium sized companies. Research and development expenditure which is not eligible for reimbursement under the small and medium sized companies regime, such as expenditure incurred on projects for which we receive income, may be reimbursed under the UK Research and Development Expenditure Credit ('RDEC') scheme. Receipts under the RDEC scheme are presented within other operating income as they are similar in nature to grant income.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Statement of Financial Position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

Warrants

Summit (Oxford) Limited records the details of the warrants charge as if it were the entity issuing the warrants. This is treated as a capital contribution in the equity shareholder's funds of the Company. The fair value of the services received in exchange for the grant of the warrants is recognised as an expense.

Consideration received, net of incremental costs directly attributable to the issue of such new warrants, is shown in equity. Such warrants are not remeasured at fair value in subsequent reporting periods. Warrants issued in which external services are received as consideration for equity instruments of the company should be measured at the fair value of the goods or services received. Only if the fair value of the services cannot be measured reliably would the fair value of the equity instruments granted be used.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 BASIS OF ACCOUNTING (continued)

Financial Instruments

The Company recognises financial assets and liabilities in the respective categories 'Financial assets at amortised cost' and 'Financial liabilities measured at amortised cost'. Financial assets at amortised cost are non-derivative financial assets which are held to collect the contractual cash flows on specified dates. They arise when the Company provides money, goods or services directly to the debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the year end date, which are classified as non-current assets. Other liabilities consist of trade and other payables, being balances arising in the course of normal business with suppliers, contractors and other service providers, and borrowings, being loans and hire purchase funds advanced for the refit of leasehold premises and the purchase of laboratory equipment, fixtures and fittings. Financial assets at amortised cost, and other liabilities are initially recorded at fair value, and thereafter at amortised cost, if the timing difference is deemed to impact the fair value of the asset or liability.

The Company assesses at each year end date the expected credit losses of financial asset or a group of financial assets with consideration given to the risk of default occurring. Expected credit losses are the difference between the contractual cash flows due to the Company and the cash flows the Company expects to receive.

The Company does not hold or trade in derivative financial instruments.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Financial Statements requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

Critical Judgements in Applying the Company's Accounting Policies

The following are the critical judgements, apart from those involving estimations, that the Director has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Revenue Recognition

Revenue is accounted for in line with principles of IFRS 15 Revenue from contracts with customers.

Licensing agreements may consist of multiple elements and provide for varying consideration terms, such as upfront, development, regulatory and sales milestones, sales-based royalties and similar payments. Such arrangements are determined to be within the scope of IFRS 15 and are assessed under the five-step model of the standard to determine revenue recognition. The distinct performance obligations within the contract and the arrangement transaction price are identified.

The fair value of the arrangement transaction price is allocated to the different performance obligations based on the relative stand-alone selling price of those services provided and the performance obligation activities to which the terms of the payments specifically relate to. The allocated transaction price is recognized over the respective performance period of each performance obligation. Amounts received in advance of the revenue recognition criteria being met are initially reported as deferred revenue on the Consolidated Statement of Financial Position and are recognized as revenue over the development period.

Development and regulatory approval milestone payments are included within the allocated transaction price only when it becomes highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Revenues attributable to the development cost share element of a licensing agreement are also recognized over the performance period. Sales-based royalty income and related milestone payments are recognized in the period when the related sales occur or when the relevant milestone is achieved, as the license granted is the predominant element of the performance obligation and the payments are inherently received once the development period is completed and the license granted is usable.

See Note 5 on Revenue for details of our contracts with customers

Indications of asset impairment

The Group is required to exercise judgement when reviewing the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the year end date that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are noted below. As a result of this review, the Company has impaired a portion of the amounts owed by Group undertakings for the eleven months ended 31 December 2019. See Note 15 'Amounts owed by group undertakings'.

Recognition of research expenditure and associated funding income

The Company recognises expenditure incurred in carrying out its research and development activities and the associated funding income in line with management's best estimation of the work completed on each separately contracted study or activity. This includes the calculation of research and development accruals and prepayments at each period to account for expenditure that has been incurred and the associated funding income. This requires estimations of the expected costs to complete each study or activity and the estimation of the current stage of completion. In all cases, the full cost of each study or activity is expensed by the time the final report or where applicable, product, has been received. See Notes 14 'Trade and other receivables' and 16 'Trade and other payables' for further details of these estimates.

4 CHANGES TO ACCOUNTING POLICY

Adoption of IFRS 16 'Leases'

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for reporting periods beginning on or after 1 January 2019, and replaces the accounting standard IAS 17 Leases. Two adoption methods are permitted for transition: retrospectively to all prior reporting periods presented in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with certain practical expedients permitted; or retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Company adopted this new standard effective 1 February 2019, as required, using the full retrospective transition method in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Under this method, the Company adjusted its results for the years ended 31 January 2019, as if IFRS 16 had been effective for those periods. The Company has assessed the effect of adoption of this standard as it relates to its leased properties in Oxford and has concluded that any other contracts are not within the scope of IFRS 16 or are of low value, for which the Company has elected not to apply the requirement of IFRS 16.

Due to the adoption of IFRS 16, the Company has recognised both right-of-use assets and lease liabilities related to its UK leased properties. The Company no longer recognises a lease incentive accrual and has reclassified some costs from research and development expenses and general and administration expenses to finance costs, being the interest expense on lease liabilities. This change in accounting policy has been reflected retrospectively in the comparative Statement of Financial Position as at 31 January 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 CHANGES TO ACCOUNTING POLICY (continued)

The impact of the change in accounting policy to IFRS 16 discussed above on the comparatives is disclosed in the following tables.

	Original as at 31 January 2019 £	Adjusted as at 31 January 2019 £	Impact £
Impact on Statement of Financial Position			
Non-current assets			
Property, plant and equipment	430,587	815,837	385,250
Current assets			
Trade and other receivables	12,119,100	12,095,067	(24,033)
Non-current liabilities			
Lease liabilities	-	(340,634)	(340,634)
Current liabilities			
Trade and other payables	(7,188,961)	(7,057,164)	131,797
Lease liabilities	-	(166,135)	(166,135)
Equity			
Accumulated losses reserve	(85,342,304)	(85,356,059)	(13,755)
	Original Year ended 31 January 2019 £	Adjusted Year ended 31 January 2019 £	Impact £
Impact on Statement of Comprehensive Income			
Operating expenses			
Research and development	(35,975,101)	(35,975,484)	(383)
General and administration	(5,602,860)	(5,602,928)	(68)
Operating loss			
Finance costs	(232,910)	(253,667)	(20,757)
Profit for the financial year	19,029,421	19,008,213	(21,208)

The Company will continue to monitor interpretations released by the IFRS Interpretations Committee and amendments to IFRS 16 and, as appropriate, will adopt these from the effective dates.

During the eleven months ended 31 December 2019, the following additional new standards, amendments to standards or interpretations became effective for the first time. The adoption of these interpretations, standards or amendment to standards were either not relevant for the Company or have not led to any significant impact on the financial statements.

International Accounting Standards (IAS/IFRS)	Effective Date
Amendments to IFRS 9 Financial Instruments, Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 19 Employee Benefits, Plan amendments, curtailments or settlements	1 January 2019
Amendments resulting from Annual Improvements 2015–2017 Cycle	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019

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

International Accounting Standards (IAS/IFRS)	Effective Date
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 Business Combinations, Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8, Definition of Material	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform	1 January 2020

The Company does not believe the adoption of these standards will have material impact on the financial statements.

5 REVENUE

	Eleven months ended 31 December 2019	Year ended 31 January 2019
Analysis of revenue by category :	£	£
Collaboration and licence agreements	582,524	42,766,006

Revenue recognized in the period consists of amounts received from the license and commercialization agreement with Eurofarma Laboratórios S.A., and amounts received from the license and collaboration agreement with Sarepta Therapeutics, Inc. which was terminated in August 2019. See Note 17 'Deferred revenue and income' for details of amounts deferred in the Statement of Financial Position.

	Eleven months ended 31 December 2019	Year ended 31 January 2019
Analysis of revenue by geography :	£	£
US	125,387	42,267,311
Latin America	457,137	488,695
	582,524	42,766,006

Sarepta Therapeutics, Inc.

On 4 October 2016, Summit announced it had entered into an exclusive license and collaboration agreement with Sarepta Therapeutics, Inc. ('Sarepta'). In June 2018, the company announced the discontinuation of the development of ezutromid after its Phase 2 clinical trial called PhaseOut DMD did not meet its primary or secondary endpoints. As part of the license and collaboration agreement with Sarepta, the Group agreed to collaborate with Sarepta on the research and development of the licensed products pursuant to a joint development plan through a joint steering committee comprised of an equal number of representatives from each party.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 REVENUE (continued)

From 1 January 2018, the company was responsible for 55% of the budgeted research and development costs related to the licensed products, and Sarepta was responsible for 45% of such costs. Any costs in excess of 110% of the budgeted amount were borne by the party that incurred such costs. This development cost share income is recognized as part of licensing agreements revenue as the Group acted as a principal in the scope of the research and development activities of the agreement. The company recognized cost share income for both wind-down activities in relation to PhaseOut DMO and next and future generation utrophin modulation development activities of £0.1 million during the eleven months ended 31 December 2019. Effective as of August 2019, the agreement with Sarepta was terminated with no material ongoing obligations for either party.

Eurofarma Laboratórios S.A.

On 21 December 2017, Summit announced it had entered into an exclusive license and commercialisation agreement with Eurofarma Laboratórios S.A. ('Eurofarma'), pursuant to which the Company granted Eurofarma the exclusive right to commercialize ridinilazole in specified countries in South America, Central America and the Caribbean. The Company has retained commercialisation rights in the rest of the world. Under the terms of the license agreement with Eurofarma, the Company received an upfront payment of \$2.5 million (£1.9 million) from Eurofarma. The terms of the contract have been assessed, and the Company believes the development services to be indistinguishable from the license and as a result the upfront payment was initially reported as deferred revenue in the Statement of Financial Position and is being recognised as revenue over the development period.

In addition, the Company will be entitled to receive an additional \$3.75 million in development milestones upon the achievement of staged patient enrolment targets in the licensed territory in one of our two planned Phase 3 clinical trials of ridinilazole. The Company is eligible to receive up to \$21.5 million in development, commercial and sales milestones when cumulative net sales equal or exceed \$100.0 million in the Eurofarma licensed territory. Each subsequent achievement of an additional \$100.0 million in cumulative net sales will result in the Company receiving additional milestone payments, which, when combined with anticipated product supply transfer payments from Eurofarma paid to the Company in connection with a commercial supply agreement to be entered into between the two parties, will provide payments estimated to range from a mid- to high-teens percentage of cumulative net sales in the Eurofarma licensed territory. The Company estimate such product supply transfer payments from Eurofarma will range from a high single-digit to low double-digit percentage of cumulative net sales in the licensed territory.

6 OTHER OPERATING INCOME

	Eleven months ended 31 December 2019	Year ended 31 January 2019
	£	£
Income recognised in respect of BARDA	13,864,179	13,090,672
Income on remeasurement or derecognition of the financial liabilities on funding arrangements	-	538,731
Management income	704,505	998,236
Research and development credit	571,576	146,469
	15,140,260	14,774,108

In September 2017, the Group was awarded a funding contract from the Biomedical Advanced Research and Development Authority ('BARDA'), an agency of the US government's Department of Health and Human Services' Office of the Assistant Secretary for Preparedness and Response, to fund a specified portion of the clinical and regulatory development activities of ridinilazole for the treatment of C. difficile infection ('CDI').

Under the terms of this contract, the company was initially eligible to receive base period funding of \$32.0 million. In addition, the contract included three option work segments that, if exercised in full by BARDA, would increase the total federal government funding under the contract to approximately \$62.0 million. In August 2018, BARDA exercised one of the option work segments worth \$12.0 million. In June 2019, BARDA increased the total value of the funding contract to up to \$63.7 million; at this time, BARDA also exercised a second of the option work segments worth \$9.6 million to bring the total amount of committed BARDA funding to \$53.6 million. In January 2020, BARDA expanded its award by \$8.8 million to bring the total amount of the funding contract to \$72.5 million and the total amount of committed BARDA funding to \$62.4 million. The remaining federal government funding is dependent on BARDA in its sole discretion exercising the final independent option work segment, upon the achievement by the Group of certain agreed-upon milestones for ridinilazole.

7 OPERATING (LOSS) / PROFIT

The operating (loss) / profit is stated after charging:

	Note	Eleven months ended 31 December 2019	Year ended 31 January 2019
		£	£
Depreciation of property, plant and equipment	13	253,038	269,338
Amortisation of intangible assets	12	38,735	44,988
Loss on disposal of assets		10,044	36,423
Audit fees payable to the Company's auditors		99,600	66,000
Impairment	15	865,704	-

8 FINANCE INCOME AND COSTS

	Note	Eleven months ended 31 December 2019	Year ended 31 January 2019
		£	£
Finance income		-	2,783,757
Derecognition or remeasurement of financial liabilities on funding arrangements		-	1,979
Bank interest received		2,971	-
Finance income		2,971	2,785,736
Finance costs		-	-
Unwinding of discount factor		(1,391)	(232,910)
Lease interest		(14,874)	(20,757)
Finance costs	18	(16,265)	(253,667)

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 DIRECTOR'S EMOLUMENTS

The aggregate emoluments of the director of the Company computed in accordance with the Companies Act 2006 are shown below. The highest paid director had aggregate emoluments of £298,393 (Year ended 31 January 2019: £628,847). The Company paid pension contributions totalling £23,151 in respect of the highest paid director (Year ended 31 January 2019: £21,432). No share options were exercised by the Director during the period.

	Eleven months ended 31 December 2019 £	Year ended 31 January 2019 £
Aggregate emoluments	298,393	628,847
Pension contributions	23,151	21,432
Share based payment	259,000	1,681,000
	580,544	650,279

The total number of directors accruing benefits under the Company's defined contribution scheme is 1 (year ended 31 January 2019: 1).

10 EMPLOYEES

The monthly average number of employees of the Company (including director) during the period / year was:

	Eleven months ended 31 December 2019 Number	Year ended 31 January 2019 Number
Technical, research and development	21	24
Administration	20	21
	41	45

Their aggregate remuneration comprised:

	Eleven months ended 31 December 2019 £	Year ended 31 January 2019 £
Wages and salaries	4,071,496	5,160,964
Social security costs	577,142	631,639
Other pension costs	278,977	257,486
Share-based payment	601,578	3,074,563
	5,529,193	9,124,652

Included within wages and salaries are termination benefits of £nil (year ended 31 January 2019: £20,574).

11 TAX ON (LOSS) / PROFIT

The tax credit included in profit or loss is as follows:

	Eleven months ended 31 December 2019 £	Year ended 31 January 2019 £
Current tax:		
Adjustments in respect of prior years	22,632	(286,081)
R&D tax credits in period / year	2,785,663	800,523
Total current tax	2,808,295	514,442
Total deferred tax		
Tax credit	2,808,295	514,442

The tax assessed on the loss on ordinary activities for the period is lower (2019: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%). The differences are explained as follows:

	Eleven months ended 31 December 2019 £	Year ended 31 January 2019 £
(Loss) / Profit before taxation	(17,888,696)	18,493,771
Tax thereon at 19%	(3,398,852)	3,513,816
Impact of IFRS 16 transitional adjustment (see note 4)	(2,613)	(3,858)
Impact of IFRS 15 transitional adjustment (see note 5)		(2,481,259)
Change in unrecognised tax losses	1,504,097	292
Expenses not deductible for tax purposes	279,796	589,905
Tax relief for qualifying R&D expenditure	(1,168,091)	(2,411,791)
Adjustments in respect of prior years	(22,632)	286,081
Share options exercised		(15,516)
Tax credit	(2,808,295)	(522,330)

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 TAX ON LOSS (continued)

Unrecognised deferred tax

There is an unprovided deferred tax asset in relation to the trading losses carried forward of £11,326,219 (31 January 2019: £9,997,280), £33,000 in relation to provisions (31 January 2019: £33,000) and £4,013 (31 January 2019: £3,592) in relation to future exercisable shares. There is a deferred tax liability of £29,793 (31 January 2019: liability £36,828) in respect of accelerated capital allowances, this has been offset against £29,793 (31 January 2019: £36,828) of deferred tax assets in relation to trading losses carried forward.

The unrecognised deferred tax asset would be recovered against future Company taxable profits. In the opinion of the director, there is insufficient evidence that the asset will be recovered, as such the deferred tax asset has not been recognised in the financial statements.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 28 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the year end date. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date would be to increase the unprovided deferred tax asset by £1,333,370.

12 INTANGIBLE ASSETS

	Patents £	Software licenses £	Total £
Cost			
At 1 February 2019	111,859	110,000	221,859
At 31 December 2019	111,859	110,000	221,859
Accumulated Amortisation			
At 1 February 2019	39,089	49,996	89,085
Amortisation	5,127	33,608	38,735
At 31 December 2019	44,216	83,604	127,820
Net book value			
At 31 January 2019	72,770	60,004	132,774
At 31 December 2019	67,643	26,396	94,039

Amortisation of intangible assets is included in the line "Research and development costs" shown on the face of the Statement of Comprehensive Income.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £	Right of Use Asset £	Laboratory equipment £	Office and IT equipment £	Total £
Cost					
At 1 February 2019	189,627	821,351	77,647	361,662	1,450,287
Additions	-	-	116,218	5,642	121,860
Disposals	-	-	(10,408)	(858)	(11,264)
At 31 December 2019	189,627	821,351	183,459	366,446	1,560,883
Accumulated Depreciation					
At 1 February 2019	36,814	314,851	19,076	263,709	634,450
Depreciation	40,432	127,994	36,874	47,738	253,038
Disposals	-	-	(362)	(858)	(1,220)
At 31 December 2019	77,246	442,845	55,588	310,589	886,268
Net book value					
At 31 January 2019	152,813	506,500	58,571	97,953	815,837
At 31 December 2019	112,381	378,506	127,871	55,857	674,615

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold Improvements £	Right of Use Asset £	Laboratory equipment £	Office and IT equipment £	Total £
Cost (as adjusted*)					
At 1 February 2018	189,627	821,351	17,056	382,375	1,410,409
Additions	-	-	60,591	5,692	66,283
Disposals	-	-	-	(26,405)	(26,405)
At 31 January 2019	189,627	821,351	77,647	361,662	1,450,287
Accumulated Depreciation (as adjusted*)					
At 1 February 2018	2,347	150,581	17,056	220,913	390,897
Depreciation	34,467	164,270	2,020	68,581	269,338
Disposals	-	-	-	(25,785)	(25,785)
At 31 January 2019	36,814	314,851	19,076	263,709	634,450
Net book value					
At 31 January 2018	187,280	670,770	-	161,462	348,742
At 31 January 2019	152,813	506,500	58,571	97,953	815,837

* See Note 4 - 'Changes to accounting policies - Adoption of IFRS 16 'Leases'.

14 TRADE AND OTHER RECEIVABLES

	31 December 2019 £	31 January 2019 (Adjusted*) £
Trade receivables	410,035	1,656,167
Other receivables	708,334	3,332,386
Prepayments	6,173,218	6,910,314
Accrued income	-	196,200
	7,291,587	12,095,067

Trade receivables consist of amounts outstanding from Sarepta at 31 December 2019.

Included within prepayments is £5,799,704 of prepayments relating to research and development expenditure (year ended 31 January 2019 £6,681,695). These amounts are determined based on the estimated full costs to complete each study or activity, the estimation of the current stage of completion and the invoices received. The key sensitivity is the estimated current stage of completion of each study or activity.

15 AMOUNTS OWED BY GROUP UNDERTAKINGS

	31 December 2019 £	31 January 2019 (Adjusted*) £
Amounts owed by group undertakings	137,315	782,857

In accordance with IFRS 9 'Financial Instruments' management assessed the recoverability of the amounts owed to the Company by affiliate undertakings as at 31 December 2019. As a result, an impairment charge of £865,704 was recognised against amounts owed by an affiliate undertaking based on the relevant industry standard cumulative probabilities of achieving key development milestones.

Amounts owed from group undertakings are unsecured, interest free and payable on demand.

16 TRADE AND OTHER PAYABLES

	31 December 2019 £	31 January 2019 (Adjusted*) £
Trade payables	3,164,110	4,017,485
Other creditors	31,293	25,523
Taxation and social security	219,757	168,758
Accruals	3,083,688	2,845,388
	6,498,848	7,057,164

Included within accruals is £2,264,672 accruals relating to research and development expenditure (year ending 31 January 2019 £1,372,457). These amounts are determined based on the estimated full costs to complete each study or activity, the estimation of the current stage of completion and the invoices received. The key sensitivity is the estimated current stage of completion of each study or activity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 DEFERRED REVENUE AND INCOME

	31 December 2019	31 January 2019 (Adjusted*)
	£	£
Due within one year		
Deferred revenue	498,695	498,695
Deferred other operating income	636,807	2,875,792
	<u>1,135,502</u>	<u>3,374,487</u>
Due more than one year		
Deferred revenue	374,021	831,158
	<u>374,021</u>	<u>831,158</u>
Total deferred revenue	<u>872,716</u>	<u>1,329,853</u>
Total deferred other operating income	<u>636,807</u>	<u>2,875,792</u>

18 Lease Liability

In February 2017, the company entered into a 10-year lease agreement for its office premises in Oxford, UK. The lease contains a break clause with the option to terminate the lease on the fifth anniversary of the agreement. The adoption of IFRS 16 resulted in the recognition of lease liabilities and right-of-use assets. The carrying value of the right-of-use assets included within property, plant and equipment as at 31 December 2019 is £378,506 (31 January 2019: £506,500). The following table summarises the future minimum lease payments under the Company's lease liabilities:

	31 December 2019	31 January 2019 (as adjusted*)
	£	£
2019/2020	-	166,135
2020/2021	166,135	166,135
2021/2022	150,317	150,317
2022	55,378	55,378
Total minimum lease payments	<u>371,830</u>	<u>537,965</u>
Less: Imputed interest	(16,322)	(31,196)
Total lease liabilities	<u>355,508</u>	<u>506,769</u>
Liabilities		
Current lease liabilities	166,135	166,135
Non-current lease liabilities	189,373	340,634
	<u>355,508</u>	<u>506,769</u>
Lease cost		
Depreciation	127,994	164,270
Interest expense	14,874	20,757
Total lease cost	<u>142,868</u>	<u>185,027</u>
Other information		
Lease payments	166,135	135,730

19 AMOUNTS OWED TO GROUP UNDERTAKINGS

	31 December 2019	31 January 2019
	£	£
Amounts owed to group undertakings	98,605,695	86,465,818

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 FINANCIAL LIABILITIES ON FUNDING ARRANGEMENTS

The Company entered into charitable funding arrangements with the Wellcome Trust and the US not for profit organisations, the Muscular Dystrophy Association ('MDA') and Duchenne Partners Fund ('DPF'). In exchange for the funding provided, these arrangements required the Company to pay royalties on potential future revenues generated from the CDI and DMD programmes respectively or transfer the rights over unexploited intellectual property.

Discount factors used in the financial liability models were calculated using appropriate measures and rates which could have been obtained in the period that the funding agreements were entered into and are in the range of 16% to 18% for the financial liabilities of funding arrangements previously recognised. In October 2017, the Company and the Wellcome Trust entered into an equity and revenue sharing agreement under which the Wellcome Trust agreed to terminate all of its rights pertaining to the exploitation of intellectual property related to the CDI program meaning the arrangement no longer met the definition of a financial liability under IFRS and the financial liability was derecognised.

Because of the Company's decision in June 2018 to discontinue the development of ezutromid, the financial liabilities attributable to the charitable funding arrangements with MDA and DPF were remeasured during the year ended 31 January 2019 as future royalties on revenues generated from ezutromid are no longer anticipated. This remeasurement resulted in a credit to the Statement of Comprehensive Income. The portion of the credit presented as other operating income during the year ended 31 January 2019 represents the component of the funding received from MDA and DPF not previously credited to the Statement of Comprehensive Income upon initial recognition of the financial liability. The portion of the credit presented as finance income during the year ended 31 January 2019 relates to previous remeasurements and discounting associated with the financial liability which were previously recognised as finance costs.

The value of the estimated financial liabilities for funding arrangements as of 31 December 2019 amounted to £nil (2019: £nil).

	Eleven months ended 31 December 2019 £	Year ended 31 January 2019 £
At 1 February	-	3,089,625
Unwinding of discount factor	-	232,863
Remeasurement of financial liabilities on funding arrangements - (finance income) / finance cost	-	(2,783,757)
Total net finance (income) / cost	-	(2,550,894)
Remeasurement or derecognition of financial liabilities – other operating income	-	(538,731)
At 31 December	-	-

As the Company is discontinuing the development of ezutromid there are no sensitivities disclosed in relation to the charitable funding arrangements with MDA and DPF, since there are no reasonably possible changes in assumptions that would result in a different value of the liability as at 31 December 2019.

21 PROVISION FOR OTHER LIABILITIES

	Dilapidations £	Royalties £	Total £
At 1 February 2019	150,000	43,936	193,936
Unwinding of the discount factor	-	1,391	1,391
At 31 December 2019	150,000	45,327	195,327
	Dilapidations £	Royalties £	Total £
At 1 February 2018	150,000	24,850	174,850
Additions in the year	-	19,039	19,039
Unwinding of the discount factor	-	47	47
At 31 January 2019	150,000	43,936	193,936

Dilapidations

Management has made a provision in respect of the dilapidation costs associated with the reinstatement obligations on their current lease based on best estimates. It is management's intention to utilise the provision at the end of the lease term.

Royalties

The provision in respect of royalties relates to the amounts due to the Wellcome Trust under the terms of the funding arrangement as described below. The provision has been discounted to take account of the effect of the time value of money, applying a discount rate of 0.8%. Further information on the contingent liabilities included in the Wellcome Trust arrangement are detailed below.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 PROVISION FOR OTHER LIABILITIES (continued)

In addition to those items provided for above, the Company also has the following contingent liabilities:

The School of Pharmacy, University of London

The Company has agreed to pay The School of Pharmacy, University of London, a low single-digit share of all revenue, pre and post commercialisation, received by the Company in respect of ridinilazole up to a maximum of £1.0 million in consideration of their role in the development of the initial compound series from which ridinilazole was later identified. Following the license and commercialization agreement entered into with Eurofarma Laboratórios S.A., an initial payment was made to The School of Pharmacy.

Wellcome Trust

Under the terms of the funding arrangement entered into in October 2017, the Wellcome Trust is entitled to a share of the cumulative net revenue that the Company or its affiliates receive from exploiting the exploitation IP or award products. If Summit undertakes the commercialisation of ridinilazole, the Wellcome Trust would be eligible to receive a low-single digit percentage share of net revenues. If a third-party undertakes the commercialisation of ridinilazole, the Wellcome Trust would be eligible to receive a mid-single digit percentage share of net revenues received by Summit from sales by the third-party and a milestone payment of a low-single digit percentage of any cumulative pre-commercial payments received by Summit from third-party licensees. In both instances outlined above the Company would also be obligated to pay the Wellcome Trust a milestone of a specified amount if cumulative net revenue exceeds a specified amount. Following the license and commercialization agreement entered into with Eurofarma, an initial payment became due to the Wellcome Trust upon commercialisation of ridinilazole. The payment has been provided for by the Company as at the year end date and has been discounted back to net present value relative to the expected timing of commercialisation of ridinilazole.

22 SHARE CAPITAL

	31 December 2019 £	31 January 2019 £
Allotted, called up and fully paid 1,000 (31 January 2019: 1,000) ordinary shares of £1 each	1,000	1,000

Dividends

No dividends were paid or declared in the period ended 31 December 2019 (year ended 31 January 2019: £nil).

23 SHARE BASED PAYMENT

The movement in the number of share options is set out below:

	Weighted average exercise price (p)	Number
Outstanding at 1 February 2019	34	8,025,662
Granted during the period	28	10,282,000
Lapsed / surrendered during the period	66	(724,233)
Number of options outstanding at 31 December 2019	27	17,583,429
	Weighted average exercise price (p)	Number
Outstanding at 1 February 2018	142	6,082,646
Granted during the year	70	9,308,454
Exercised during the year	109	(92,047)
Lapsed / surrendered during the year	169	(7,273,391)
Number of options outstanding at 31 January 2019	34	8,025,662

As at 31 December 2019, 902,045 share options were capable of being exercised with a weighted average exercise price per option of £0.37 (31 January 2019: £0.29) with a weighted average exercise price per option of £0.70. The options outstanding at 31 December 2019 had a weighted average exercise price of £0.29 (31 January 2019: £0.34), and a weighted average remaining contractual life of 8.90 years (31 January 2019: 9.25 years). Expense recognised for share based payments for the eleven months ended 31 December 2019 is £601,578 (year ended 31 January 2019 £3,074,563)

Summit Therapeutics plc operates a number of share-based incentive schemes as detailed above. The fair value per award granted and the assumptions used in the calculations are as follows:

Date of grant	Type of award	Number of shares	Exercise price (p)	Share price at grant date (p)	Fair value per option (p)	Award life Years	Risk-free rate
07 Apr 11	EMI	5,873	65.0	65.0	47.0	5.0	2.7%
10 May 12	EMI	150,046	60.0	52.0	24.0	5.0	1.0%
24 Dec 12	EMI	21,500	85.0	85.0	59.0	5.0	0.9%
31 Jan 13	EMI	72,973	20.0	94.0	74.0	5.0	1.0%
18 Dec 13	Unapproved	76,364	20.0	185.0	165.0	5.0	1.0%
15 Jul 14	Unapproved	100,000	80.0	80.5	65.0	1.9	0.5%
23 Jun 16	Unapproved	110,576	1.0	105.0	104.0	0.5	0.3%
19 Oct 18	Unapproved	3,165,127	30.0	30.0	9.0	3.0	0.8%
19 Oct 18	Unapproved	3,814,970	30.0	30.0	12.0	3.0	0.9%
29 Mar 19	Unapproved	10,066,000	27.5	27.5	10.0	3.0	0.6%
		17,583,429					

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 SHARE BASED PAYMENT (continued)

The key assumptions used in calculating the share-based payments are as follows:

- a. Black-Scholes valuation methodology was used for all share options issued since 2016. These options do not have market-based performance related conditions.
- b. The majority of share option awards made before 2016 had market-based performance related conditions and have been modelled using the Monte-Carlo methodology. The options granted on 31 January 2013 and 18 December 2013 do not have market-based performance related conditions.
- c. Figures in the range of 39-134% have been used for expected volatility. This has been derived from historic share price performance, weighted to exclude periods of unusually high volatility.
- d. Expected dividend yield is nil, consistent with the Director's view that the Company's business model is to generate value through capital growth rather than the payment of dividends.
- e. The risk-free rate is equal to the prevailing UK Gilt rate at grant date that most closely matches the expected term of the grant.
- f. Share options are assumed to be exercised immediately on vesting.
- g. The fair value of options awarded where there are different vesting instalments is the average of the fair values calculated per instalment.

Warrants

On the 24 December 2019, in part payment for their consulting services, Maky Zanganeh and Associates, Inc. were granted warrants over 16,793,660 Ordinary Shares of the parent company with an exercise price of £0.221 each. The warrants vest on a quarterly basis over 3 years from the date of grant, subject to the continuing provision of consultancy services to the Group during such period. During the period to 31 December 2019 a warrant expense of £14,000 was recognised (year ended 31 January 2019: nil).

24 CAPITAL COMMITMENTS

At 31 December 2019 the Company had no capital commitments (year ended 31 January 2019: nil).

25 RELATED PARTY TRANSACTIONS

As permitted by FRS 101 related party transactions with wholly owned members of the Summit Therapeutics plc Company have not been disclosed.

Dr Elaine Stracker was appointed to the Board of Summit Therapeutics plc as a non-executive director on 24 December 2019 and Dr Stracker is also the General Counsel and Senior Vice President for Corporate Development for Maky Zanganeh and Associates, Inc. ("MZA"). The Group has a consultancy agreement with MZA to provide support into clinical operation activities related to the ongoing global Phase 3 clinical trials of ridinilazole for the treatment of CDI, regulatory activities pertaining to a potential new drug application should the Phase 3 trials be successful and strategic planning support more generally for the ridinilazole programme.

The fees for such services under this consultancy agreement are \$75,000 per month. In addition to such monthly fee, MZA were granted warrants over 16,793,660 Ordinary Shares of the parent company with an exercise price of £0.221 each and which vest on a quarterly basis over 3 years from the date of grant, subject to MZA's provision of consultancy services to the Group during such period. During the period from appointment £16,000 of consultancy fees (year ended January 31, 2019: nil) were incurred by the Company and a warrant expense of £14,000 was recognised (year ended 31 January 2019: nil). Of the amounts in respect of the consulting services £5,000 was outstanding at the end of the period (year ended 31 January 2019: nil).

26 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking and controlling party is Summit Therapeutics plc, a Group incorporated in England and Wales.

The Financial Statements of Summit Therapeutics plc are the smallest and largest group financial statements incorporating the Company. A copy of the Director's Report and Financial Statements can be obtained from the Company's registered office or from the investor section of the parent Company website, www.summitplc.com.

27 POST BALANCE SHEET EVENTS

The outbreak of novel coronavirus (COVID-19) in early 2020 has affected business and economy activities around the world. The Company considers this outbreak to be a non-adjusting post balance sheet event as of 31 December 2019. Given the spread of the coronavirus, the range of potential outcomes for the global economy are difficult to predict at the current time. When it comes to our business, we are monitoring the COVID-19 outbreak developments closely. The Company follows guidance from the World Health Organization and the U.S. Centers for Disease Control and Prevention and abides by the requirements as activated by local governments.

From an employee wellbeing and business continuity perspective, we are proactively monitoring this outbreak and are maintaining continuous dialogue with employees regarding its status. Periodic updates are being issued and guidance to all staff on preventative measures and on maintaining good physical and mental health is being provided.