SUMMIT (OXFORD) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2021

Registered No. 04636431

CONTENTS

COMPANY INFORMATION

Directors	R W Duggan C Hair
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

DIRECTORS' REPORT
For the year ended 31 December 2021

GENERAL INFORMATION

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

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.

RESULTS AND DIVIDENDS

The Company made a loss for the years ended 31 December 2021 and 2020 of £47,948,958 and £31,415,649, respectively.

The Directors do not recommend the payment of a dividend (year ended 31 December 2020: £nil).

DIRECTORS

The Directors who served during the year and up to the date of signing the financial statements were:

R W Duggan
D J Powell (appointed 29 January 2021 resigned 26 November 2021)
J Maranian (appointed 06 December 2021 resigned 21 January 2022)
C Hair (appointed 06 December 2021)

The Company maintains appropriate insurance cover in respect of actions taken against the Directors, as well as against material loss or claims against the Company. The insured values and type of cover are comprehensively reviewed on an annual basis.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

DIRECTORS' 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 Inc., the cash held by the Company and the future forecasted net operating cash flows. The Directors have received confirmation that Summit Therapeutics Inc. intends to support the Company for at least the next 12 months from the date of issuance of these financial statements.

As noted in the Summit Therapeutics Inc. consolidated accounts, the Group's existing cash resources, funding agreements and research and development tax credits receivable are expected to be sufficient to enable the Group to fund its current operating plans into the third quarter of 2023. As noted in the consolidated accounts, the Group received a $25 million promissory note ('2022 Note') from a related party on March 10, 2022. The 2022 Note, including all accrued interest, becomes due upon the earlier of (i) the consummation of a registered public offering with net proceeds of no less than $25 million or (ii) 18 months from the date of issuance of the 2022 Note. The related party does not intend to call the note early, nor do the directors intend to repay the note prior to it coming payable. Furthermore, the Group is not intending to call the liabilities which are currently short-term and due on demand.

Given the above information and the support from the Group, the Company will have sufficient funds to continue operating for at least the next 12 months.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP has expressed its willingness to be appointed to office as auditors for the year.

DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the directors' 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
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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 27 May 2022 and signed on its behalf.

C Hair
Director 27 May 2022

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 2021 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 December 2021; the Statement of Comprehensive Loss and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 directors are 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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2021 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 Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are 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 directors are 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 directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to clinical trial regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK taxation legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the unauthorised extraction of cash. Audit procedures performed by the engagement team included:

- Enquiry of management, those charged with governance and the entity's external legal counsel around known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of meetings with the Board of Directors;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations that represent a risk of material misstatement due to fraud;
- Evaluated management controls designed to prevent and detect irregularities;
- Review bank statements for irregular or unusual payments for any evidence of fraud; and
- Review of the financial statement disclosures for compliance with the Companies Act 2006.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' 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
27 May 2022

- Enquiry of management, those charged with governance and the entity's external legal counsel around known or suspected instances of non-compliance with laws and regulations and fraud;
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Jaskamal Sarai (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
27 May 2022

STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Revenue	4	1,318,621	669,852
Gross profit		**1,318,621**	**669,852**
Research and development costs		(58,218,751)	(39,278,329)
Administrative expenses		(4,537,485)	(6,915,681)
Impairment of intercompany balances	14	(271,962)	(599,097)
Other operating income	5	3,366,808	8,345,973
Operating loss	6	**(58,342,769)**	**(37,777,282)**
Finance income	7	65	2,859
Finance costs	7	(11,582)	(10,866)
Loss before taxation		**(58,354,286)**	**(37,785,289)**
Tax on loss	10	10,405,328	6,369,640
Loss and total comprehensive loss for the financial year		**(47,948,958)**	**(31,415,649)**

The notes on pages 11 to 28 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	31 December 2021 £	31 December 2020 £
Non-current assets			
Intangible assets	11	97,444	65,622
Property, plant and equipment	12	970,602	516,748
		1,068,046	**582,370**
Current assets			
Trade and other receivables	13	5,855,512	7,464,411
Current tax receivable	10	10,440,989	6,616,885
Amounts owed from group undertakings	14	262,232	391,505
Cash		5,111,671	7,293,041
		21,670,404	**21,765,842**
Creditors: amounts falling due within one year			
Trade and other payables	15	(7,433,470)	(6,485,340)
Deferred revenue and income	16	(5,876,279)	(6,132,180)
Lease Liabilities	17	(178,873)	(145,196)
Amounts owed to group undertakings	18	(47,262,778)	(1,046,922)
		(60,751,400)	**(13,809,638)**
Net current assets / liabilities		**(39,080,996)**	**7,956,204**
Total assets less current liabilities		**(38,012,950)**	**8,538,574**
Creditors: amounts falling due after more than one year			
Deferred revenue	16	-	(416,811)
Lease liabilities	17	(615,272)	(55,044)
Provisions for other liabilities	19	(161,616)	(226,186)
Net assets / (liabilities)		**(38,789,838)**	**7,840,533**
Capital and reserves			
Share capital	20	1,001	1,001
Share premium account		131,124,835	131,124,835
Capital contribution		10,574,332	9,255,745
Accumulated losses		(180,490,006)	(132,541,048)
Total shareholders' funds / (deficit)		**(38,789,838)**	**7,840,533**

The notes on pages 11 to 28 form an integral part of these financial statements

The financial statements on pages 8 to 28 were approved by the board and authorised for issue on 27 May 2022 and signed on its behalf by

C Hair
Director

27 MAY 2022

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital £	Share Premium account £	Capital contribution £	Accumulated losses £	Total Shareholders' equity / (deficit) £
At 31 December 2020	**1,001**	**131,124,835**	**9,255,745**	**(132,541,048)**	**7,840,533**
Loss and total comprehensive loss for the year	-	-	-	(47,948,958)	(47,948,958)
Share-based payment	-	-	1,318,587	-	1,318,587
At 31 December 2021	**1,001**	**131,124,835**	**10,574,332**	**(180,490,006)**	**(38,789,838)**

	Share capital £	Share Premium account £	Capital contribution £	Accumulated losses £	Total Shareholders' deficit £
At 31 December 2019	1,000	99,000	8,594,411	(101,125,399)	(92,430,988)
Loss and total comprehensive loss for the year	-	-	-	(31,415,649)	(31,415,649)
New share capital issued	1	131,025,835	-	-	131,025,836
Share-based payment	-	-	661,334	-	661,334
At 31 December 2020	**1,001**	**131,124,835**	**9,255,745**	**- 132,541,048**	**7,840,533**

The notes on pages 11 to 28 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 periods 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 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 Inc., the cash held by the Company and the future forecasted net operating cash flows. The Directors have received confirmation that Summit Therapeutics Inc. intends to support the Company for at least the next 12 months from the date of issuance of these financial statements.

As noted in the Summit Therapeutics Inc. consolidated accounts, the Group's existing cash resources, funding agreements and research and development tax credits receivable are expected to be sufficient to enable the Group to fund its current operating plans into the third quarter of 2023. As noted in the consolidated accounts, the Group received a $25 million promissory note ('2022 Note') from a related party on March 10, 2022. The 2022 Note, including all accrued interest, becomes due upon the earlier of (i) the consummation of a registered public offering with net proceeds of no less than $25 million or (ii) 18 months from the date of issuance of the 2022 Note. The related party does not intend to call the note early, nor do the directors intend to repay the note prior to it coming payable. Furthermore, the Group is not intending to call the liabilities which are currently short-term and due on demand.

Given the above information and the support from the Group, the Company will have sufficient funds to continue operating for at least the next 12 months.

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 and ultimate parent company

The Company is a wholly owned subsidiary of Summit Therapeutics Limited. The Company's ultimate parent undertaking and controlling party is Summit Therapeutics Inc. which prepares publicly available consolidated financial statements. The Company is included in the consolidated financial statements of Summit Therapeutics Inc. ('the Group') for the year ended 31 December 2021. These financial statements are available at the Company's registered office or from the investor section of the ultimate parent company website, www.summittxinc.com.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 BASIS OF ACCOUNTING (continued)

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:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- 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) and 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 BASIS OF ACCOUNTING (continued)

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 reporting 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 as to whether 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 amortised 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.

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 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.

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 Loss 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 reporting date. All differences are recognised in the Statement of Comprehensive Loss.

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 Loss 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 such qualifying expenditure.

Cash

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

Share-based payments

Summit Therapeutics Inc. 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 21, Share based payment. The selection of different assumptions could affect the future results of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 BASIS OF ACCOUNTING (continued)

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 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. At each reporting 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.

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.

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 reporting 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.

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 reporting 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 the Company receives 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. Current tax credits under both the SME and RDEC scheme are recognised on an accrual basis.

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;

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 BASIS OF ACCOUNTING (continued)

- 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).

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 Directors have 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.

Other operating income

The Company generates income from government contracts that reimburse the Company for certain allowable costs for funded projects. For contracts with government agencies, when the Company has concluded that it is the principal in conducting the research and development activities, and where the funding arrangement is considered central to the Company's ongoing operations, the funding is classified as other operating income, rather than as a reduction of research and development expenses. This funding income is not recorded as revenue as the Company's primary business activity is not to do research and development on behalf of government bodies, but rather to ultimately produce and sell pharmaceutical products commercially.

Income from government grants is recognised in the Statement of Comprehensive Loss as the qualifying expenses related to the contracts are incurred, provided that there is reasonable assurance of recoverability and to the extent the conditions of the grant are met. If the government agency approves the project proposed by the Company, the government agency funds the project upon receipt of the support for the costs incurred up to the contract limit. Amounts received from these sources are recorded either as deferred income or recognised as accrued income (a component of other current assets) in the statement of financial position, as appropriate depending on timing of receipts. The related costs incurred by the Company are included in research and development expenses in the Company's Statement of Comprehensive Loss.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting 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 for the year ended 31 December 2020, the Company impaired a portion of the amounts owed by Group undertakings. See Note 14 'Amounts owed by group undertakings'.

Recognition of research expenditure and funding income

Research and development costs are expensed as incurred. Research and development expenses consist of costs incurred to discover, research and develop drug candidates, including personnel expenses, stock-based compensation expense, allocated facility-related and depreciation expenses, third-party license fees and external costs of outside vendors engaged to conduct preclinical and clinical development activities and clinical trials as well as to manufacture clinical trial materials. Non - refundable prepayments for goods or services that will be used or rendered for future research and development activities are recorded as prepaid expenses. Such amounts are recognised as an expense as the goods are delivered or the related services are performed, or until it is no longer expected that the goods will be delivered, or the services rendered. Milestone and other payments made to third-parties with respect to in-process research and development, in accordance with the Company's license, acquisition and other similar agreements are expensed when determined to be probable and estimable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

The Company has entered into various research and development contracts with other companies. These agreements are generally cancellable, and related payments are recorded as research and development expenses as incurred. The Company records accruals for estimated ongoing research and development costs or prepaid expenses where the payments made exceeds the estimated costs. When evaluating the adequacy of these balances, the Company analyses progress of the studies, including the estimated costs to complete each study or activity, the estimation of the current stage of completion and the invoices received, as well as predetermined milestones which are not reflective of the current stage of development for prepaid expenses. Actual results could differ from the Company's estimates. 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. The Company's historical estimates have not been materially different from the actual costs.

See Notes 13 'Trade and other receivables' and 15 'Trade and other payables' for further details of these estimates.

4 REVENUE

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Analysis of revenue by category:		
Collaboration and licence agreement	1,318,621	669,852
	1,318,621	669,852

Revenue recognised in the year consists of amounts received from the license and commercialisation agreement with Eurofarma Laboratórios S.A. See Note 16 'Deferred revenue and income' for details of amounts deferred in the Statement of Financial Position.

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Analysis of revenue by geography:		
Latin America	1,318,621	669,852
	1,318,621	669,852

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 commercialise 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 and commercialisation agreement with Eurofarma, the Company received an upfront payment of $2.5 million from Eurofarma in December 2017. In February 2020, the Company reached the first enrolment milestone and received $1.0 million. In September 2021, the Company reached the second enrolment milestone and received $1.25 million. The terms of the contract have been assessed under IFRS 15 and currently only the upfront payment and the first two enrolment milestone payments are included in the transaction price. These payments were initially reported as deferred revenue in the balance sheet and are being recognised as revenue ratably over the performance period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 REVENUE (continued)

In addition, the Company could receive an additional $1.5 million for achieving various development milestones. The Company is also eligible to receive up to $21.4 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-teens to high-teens percentage of cumulative net sales in the Eurofarma licensed territory. The Company estimates 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.

5 OTHER OPERATING INCOME

	Year ended 31 December 2020 £	Year ended 31 December 2020 £
Income recognised in respect of BARDA	3,338,203	7,385,919
Management income	-	660,347
Research and development credit	28,605	299,707
	3,366,808	8,345,973

In September 2017, the Company 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 increased 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 Company of certain agreed-upon milestones for ridinilazole. As of 31 December 2021, an aggregate of $56.5 million of the total committed BARDA funding had been received.

6 OPERATING LOSS

The operating loss is stated after charging:

	Note	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Depreciation of property, plant and equipment	12	302,988	311,736
Amortisation of intangible assets	11	5,729	31,987
Loss on disposal of assets		-	1,080
Audit fees payable to the Company's auditors		151,000	127,928
Loss on foreign currencies		62,527	627,614
Impairment of intercompany balances	14	271,962	599,097

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 FINANCE INCOME AND COSTS

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Finance income		
Bank interest received	58	2,859
Other interest received	7	
Finance income	65	2,859
Finance costs		
Unwinding of discount factor	(115)	-
Lease interest	(11,467)	(10,866)
Finance costs	(11,582)	(10,866)

8 DIRECTORS' EMOLUMENTS

The aggregate emoluments of the Directors of the Company computed in accordance with the Companies Act 2006 are shown below. Mr. Duggan declined any compensation from the Company. The highest paid director had aggregate emoluments of £208,841 and a gain of £38,903 related to exercised stock options (year ended 31 December 2020: £443,304). The Company paid pension contributions totalling £16,707 in respect of the highest paid director (year ended 31 December 2020: £35,032). The remaining Director was remunerated by Summit Therapeutics Sub Inc., and those costs are not recharged to the Company as the services to the Company are incidental to the services of the Group (year ended 31 December 2020: £nil).

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Aggregate emoluments	285,432	726,773
Pension contributions	16,707	46,002
Share based payment	341,515	40,153
	643,654	812,928

The total number of Directors that accrued benefits under the Company's defined contribution scheme during the year ended 31 December 2021 was 1 (year ended 31 December 2020: 3).

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 EMPLOYEES

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

	Year ended 31 December 2021	Year ended 31 December 2020
Technical, research and development	18	19
Administration	19	20
	37	39

Their aggregate remuneration comprised:

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Wages and salaries	4,181,168	5,285,813
Social security costs	436,386	645,022
Other pension costs	340,924	383,753
Share-based payment	1,318,587	269,789
	6,277,065	6,584,377

Included within wages and salaries are termination benefits of £229,667 (year ended 31 December 2020: £156,209).

10 TAX ON LOSS

	Year ended 31 December 2021	Year ended 31 December 2020
Current tax on loss:	£	£
Research and development tax credits	10,405,031	6,369,640
Adjustments in respect of prior years	297	-
Total tax on loss	10,405,328	6,369,640

The tax assessed on the loss on ordinary activities for the period is higher (year ended 31 December 2020: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%). The differences are explained as follows:

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Loss before taxation	(58,354,286)	(37,785,289)
Tax thereon at 19%	(11,087,314)	(7,179,205)
Change in unrecognised deferred taxes	5,241,933	3,426,059
Expenses not deductible for tax purposes	53,539	74,589
Effects of qualifying R&D expenditure	(4,492,600)	(2,651,434)
Adjustments in respect of prior years	(297)	-
Share options	(120,589)	(39,649)
Tax credit	(10,405,328)	(6,369,640)

There are no current tax liabilities as at 31 December 2021 (31 December 2020: £nil). The current tax receivable as at 31 December 2021 was £10,440,989 (31 December 2020: £6,616,885).

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 TAX ON LOSS (continued)

Unrecognised deferred tax

There is an unrecognised deferred tax asset in relation to the trading losses carried forward of £28,055,536 (31 December 2020: £16,070,608), £259,603 (31 December 2020: £223,645) in relation to RDEC restrictions, £54,894 (31 December 2020: £51,871) in relation to short term deductible temporary differences and £4,308 (31 December 2020:nil) in relation to fixed asset temporary differences. There is a deferred tax liability of £7,897 (31 December 2020: nil) in respect of short term taxable temporary differences temporary differences. A deferred tax asset equal to this has been recognised 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 Directors, there is insufficient evidence that the asset will be recovered, as such the deferred tax asset has not been recognised in the financial statements.

In the Spring Budget 2021, the Government announced an intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. As this was substantively enacted on 24 May 2021, unrecognised deferred tax balances at 31 December 2021 have been remeasured at a rate of 25%.

11 INTANGIBLE ASSETS

	Patents	Software licenses	Total
	£	£	£
Cost			
At 1 January 2021	114,521	110,000	224,521
Additions	37,551	-	37,551
At 31 December 2021	152,072	110,000	262,072
Accumulated Amortisation			
At 1 January 2021	48,901	109,998	158,899
Amortisation	5,727	2	5,729
At 31 December 2021	54,628	110,000	164,628
Net book value			
At 31 December 2020	65,620	2	65,622
At 31 December 2021	97,444	-	97,444

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Right of Use Asset	Laboratory equipment	Office and IT equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2021	212,967	832,967	241,252	416,148	1,703,334
Additions	-	748,574	-	11,380	759,954
Disposals	-	-	-	(428)	(428)
Transfers	-	-	-	(4,618)	(4,618)
At 31 December 2021	212,967	1,581,541	241,252	422,482	2,458,242
Accumulated Depreciation					
At 1 January 2021	97,958	616,021	136,504	336,103	1,186,586
Depreciation	75,510	105,723	79,034	42,721	302,988
Disposals	-	-	-	(428)	(428)
Transfers	-	-	-	(1,506)	(1,506)
At 31 December 2021	173,468	721,744	215,538	376,890	1,487,640
Net book value					
At 31 December 2020	115,009	216,946	104,748	80,045	516,748
At 31 December 2021	39,499	859,797	25,714	45,592	970,602

13 TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
	£	£
Trade receivables	-	176,856
Other receivables	1,318,819	836,216
Prepayments	4,536,693	6,451,339
	5,855,512	7,464,411

Trade receivables consist of amounts outstanding from BARDA at 31 December 2020.

Included within prepayments is £4,436,423 of prepayments relating to research and development expenditure (31 December 2020 £6,219,529). 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)

14 AMOUNTS OWED BY GROUP UNDERTAKINGS

	31 December 2020	31 December 2020
	£	£
Amounts owed by group undertakings	262,232	391,505

In accordance with IFRS 9 'Financial Instruments' management assessed the recoverability of the amounts owed to the Company by Group undertakings as at 31 December 2021. As a result, an impairment charge of £271,962 (31 December 2020: £599,097) was recognised against amounts owed by an affiliate undertaking based on the relevant industry standard cumulative probabilities of achieving key development milestones. The total impairment provision held against amounts owed to the Company by affiliate undertakings as at 31 December 2021 is £1,736,763 (31 December 2020: £1,464,801).

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

15 TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
	£	£
Trade payables	2,742,030	4,071,998
Other creditors	95,872	37,931
Taxation and social security	174,265	437,099
Accruals	4,421,303	1,938,312
	7,433,470	6,485,340

Included within accruals is £3,579,860 accruals relating to research and development expenditure (31 December 2020: £1,091,754) 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.

16 DEFERRED REVENUE AND INCOME

	31 December 2021	31 December 2020
	£	£
Due within one year		
Deferred revenue	559,849	555,747
Deferred income	5,316,430	5,576,433
	5,876,279	6,132,180
Due more than one year		
Deferred revenue	-	416,811
	-	416,811

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 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 Company did not elect to terminate the lease during 2021. The carrying value of the right-of-use assets included within property, plant and equipment as at 31 December 2021 is £807,487 (31 December 2020: £200,240). The following table summarises the future minimum lease payments under the Company's lease liabilities:

	31 December 2021 £	31 December 2020 £
2021	-	150,317
2022	166,135	55,378
2023	166,135	-
2024	166,135	-
2025	166,135	-
2026	166,135	-
Thereafter	-	-
Total minimum lease payments	830,675	205,695
Less: imputed interest	(36,530)	(5,455)
Total lease liabilities	794,145	200,240
Liabilities		
Current lease liabilities	178,873	145,196
Non-current lease liabilities	615,272	55,044
	794,145	200,240

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Lease cost		
Depreciation	105,723	173,176
Interest expense	11,467	10,866
Total lease cost	117,190	184,042
Other information		
Lease payments	166,135	166,135

18 AMOUNTS OWED TO GROUP UNDERTAKINGS

	31 December 2021 £	31 December 2020 £
Amounts owed to group undertakings	47,262,778	1,046,922

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 PROVISION FOR OTHER LIABILITIES

	Dilapidations	Royalties	Total
	£	£	£
At 1 January 2021	161,616	64,570	226,186
Write off	-	(64,570)	(64,570)
At 31 December 2021	161,616	-	161,616

	Dilapidations	Royalties	Total
	£	£	£
At 1 January 2020	150,000	45,327	195,327
Additions	11,616	-	11,616
Unwinding of the discount factor	-	19,243	19,243
At 31 December 2020	161,616	64,570	226,186

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 royalty was written off in 2021 as it is not more likely than not that the payout will occur. Further information on the contingent liabilities included in the Wellcome Trust arrangement are detailed below.

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. To date, the Company has paid £0.1 million under this agreement.

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 amounts received pursuant to the license and commercialisation agreement entered into with Eurofarma, a payment will be due to the Wellcome Trust upon commercialisation of ridinilazole, this payment has been provided for by the Company as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 SHARE CAPITAL

	31 December 2021	31 December 2020
	£	£
Allotted, called up and fully paid		
1,001 (31 December 2020: 1,001) ordinary shares of £1 each	1,001	1,001

On 14 August 2020, the Company issued 1 new ordinary shares of £1 nominal value to its parent company Summit Therapeutics plc for £131,025,836 consideration. Subsequently, the Company agreed to set-off the receivable of £131,025,836 with amounts owed to Summit Therapeutics plc. No such transactions have occurred in 2021.

Dividends

No dividends were paid or declared for the year ended 31 December 2021 (year ended 31 December 2020: £nil).

21 SHARE BASED PAYMENT

On 18 September 2020, Summit Therapeutics Inc., the ultimate parent company, became the successor issuer to Summit Therapeutics plc, the parent company. Such succession occurred pursuant to a statutory scheme of arrangement under U.K. law, pursuant to which all Summit Therapeutics plc outstanding ordinary shares were exchanged on a five-for-one basis for newly issued shares of Summit Therapeutics Inc. common stock and Summit Therapeutics Inc. became the holding company of Summit Therapeutics plc and its subsidiaries, which is referred to as the Redomiciliation Transaction. Concurrently, Summit Therapeutics plc was converted into a private limited company under the laws of England and Wales and renamed Summit Therapeutics Limited.

In conjunction with the Redomiciliation Transaction, the equity incentive plans were assumed and adopted by Summit Therapeutics Inc. such that all share options to purchase shares of Summit Therapeutics plc were cancelled and replacement share options were issued on a five-for-one basis to purchase common stock in Summit Therapeutics Inc. All replacement awards were issued with an exercise price denominated in US dollars and with the same terms as the original awards. The Company concluded that the adoption of the plans by Summit Therapeutics Inc. and issuance of replacement awards was a modification but with no change in the material rights and preferences and therefore no recorded change in the fair value of each respective award.

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

	Weighted average exercise price		Number
Outstanding at 1 January 2021	$	3.14	3,309,967
Granted during the year	$	5.83	586,500
Exercised during the year	$	2.59	(727,090)
Lapsed during the year	$	3.40	(1,496,279)
Number of options outstanding at 31 December 2021	**$**	**4.09**	**1,673,098**

Outstanding at 1 January 2020	£	0.27	17,583,429
Granted during the period	£	0.53	15,116,990
Lapsed during the period	£	0.30	(12,806,545)
Effect of the Redomiciliation Transaction on 18 September 2020		-	(15,915,107)
Number of options outstanding at 18 September 2020	**$**	**2.90**	**3,978,767**
Granted during the period	$	3.97	800,000
Exercised during the period	$	1.88	(287,082)
Lapsed during the period	$	3.20	(1,181,718)
Number of options outstanding at 31 December 2020	**$**	**3.14**	**3,309,967**

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 SHARE BASED PAYMENT (continued)

As at 31 December 2021, 323,646 share options were capable of being exercised (31 December 2020: 479,101). The options outstanding at 31 December 2021 had a weighted average exercise price of $4.09 and a weighted average remaining contractual life of 5.9 years. Share based payment expense was recognised for the year ended 31 December 2021 of £1,318,587 (year ended 31 December 2020: £269,789).

In September 2021, the Compensation Committee of the Board of Directors approved a modification to the Company's outstanding performance-based stock option awards for active employees which removed the performance-based vesting criteria from these awards. Following this modification, the option awards are subject only to previously existing time-based vesting conditions. The Company accounted for this change as a modification in accordance with the requirements of IFRS 2. As a result, the outstanding performance awards (outlined below) that were previously authorized that had not achieved a grant date became granted on September 24, 2021 relating to the modification. The Company will recognize the additional shares' compensation expense using the original grant date fair value over the remaining service period.

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 ($)	Share price at measurement date ($)	Fair value per option ($)	Award life Years	Risk free rate %
19 October 2018	Unapproved	60,258	1.92	1.92	0.56	3.0	0.8%
29 Mar 2019	Unapproved	247,746	1.79	1.79	0.61	3.0	0.6%
1 May 2020	Unapproved	214,594	3.30	3.30	2.10	4.0	0.1%
8 July 2020	Unapproved	50,000	3.31	3.31	2.10	4.0	0.0%
8 July 2020 (1)	Unapproved	75,000	3.31	4.70	3.24	4.0	0.4%
9 July 2020	Unapproved	75,000	3.17	3.17	2.01	4.0	0.0%
4 October 2020	Unapproved	25,000	3.34	3.34	2.11	4.0	0.4%
22 November 2020	Unapproved	125,000	4.40	4.40	2.79	4.0	0.5%
22 November 2020 (1)	Unapproved	250,000	4.40	4.70	3.27	4.0	0.4%
10 January 2021	Unapproved	50,000	5.19	5.19	3.32	4.0	0.7%
19 February 2021	Unapproved	15,000	7.33	7.33	4.76	4.0	0.8%
19 February 2021 (1)	Unapproved	110,000	7.33	7.33	2.95	4.0	1.1%
18 August 2021 (1)	Unapproved	50,000	7.14	7.14	3.13	4.0	1.1%
11 November 2021	Unapproved	208,000	5.28	5.28	3.48	4.0	1.4%
15 December 2021	Unapproved	117,500	4.75	4.75	2.38	3.0	1.0%
		1,673,098					

(1) Awards were previously subject to performance based conditions. Awards were modified in September 2021. As modification was favorable to participants, the Company has recognized expense using the original grant date fair value.

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

a) Black-Scholes valuation methodology was used for all share options.
b) The fair value of options awarded where there are different vesting instalments is the average of the fair values calculated per instalment.
c) The weighted average expected volatility used for granted awards in 2021 was 74.3%. 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 Directors' 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 US Treasury Yield Curve rates (prior to Redomiciliation, the Company used 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 SHARE BASED PAYMENT (continued)

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, prior to the effect of the Redomiciliation Transaction, with an exercise price of £0.22 each. The warrants vest quarterly over three years and if the consulting agreement terminates prior to three years after the date of the grant, all unvested warrants will be deemed lapsed. On 30 June 2020 the consulting agreement was terminated and 13,994,718 warrants lapsed immediately. During the year to 31 December 2021, no warrant expense was recognised (year ended 31 December 2020: £391,545).

22 CAPITAL COMMITMENTS

At 31 December 2021 the Company had capital commitments of £10,821,147 (31 December 2020: £nil).

23 RELATED PARTY TRANSACTIONS

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

24 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking and controlling party is Summit Therapeutics Inc. which is incorporated in Delaware, United States and has a registered address of One Broadway, 14th floor, Cambridge, MA, 02142.

The Financial Statements of Summit Therapeutics Inc. are the smallest and largest group financial statements incorporating the Company. A copy of the Group Financial Statements can be obtained from the registered office of Summit Therapeutics Inc. or from the investor section of the ultimate parent company website, www.summittxinc.com.