SUMMIT (OXFORD) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 JANUARY 2018

Registered No. 04636431

CONTENTS

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

STRATEGIC REPORT
For the year ended 31 January 2018

The director presents the strategic report for year ended 31 January 2018.

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.

REVIEW OF THE BUSINESS AND FUTRE DEVELOPMENTS

Rare diseases

The Company had positive 24-week interim data from PhaseOut DMD, a Phase 2 proof of concept trial of ezutromid in patients with DMD, that showed evidence of activity across three different measures. Specifically ezutromid; maintained the production of utrophin, a naturally occurring protein that can substitute for dystrophin, significantly and meaningfully reduced muscle damage and significantly reduced muscle inflammation.

The Company is accelerating preparatory activities for a placebo controlled clinical trial for ezutromid, and for a potential regulatory filing of ezutromid based on the 48-week results from PhaseOut DMD.

The Company received a $22 million milestone payment from our strategic partner, Sarepta Therapeutics, for the completion of enrolment in PhaseOut DMD.

The Company maintained leadership in utrophin modulation through our strategic alliance with the University of Oxford to identify utrophin modulator candidates, including ones that may have new utrophin related mechanisms.

Infectious diseases

In September 2017 the company was awarded up to $62 million from Biomedical Advanced Research and Development Authority ('BARDA') to support the clinical and regulatory development of ridinilazole for the treatment of CDI.

The Company outlined ridinilazole Phase 3 clinical programme following input from the US Food and Drug Administration and European Medicines Agency, the trials are expected to start Q1 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's ultimate parent undertaking and controlling party is Summit Therapeutics plc (the 'Parent Company'). The Parent Company financial statements provide further information on the principal risks and uncertainties of the group including Summit (Oxford) Limited. These are available at the company registered office or the parent company website, www.summitplc.com.

KEY PERFORMANCE INDICATORS

The Parent Company financial statements provide further information on the key performance indicators of the group including Summit (Oxford) Limited. These are available at the company registered office or the parent company website, www.summitplc.com.

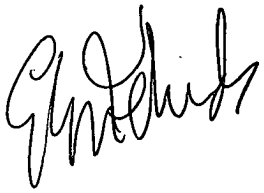
RESULTS AND DIVIDENDS

The company made a loss for the financial year of £2,037,660 (2017: loss of £17,074,114). The net liabilities as at 31 January 2018 are £86,308,495 (2017: net liabilities of £85,128,355).

The director does not recommend the payment of a dividend (2017: £nil).

This report was approved by the board on 11 April 2018 and signed on its behalf.

G O Edwards
Director



DIRECTOR'S REPORT
For the year ended 31 January 2018

The director presents their report and the audited financial statements for year ended 31 January 2018.

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 financial year of £2,037,660 (2017: loss of £17,074,114).

The director does not recommend the payment of a dividend (2017: £nil).

DIRECTOR

The director of the company who was in office during the year and up to the date of signing the financial statements was:

G O Edwards

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

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 they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The director believes that preparing the financial statements on the going concern basis is appropriate. The Company expects it will need to raise additional funding in the future in order to support research and development efforts, potential commercialisation-related activities if any of its product candidates receive marketing approval. Management expects to finance its cash needs through a combination of some, or all, of the following: collaborations, strategic alliances, grants and clinical trial support from government entities, philanthropic, non-government and not for profit organisations and patient advocacy groups, debt financings, and marketing, distribution or licensing arrangements. In addition, the Company has the continued financial support of the ultimate parent company, Summit Therapeutics plc. The director has received confirmation that Summit Therapeutics plc intends to support the company for at least one year after these financial statements are signed. After review of the future operating costs of the business in conjunction with the cash held and financial support of the ultimate parent company, management is confident about the Company's ability to continue as a going concern.

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.

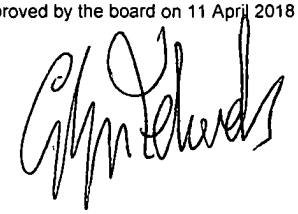
DISCLOSURE OF INFORMATION TO AUDITORS

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 a 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 was approved by the board on 11 April 2018 and signed on its behalf.

G O Edwards
Director



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUMMIT (OXFORD) LIMITED
For the year ended 31 January 2018

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 January 2018 and of its loss for the year 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 January 2018; the statement of comprehensive income, the statement of changes in equity for the year 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.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability 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 Strategic Report and 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.

Strategic Report and Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Director's Report for the year ended 31 January 2018 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 Strategic Report and 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 set out on page 4, 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 have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 directors' 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.

Jaskamal Sarai (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
11 April 2018

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 January 2018

	Note	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Revenue	5	25,108,739	2,303,874
Gross profit		25,108,739	2,303,874
Research and development costs		(30,174,411)	(19,004,878)
Administrative expenses		(6,719,845)	(4,457,384)
Other operating income	6	3,699,329	707,902
Operating loss	7	(8,086,188)	(20,450,486)
Finance income	8	3,087,217	2,553
Finance costs	8	(1,163,232)	(862,273)
Loss before taxation		(6,162,203)	(21,310,206)
Tax on loss	11	4,124,543	4,236,092
Loss for the financial year		(2,037,660)	(17,074,114)
Other comprehensive income for the financial year		-	-
Total comprehensive loss for the financial year		(2,037,660)	(17,074,114)

The notes on pages 10 to 24 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 31 January 2018

	Note	31 January 2018 £	31 January 2017 £
Non-current assets			
Intangible assets	12	208,704	148,298
Property, plant and equipment	13	469,992	92,384
		678,696	240,682
Current assets			
Trade and other receivables	14	9,677,205	835,976
Corporation tax receivable		4,595,226	4,247,518
Amounts owed from group undertakings	15	251,368	-
Cash at bank and in hand		10,921,675	26,618,962
		25,445,474	31,702,456
Total assets		26,124,170	31,943,138
Creditors: amounts falling due within one year			
Trade and other payables	16	(6,921,125)	(3,160,525)
Deferred income	17	(9,765,710)	(6,911,623)
Amounts owed to group undertakings	18	(74,448,413)	(77,380,729)
		(91,135,248)	(87,452,877)
Net current liabilities		(65,689,774)	(55,750,421)
Total assets less current liabilities		(65,011,078)	(55,509,739)
Creditors: amounts falling due after more than one year			
Deferred revenue	17	(18,032,942)	(23,614,713)
Financial liabilities on funding arrangements	19	(3,089,625)	(5,918,903)
Provisions for liabilities	20	(174,850)	(85,000)
		(21,297,417)	(29,618,616)
Net liabilities		(86,308,495)	(85,128,355)
Capital and reserves			
Share capital	21	1,000	1,000
Share premium account		99,000	99,000
Capital contribution		4,903,969	4,046,449
Accumulated losses		(91,312,464)	(89,274,804)
Total shareholders' deficit		(86,308,495)	(85,128,355)

The notes on pages 10 to 24 form an integral part of these financial statements

The financial statements on pages 7 to 24 were approved by the board and authorised for issue on 11 April 2018 and signed on its behalf by

G O Edwards
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 January 2018

	Share capital £	Share Premium account £	Capital contribution £	Accumulated losses £	Total Shareholders' deficit £
At 1 February 2017	1,000	99,000	4,046,449	(89,274,804)	(85,128,355)
Loss and total comprehensive loss for the financial year	-	-	-	(2,037,660)	(2,037,660)
Share-based payment	-	-	857,520	-	857,520
At 31 January 2018	1,000	99,000	4,903,969	(91,312,464)	(86,308,495)

	Share capital £	Share Premium account £	Capital contribution £	Accumulated losses £	Total Shareholders' deficit £
At 1 February 2016	1,000	99,000	3,093,648	(72,200,690)	(69,007,042)
Loss and total comprehensive loss for the financial year	-	-	-	(17,074,114)	(17,074,114)
Share-based payment	-	-	952,801	-	952,801
At 31 January 2017	1,000	99,000	4,046,449	(89,274,804)	(85,128,355)

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 the UK 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 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 year 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 furture forecasted net operating cash flows. The director believes that preparing the financial statements on the going concern basis is appropriate. The Company expects it will need to raise additional funding in the future in order to support research and development efforts, potential commercialisation-related activities if any of its product candidates receive marketing approval. Management expects to finance its cash needs through a combination of some, or all, of the following: collaborations, strategic alliances, grants and clinical trial support from government entities, philanthropic, non-government and not for profit organisations and patient advocacy groups, debt financings, and marketing, distribution or licensing arrangements. In addition, the Company has the continued financial support of the ultimate parent company, Summit Therapeutics plc. The director has received confirmation that Summit Therapeutics plc intends to support the company for at least one year after these financial statements are signed. After review of the future operating costs of the business in conjunction with the cash held and financial support of the ultimate parent company, management is confident about the Company's ability to continue as a going concern.

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 estimates and judgements'.

Parent company

The Company is a wholly owned subsidiary of Summit Therapeutics plc which prepares publically available consolidated financial statements in accordance with IFRS. The Company is included in the consolidated financial statements of Summit Therapeutics plc for the year ended 31 January 2018. 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:

- A statement of cash flows and related notes
- The requirement to produce a Statement of Financial Position at the beginning of the earliest comparative period
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group. Other related party transactions, are disclosed in note 24 to the financial statements
- Presentation of comparative reconciliations for fixed assets and intangible assets
- Disclosure of key management personnel compensation
- Capital management disclosures
- The effect of future accounting standards not adopted
- Certain share based payment disclosures (as these are publically available in the consolidated financial statements)
- Disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value)
- Fair value measurement disclosures (other than disclosures required as a result of recording financial instruments at fair value)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 BASIS OF ACCOUNTING (continued)

Revenue Recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of value added tax and other sales-related taxes. The Company recognises revenue when the amount can be reliably measured; when it is probable that future economic benefits will flow to the Company; and when specific criteria have been met for each of the Company's activities.

Collaboration revenues consist of revenues generated from collaborative research and development arrangements. Such agreements may consist of multiple elements and provide for varying consideration terms, such as upfront, development, regulatory and sales milestones, and sales royalties and similar payments. Where such arrangements can be divided into separate units of accounting (each unit constituting a separate earnings process), the arrangement consideration is allocated to the different units based on their relative fair values and recognised over the respective performance period.

Revenues from non-refundable, upfront payments are assessed as to whether they relate to the provision of a license or development services. Upfront payments classified as the provision of a license are recognised in full immediately while revenue related to further development services 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 recognised as revenue based on the percentage of completion method on the assumption that all stages will be completed successfully. The cumulative revenue recognized is limited to non-refundable amounts already received or reasonably certain to be received.

Revenues attributable to the development cost share element of a contract are recognised on an accruals basis as the underlying expenditure is incurred in accordance with the terms of the relevant agreement.

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Sales related milestone payments are recognised in full in the period in which the relevant milestone is achieved.

Intangible assets – Patents
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.

Patents (once filed)	20 years

Impairment of assets
At each year 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 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 depreciation. Historic cost comprises the purchase price plus any incidental costs of acquisition and commissioning. Depreciation is calculated to write off the cost, less residual value, of tangible fixed assets in equal annual instalments over their estimated useful lives as follows:

Leasehold improvements	Over the period of the remaining lease
Laboratory equipment	3 - 10 years
Office and IT equipment	3 - 5 years

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

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 than 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 BASIS OF ACCOUNTING (continued)

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 revenue 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 grant are met.

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.

Operating leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets relating to lease incentives are depreciated over the life of the lease and are included in property, plant and equipment as leasehold improvements.

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 Group 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 22, 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 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 profit and loss 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 depending on the particular conditions. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 BASIS OF ACCOUNTING (continued)

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).

Financial instruments
The Company holds financial assets and liabilities in the respective categories 'Loans and receivables' and 'Financial liabilities measured at amortised cost'. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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. Loans and receivables, 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 whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Financial liabilities on funding arrangements
When entering into funding agreements with charitable and not for profit organizations, management is required to assess whether, based on the terms of the agreement, they can avoid a transfer of cash only by settling a non-financial obligation. An example of this would be the obligation to transfer the rights to the research to a funding provider. In the circumstances where the Company cannot avoid the obligation, all or part of the funding agreement should be accounted for as a financial liability rather than as a charitable grant. The financial liabilities are re-measured, and the Company is required to apply judgement, 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 changes in use or market for a product.

Revenue Recognition
The Company recognises revenue from licensing fees, collaboration fees, development, regulatory and approval milestone fees, sales milestones and royalties. Agreements generally include a non-refundable up-front fee, milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones, as well as royalties on product sales of licensed products, if and when such product sales occur. For these agreements, the Company is required to apply judgement in the allocation of total agreement consideration to the separately identifiable components on a reliable basis that reasonably reflects the selling prices that might be expected to be achieved in stand-alone transactions. The Company is required to make a judgement on those components which can be recognised immediately and those to which it applies the percentage of completion revenue recognition method. In relation to the license and collaboration agreements with Sarepta and Eurofarma, management has assessed that the development services to be indistinguishable from the license and as a result the upfront payment has been initially reported as deferred revenue on the Statement of Financial Position and is being recognised as revenue over the development period. Development and regulatory approval milestone payments associated with these contracts will be recognised to the extent that the milestone event has been completed successfully.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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.

Recognition of research expenditure

The Company recognises expenditure incurred in carrying out its research and development activities in line with the management's best estimation of the stage of completion of each separately contracted study or activity. This includes the calculation of research and development accruals at each period to account for expenditure that has been incurred. This requires estimations of the full costs to complete each study or activity and also 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.

Financial liabilities on funding arrangements

In calculating the financial liability, both at inception and when it is subsequently re-measured, a number of assumptions need to be made by management which include significant estimates. Assumptions included in the model include the following: reported disease prevalence; expected market share based on management's estimates; drug reimbursement pricing in different territories, potential licensing terms which may be offered to the Company (for relevant products); expected patent life; the timing and probabilities of achieving clinical development milestones which are based on industry standards and adjusted for therapy area and; the appropriate discount rate to be used.

Share-based payment

The Company measures share options at fair value at their grant date in accordance with IFRS 2, 'Share-based Payment.' The Company calculates the fair value of the share option using either the Black-Scholes model, or for options with performance conditions, a simulation model. The Company charges the fair value to the Income Statement over the expected vesting period.

4 CHANGES TO ACCOUNTING POLICIES

During the year ended 31 January 2018 the following 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
Amendment resulting from Annual Improvements 2014 - 2016 Cycle (clarifying scope)	01 January 2017
Amendment to IAS 7, Disclosure Initiative	01 January 2017
Amendment to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017

At the date of authorisation 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
IFRS 9, Financial Instruments (as revised in 2014)	01 January 2018
IFRS 15, Revenue from Contracts with Customers	01 January 2018
Amendment to IFRS 2 Share Based Payments, Classification and Measurement of Share-based Payment Transactions	01 January 2018
Amendments resulting from Annual Improvements 2014–2016 Cycle	01 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRS 16, Leases	01 January 2019
Amendments to IFRS 3 Business Combinations, Remeasurement of previously held interest	01 January 2019
Amendments to IAS 12 Income Taxes, Income tax consequences of dividends	01 January 2019
Amendments to IAS 19 Employee Benefits, Plan amendments, curtailments or settlements	01 January 2019
Amendments to IAS 23 Borrowing Costs, Borrowing costs eligible for capitalisation	01 January 2019
Amendments resulting from Annual Improvements 2015–2017 Cycle	01 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019
Amendment to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 REVENUE

Revenue recognised in the year consists of amounts received from exclusive license and collaboration agreements with Sarepta Therapeutics, Inc. and Eurofarma Laboratories S.A..

	Year ended 31 January 2018	Year ended 31 January 2017
Analysis of revenue by category :	£	£
Collaboration and licence agreements	25,108,739	2,303,874

	Year ended 31 January 2018	Year ended 31 January 2017
Analysis of revenue by geography :	£	£
US	25,067,181	2,303,874
Latin America	41,558	-
	25,108,739	2,303,874

6 OTHER OPERATING INCOME

	Year ended 31 January 2018	Year ended 31 January 2017
	£	£
Income recognised in respect of BARDA	1,772,237	-
Income on derecognition of the Wellcome Trust financial liability	907,967	-
Income recognised in respect of the Wellcome Trust	-	13,431
Grant income	-	55,744
Management income	995,960	636,055
Research and development credit	23,165	2,672
	3,699,329	707,902

On 8 September 2017 the Company was awarded a funding contract with 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, worth up to $62 million. The BARDA contract provides for a cost-sharing arrangement under which BARDA would fund a specified portion of estimated costs for specified activities related to the continued clinical and regulatory development of Ridinilazole for the treatment of CDI. Under the terms of the contract, Summit is initially eligible to receive $32 million from BARDA to fund, in part, obtaining regulatory approval for and commencing enrolment and dosing into Summit's two planned Phase 3 clinical trials of Ridinilazole. In addition, Summit is eligible for additional funding under the contract pursuant to three independent option work segments, which may be exercised by BARDA in its sole discretion upon the achievement of certain development and other milestones for Ridinilazole. If the three option work segments are exercised in full, Summit would be eligible for an additional $30 million from BARDA. During the year ended 31 January 2018 the Company recognised funding income from BARDA of £2,748,339 for the CDI program (year ended 31 January 2017: £nil), income is recognised in respect of BARDA as the underlying research and development expenditure is incurred.

During the year ended 31 January 2018 the Company also recognised £907,967 of other income related to the derecognition of the Wellcome Trust financial liability (year ended 31 January 2017: £nil).

7 OPERATING LOSS

The operating loss is stated after charging:

	Note	Year ended 31 January 2018	Year ended 31 January 2017
		£	£
Operating leases - land and buildings		161,358	83,982
Depreciation of property, plant and equipment	13	102,594	42,803
Amortisation of intangible assets	12	7,562	10,009
Loss on disposal of assets		40,913	-
Audit fees payable to the Company's auditors		67,000	61,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 FINANCE INCOME AND COSTS

	Note	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Finance income			
Derecognition of financial liabilities - finance income	19	3,084,543	-
Bank interest received		2,674	2,553
Finance income		3,087,217	2,553
Finance costs			
Unwinding of discount factor	19	(753,810)	(862,273)
Re-measurement of financial liabilities on funding arrangements	19	(409,422)	-
Finance costs		(1,163,232)	(862,273)
Total net finance income / (costs)		1,923,985	(859,721)

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 £610,359 (2017: £611,226). The Company paid pension contributions totalling £18,270 in respect of the highest paid director (2017: £17,400). No shares were exercised by the Director during the year.

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Aggregate emoluments	610,359	611,226
Pension contributions	18,270	17,400
	628,629	628,626

The total number of directors accruing benefits under the Company's defined contribution scheme is 1 (2017: 1).

10 EMPLOYEES

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

	Year ended 31 January 2018	Year ended 31 January 2017
Technical, research and development	20	13
Administration and overheads	19	17
	39	30

Their aggregate remuneration comprised:

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Wages and salaries	4,100,097	2,877,486
Social security costs	461,413	324,670
Other pension costs	236,909	231,502
Share-based payment	857,520	952,801
	5,655,939	4,386,459

Included within wages and salaries are redundancy costs of £nil (2017: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 TAX ON LOSS

Tax credit included in profit or loss

Current tax:	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Adjustments in respect of prior years	(4,672)	(8,755)
R&D tax credits in year	4,129,215	4,244,847
Total current tax	4,124,543	4,236,092
Total deferred tax	-	-
Tax on loss	4,124,543	4,236,092

The tax assessed on the loss on ordinary activities for the year is higher (2017: higher) than the standard rate of corporation tax in the United Kingdom of 19.17% (2017: 20%). The differences are explained as follows:

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Loss before taxation	(6,162,203)	(21,310,206)
Tax thereon at 19.17% (2017: 20%)	(1,181,294)	(4,262,041)
Change in unrecognised tax losses	(44,091)	1,607,656
Expenses not deductible for tax purposes	179,208	192,713
Tax relief for qualifying R&D expenditure	(3,043,023)	(1,698,891)
Short term timing differences	-	-
Adjustments in respect of prior years	4,672	8,755
Share options exercised	(40,015)	(84,284)
Tax credit	(4,124,543)	(4,236,092)

Unrecognised deferred tax

There is an unprovided deferred tax asset in relation to the trading losses carried forward of £9,997,280 (2017: £9,997,280), £25,500 in relation to provisions (2017: £14,450) and £551,920 (2017: £229,855) in relation to future exercisable shares. There is an unprovided deferred tax liability of £71,076 (2017: liability £9,106) in respect of accelerated capital allowances, this has been offset against the deferred tax asset 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 26 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 INTANGIBLE ASSETS

	Patents £	Other licenses £	Total £
Cost			
At 1 February 2017	1,583,118	-	1,583,118
Additions	-	118,588	118,588
Disposals	(1,436,517)	-	- 1,436,517
At 31 January 2018	146,601	118,588	265,189
Accumulated Amortisation			
At 1 February 2017	1,434,820	-	1,434,820
Amortisation	7,562	14,525	22,087
Disposals	(1,400,422)	-	- 1,400,422
At 31 January 2018	41,960	14,525	56,485
Net book value			
At 31 January 2017	148,298	-	148,298
At 31 January 2018	104,641	104,063	208,704

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 £	Laboratory equipment £	Office and IT equipment £	Total £
Cost				
At 1 February 2017	8,885	17,056	251,815	277,756
Additions	339,627	-	144,625	484,252
Disposals	(8,885)	-	(14,065)	(22,950)
At 31 January 2018	339,627	17,056	382,375	739,058
Accumulated Depreciation				
At 1 February 2017	8,885	17,056	159,431	185,372
Depreciation	31,097	-	71,497	102,594
Disposals	(8,885)	-	(10,015)	(18,900)
At 31 January 2018	31,097	17,056	220,913	269,066
Net book value				
At 31 January 2017	-	-	92,384	92,384
At 31 January 2018	308,530	-	161,462	469,992

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 TRADE AND OTHER RECEIVABLES

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Other debtors	2,689,078	263,597
Prepayments	6,056,265	572,379
Accrued income	931,862	-
	9,677,205	835,976

15 AMOUNTS OWED FROM GROUP UNDERTAKINGS

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Amounts owed from group undertakings	251,368	-

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

16 TRADE AND OTHER PAYABLES

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Trade payables	3,473,286	873,573
Other creditors	195,031	97,824
Taxation and social security	148,996	94,327
Accruals	3,103,813	2,094,801
	6,921,125	3,160,525

17 DEFERRED REVENUE

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Due within one year	9,765,710	6,911,623
Due more than one year	18,032,942	23,614,713

On 4 October 2016, Summit announced its entry into an exclusive license and collaboration agreement (the 'Agreement') with Sarepta Therapeutics Inc. ('Sarepta'), pursuant to which Summit granted Sarepta the exclusive right to commercialise products in the Company's utrophin modulator pipeline in the European Union, Switzerland, Norway, Iceland, Turkey and the Commonwealth of Independent States (the 'Licensed Territory'). Such products include the Company's lead product candidate, ezutromid, for the treatment of Duchenne muscular dystrophy and its pipeline of second generation and future generation small molecule utrophin modulators. The Company also granted Sarepta an option to expand the Licensed Territory to include specified countries in Central and South America ('the Latin America Option'). The Company retains commercialisation rights in the rest of the world.

Under the terms of the Collaboration Agreement, Summit received an upfront payment of $40.0 million (£32.8 million) from Sarepta. 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 has been initially reported as deferred revenue on the Statement of Financial Position and is being recognised as revenue over the development period. In May 2017, the Company announced the first dosing of the last patient in PhaseOut DMD, its ongoing Phase 2 clinical trial of ezutromid, which triggered a $22.0 million (£17.2 million) development milestone payment due to Summit under the agreement. The Company believes this development milestone has been achieved, hence the payment has met the recognition criteria of International Accounting Standard 18 'Revenue' and has been recognised in full during the year ended 31 January 2018. In addition, the Company will be eligible for potential future ezutromid-related development, regulatory and sales milestone payments totalling up to $500 million. This includes $20 million in respect of specified development milestones, $150 million in respect of specified regulatory milestones and $330 million from specified sales milestones. Summit is also eligible for escalating royalties ranging from a low to high teens percentage of net sales in the Licensed Territories. Summit is also eligible to receive development and regulatory milestones related to its pipeline of second generation and future generation utrophin modulator candidates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 DEFERRED REVENUE (continued)

Under the license and collaboration agreement, the Group have 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. The Group have been solely responsible for all research and development costs for the licensed products until December 31, 2017. Thereafter, the Group is responsible for 55.0% of the budgeted research and development costs related to the licensed products in the licensed territory, and Sarepta is responsible for 45.0% of such costs. Any costs in excess of 110.0% of the budgeted amount are borne by the party that incurred such costs. The Group is also obligated to spend a specified minimum amount on the research and development of certain licensed products prior to the end of 2019.

On 20 December 2017, Summit announced its entry into an exclusive license and commercialisation agreement (the 'Agreement') granting Eurofarma Laboratórios S.A. ('Eurofarma') rights in Latin America (the 'Licensed Territory') to Summit's precision antibiotic ridinilazole in development for the treatment of CDI. The Company retains commercialisation right in all other countries.

Under the terms of the license and collaboration agreement with Eurofarma, we received an upfront payment of $2.5 million (£1.9 million) from Eurofarma. We also will be eligible for future ridinilazole-related development, regulatory and sales milestone payments totalling up to $32.7 million. This includes $3.75 million in development milestones upon the achievement of staged patient enrolment targets in the planned Phase 3 clinical trials of ridinilazole and up to an additional $21.4 million through other development milestones, commercial milestones, and one-time sales milestones based on cumulative net sales up to $100.0 million in the Licensed Territory. Further, the agreement provides for product supply transfer payments expected to provide a return equivalent to a high single digit to low double-digit percentage of net sales. For each incremental $100.0 million in cumulative net sales achieved, Summit is entitled to a further milestone payment which, when combined with the aforementioned product supply transfer payments, is expected to provide a return equivalent to a mid- to high-teens percentage of net sales in the territories where we have granted Eurofarma commercialisation rights.

18 AMOUNTS OWED TO GROUP UNDERTAKINGS

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Amounts owed to group undertakings	74,448,413	77,380,729

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

19 FINANCIAL LIABILITIES ON FUNDING ARRANGEMENTS

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Financial Liability - funding arrangements	3,089,625	5,918,903

The Company has entered into charitable funding arrangements from 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 require the Company to pay royalties on potential future revenues generated from these projects and also give the counterparties certain rights over the intellectual property if the compound is not exploited. A recent IFRIC decision has clarified that such arrangements result in a financial liability. The estimate of each financial liability is 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 calculates the risk adjusted net present values of estimated potential future cash flows for the respective projects related to the Wellcome Trust and MDA and DPF agreements. The financial liabilities are re-measured 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 changes in use or market for a product. The models will be updated for changes in the clinical probability of success and other associated assumptions with the discount factor to remain unchanged within the model. Discount factors have been 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%.

In October 2017, the Company and the Wellcome Trust entered into an equity and revenue sharing agreement ('RS Agreement'). This was a follow-on to Summit's October 2012 Translational Award funding agreement with the Wellcome Trust ('TA Agreement'), which provided funding for the now completed Phase 1 and Phase 2 clinical trials for ridinilazole. The commercial terms in the RS Agreement replaced those detailed in the TA Agreement. Under the RS Agreement, the Wellcome Trust also agreed to terminate all of its rights under the TA Agreement pertaining to the exploitation of intellectual property related to the CDI programme, meaning the arrangement no longer meets the definition of a financial liability under IFRS. *Therefore, the portion of the financial liability on the Company's Statement of Financial Position related to the Wellcome Trust funding has been* derecognised in full as a credit to the Statement of Comprehensive Income, with a portion classified as Other income and a portion classified as Finance income. The portion of the derecognised financial liability presented as Other income represents the component of the funding received from the Wellcome Trust not previously credited to the Statement of Comprehensive Income upon initial recognition of the financial liability. The portion of the derecognised financial liability presented as Finance income relates to previous re-measurements and discounts associated with the financial liability which were recognised as finance costs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 FINANCIAL LIABILITIES ON FUNDING ARRANGEMENTS (continued)

The value of the estimated financial liabilities on funding arrangements as of 31 January 2018 amounted to £3,089,625 (31 January 2017: £5,918,903) relating to the charitable funding arrangements with MDA and DPF. Since initial recognition, the remaining estimated financial liabilities were re-measured following significant successful events in the DMD and CDI clinical programmes. The financial liabilities were re-measured in the year ended 31 January 2018 following positive data in the DMD clinical program which increased the probability of success.

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
At 1 February	5,918,903	5,033,930
Unwinding of discount factor	753,810	862,273
Derecognition of financial liabilities - finance income	(3,084,543)	-
Re-measurement of financial liabilities on funding arrangements	409,422	-
Total net finance (income) / cost	(1,921,311)	862,273
Derecognition of financial liabilities - other operating income	(907,967)	-
Cash received from funding arrangements account for as financial liabilities	-	22,700
At 31 January	3,089,625	5,918,903

Changing one or more assumptions to reasonable possible alternative assumptions would not materially change the fair value. The table below describes the value of the liability as at 31 January 2018 of £3,089,625 compared to what the total value would be following the presented variations to the underlying assumptions in the model:

	31 January 2018 £
Estimated financial liabilities on funding arrangements	3,089,625
1% lower discount rate	3,354,115
1% higher discount rate	2,849,802
10% lower revenue assumptions	2,818,225
10% higher revenue assumptions	3,361,574
10% lower probability of success	1,005,099
10% higher probability of success	5,123,066

Summary of milestone payments and royalty arrangements contained in the funding arrangements

US Not for Profit Organisations

Muscular Dystrophy Association

The Company has agreed to pay the Muscular Dystrophy Association ('MDA') a specified lump sum amount, less the previously paid MDA cash infusion milestone payment, following the regulatory approval of any project product for use in the United States or European Union in the treatment of DMD or Becker Muscular Dystrophy ('BMD') and an additional specified sum upon achievement of a commercial milestone. The Company would be obligated to pay MDA a low single digit percentage royalty of worldwide net sales by the Company, its affiliates or licensees of any project product.

Duchene partners Fund Inc.

The Company has agreed to pay Duchenne Partners Fund Inc., ('DPF') a specified lump sum amount, less the previously paid DPF cash infusion milestone payment, following the regulatory approval of any project product for use in the United States or European Union in the treatment of DMD or BMD and an additional specified sum upon achievement of a commercial milestone. The Company would be obligated to pay DPF a low single digit percentage royalty of worldwide net sales by the Company, its affiliates or licensees of any project product.

The total amount payable with respect to regulatory milestones under the two agreements with the US not for profit organisations would be $2.5 million if the Company meets all regulatory milestones.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 PROVISION FOR LIABILITIES

	Dilapidations £	*Royalties* £	Total £
At 1 February 2017	85,000	-	85,000
Addition in the year	150,000	24,850	174,850
Used during the year	(85,000)	-	(85,000)
At 31 January 2018	150,000	24,850	174,850

	Dilapidations £	*Royalties* £	Total £
At 1 February 2016	73,192	-	73,192
Addition in the year	11,808	-	11,808
Used during the year	-	-	-
At 31 January 2017	85,000	-	85,000

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. During the year ended 31 January 2018 the Company utilised the provisions classified as falling due within one year to settle its obligations in respect of the Company's expiring lease in Oxford.

Royalties
The provision in respect of royalties relates to the amounts due to the Wellcome Trust being a share of the cumulative net revenue that the Company or its affiliates receive from exploiting the exploitation IP or award products. The provision has been discounted to take account of the effect of the time value of money, applying an discount rate of 13%. Further information on the contingencies included in the Wellcome Trust arrangement are detailed below.

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

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 collaboration agreement entered into with Eurofarma, an initial payment became due to The School of Pharmacy, the payment was made after the year end date.

Wellcome Trust
Under the renewed terms of the funding arrangement the Wellcome Trust are 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 collaboration 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.

21 SHARE CAPITAL

	Year ended 31 January 2018 £	Year ended 31 January 2017 £
Allotted, called up and fully paid		
1,000 (2017: 1,000) ordinary shares of £1 each	1,000	1,000

Dividends
No dividends were paid or declared in the year ended 31 January 2018 (2017: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 SHARE BASED PAYMENT

All numbers of share options, share price, exercise price and fair value in this note have been updated retrospectively to give effect to the share consolidation and subdivision which occurred on 3 July 2014.

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

	Weighted average exercise price (p)	2018	Weighted average exercise price (p)	2017
Outstanding at 1 February	110	4,967,234	125	5,332,972
Granted during the year	183	2,233,907	180	908,076
Exercised during the year	117	(331,869)	79	(357,114)
Lapsed during the year	71	(786,626)	190	(916,700)
Number of outstanding options at 31 January	142	6,082,646	110	4,967,234

As at 31 January 2018, 1,766,322 share options were capable of being exercised with a weighted average exercise price per option of £0.98 (2017: 1,722,654 with a weighted average exercise price per option of £0.75). The options outstanding at 31 January 2018 had a weighted average exercise price of £1.42 (2017: £1.10), and a weighted average remaining contractual life of 7.9 years (2017: 8.6 years).

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	(p) Exercise price	(p) Share price at grant date	(p) Fair value per option	Award life Years	Risk free rate
07 Apr 11	EMI	5,873	65.0	65.0	47.0	5.0	2.7%
07 Apr 11	Unapproved	13,981	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	EMI	249,621	126.0	126.0	65.0	3.0	1.3%
15 Jul 14	Unapproved	772,500	126.0	126.0	65.0	3.0	1.3%
15 Jul 14	Unapproved	100,000	80.0	80.5	65.0	1.9	0.5%
21 Jan 15	EMI	25,000	123.0	122.0	64.0	3.0	0.6%
15 Jun 15	Unapproved	1,652,333	143.0	143.5	65.0	3.0	0.9%
23 Jun 16	EMI	560,343	105.0	105.0	25.0	3.0	0.3%
23 Jun 16	Unapproved	110,576	1.00	105.0	104.0	0.5	0.3%
23 Jun 16	Unapproved	63,440	105.0	105.0	25.0	3.0	0.3%
11 Apr 17	Unapproved	324,324	185.0	185.0	72.2	3.0	0.1%
11 Apr 17	Unapproved	762,764	185.0	185.0	76.0	2.2	0.1%
27 Jun 17	Unapproved	19,444	180.0	178.1	63.7	3.0	0.2%
18 Jul 17	Unapproved	369,489	182.5	182.5	66.0	3.0	0.3%
18 Jul 17	Unapproved	299,862	182.5	182.5	74.0	3.0	0.3%
24 Oct 17	Unapproved	258,437	180.0	170.0	57.1	3.0	0.5%
24 Oct 17	Unapproved	198,776	180.0	170.0	66.0	3.0	0.5%
		6,107,646					

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 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.

b. The majority of share option awards made before 2016 are performance related and have been modeled using the Monte-Carlo methodology. The options granted on 31 January 2013 and18 December 2013 at an exercise price of 20 pence respectively, and 16,667 of the unapproved options granted on 23 June 2014 are not performance related.

c. Figures in the range 18-134% have been used for the 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 Gilts 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.

23 LEASING COMMITMENTS

The Company's total commitments under non-cancellable operating leases are as follows:

Land and buildings	2018 £	2017 £
Leases which expire		
Not later than one year	132,908	88,116
Later than one year and not later than five years	553,783	122,383
	686,691	210,499

On 17 Feburary 2017, the Company signed a ten year lease for new UK office premises. The total commitment of the new lease from the year end 31 January 2018 up until the break clause is £686,691.

In addition to land and buildings, the Company enters into contracts in the normal course of business with contract research organisations to assist in the performance of research and development activities and other services and products for operating purposes. These contracts generally provide for termination on notice, and therefore are cancellable contracts and not reflected in the table above.

24 CAPITAL COMMITMENTS

At 31 January 2018 the Company had no capital commitments (2017: 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.

There have been no transactions (2017: no transactions) with other related parties.

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.