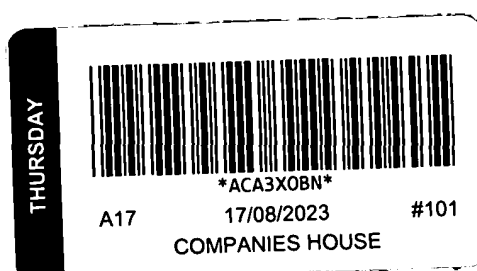


**SUMMIT (OXFORD) LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2022**  
**Registered No. 04636431**



<b>CONTENTS</b>	<b>Page(s)</b>
Company information	2
Directors' report	3 - 4
Independent auditors' report	5 - 7
Statement of comprehensive loss	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 - 28

**COMPANY INFORMATION**

<b>Directors</b>	R W Duggan A Dhingra
<b>Company Number</b>	04636431
<b>Registered Office</b>	136A Eastern Avenue Milton Park Abingdon Oxfordshire OX14 4SB United Kingdom
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH United Kingdom

**DIRECTORS' REPORT**

**For the year ended 31 December 2022**

**GENERAL INFORMATION**

Summit (Oxford) Limited is a private company limited by shares and incorporated and domiciled in the United Kingdom.

**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.

During 2022, the Company determined that it would seek partners or a divestiture of ridinilazole as the path forward for the clinical development of the asset. The Company's activities now support the clinical development of ivonescimab, an asset owned by Summit Therapeutics Sub Inc. (a wholly owned subsidiary of the Company's ultimate parent undertaking, Summit Therapeutics Inc.).

**RESULTS AND DIVIDENDS**

The Company made a loss for the year ended 31 December 2022 of £33,690,578 (year ended 31 December 2021: £47,948,958).

The Directors do not recommend the payment of a dividend (year ended 31 December 2021: £nil).

**DIRECTORS**

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

R W Duggan

A Dhingra (appointed 18 August 2022)

J Maranian (appointed 06 December 2021 and resigned 21 January 2022)

C Hair (appointed 06 December 2021 and resigned 10 August 2022)

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 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 2024. As noted in the consolidated accounts, the Group received a \$100 million promissory note ('Duggan September Note') from a related party on 6 December 2022. The Duggan September Note, including all accrued interest, will mature and become due on 6 September 2024. In addition, the Group is not intending to call the liabilities which are currently short-term and due on demand. The Group plans to raise additional funding in order to support the clinical development of ivonescimab. As at the date of these financial statements, this additional funding has not yet been secured.

The Group continues to evaluate options to further finance its operating cash needs for its product candidates through a combination of some, or all, of the following: equity and debt offerings, collaborations, strategic alliances, grants and clinical trial support from government entities, philanthropic, non-government and not-for-profit organizations, and marketing, distribution or licensing arrangements. There is no assurance, however, that additional financing will be available when needed or that management of the Group will be able to obtain financing on terms acceptable to the Group. If the Group is unable to obtain funding when required in the future, the Group could be required to delay, reduce, or eliminate research and development programs, product portfolio expansion, or future commercialization efforts, which could adversely affect its business prospects.

Until the additional funding is secured, the above circumstances indicate the existence of a material uncertainty about the Group's ability to repay the Duggan September Note in September 2024 which may cast significant doubt about the Company's ability to continue as a going concern thereafter. These financial statements do not contain any adjustments that might result if the Company was unable to continue as a going concern.

**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 26 June 2023 and signed on its behalf.

  
Ankur Dhingra (Jul 26, 2023 12:51 PDT)

**A Dhingra**

**Director**

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

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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, including 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 2022; the Statement of comprehensive income 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.

### Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. At the date of approval of the financial statements, the Company, with the Group's support, has available cash resources and research and development tax credits receivable that the Directors' believe are sufficient to fund its current operating plans into the third quarter of 2024. The Directors' have concluded that the Group will be able to secure sufficient financing to support the Company beyond this date and have therefore prepared the financial statements on a going concern basis; however, this Group financing is not secured at the date of approval of these financial statements. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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.

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 2022 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 tax 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 unauthorised extraction of cash and inappropriate recognition of other operating income. 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;
- Evaluation of 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](http://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.



Fiona Hornsby (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading

26 July 2023



**STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2022**

		<b>Year ended 31 December 2022</b>	<b>Year ended 31 December 2021</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
<b>Revenue</b>	<b>4</b>	<b>559,849</b>	<b>1,318,621</b>
<b>Gross profit</b>		<b>559,849</b>	<b>1,318,621</b>
<b>Research and development costs</b>		<b>(31,300,041)</b>	<b>(58,218,751)</b>
<b>Administrative expenses</b>		<b>(14,278,541)</b>	<b>(4,537,485)</b>
<b>Impairment of intercompany balances</b>	<b>14</b>	<b>-</b>	<b>(271,962)</b>
<b>Reversal of impairment of intercompany balances</b>	<b>14</b>	<b>1,736,763</b>	<b>-</b>
<b>Other operating income</b>	<b>5</b>	<b>6,638,285</b>	<b>3,366,808</b>
<b>Operating loss</b>	<b>6</b>	<b>(36,643,685)</b>	<b>(58,342,769)</b>
<b>Finance income</b>	<b>7</b>	<b>-</b>	<b>65</b>
<b>Finance costs</b>	<b>7</b>	<b>(18,615)</b>	<b>(11,582)</b>
<b>Loss before taxation</b>		<b>(36,662,300)</b>	<b>(58,354,286)</b>
<b>Tax on loss</b>	<b>10</b>	<b>2,971,722</b>	<b>10,405,328</b>
<b>Loss and total comprehensive loss for the financial</b>		<b>(33,690,578)</b>	<b>(47,948,958)</b>

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

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2022**

		31 December 2022	31 December 2021
	Note	£	£
<b>Non-current assets</b>			
Intangible assets	11	132,536	97,444
Property, plant and equipment	12	824,380	970,602
		<b>956,916</b>	<b>1,068,046</b>
<b>Current assets</b>			
Trade and other receivables	13	657,789	5,855,512
Current tax receivable	10	2,977,424	10,440,989
Amounts owed from group undertakings	14	2,826,212	262,232
Cash		16,269,916	5,111,671
		<b>22,731,341</b>	<b>21,670,404</b>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	15	(8,241,170)	(7,433,470)
Deferred revenue and income	16	-	(5,876,279)
Lease Liabilities	17	(238,012)	(178,873)
Amounts owed to group undertakings	18	(19,276,890)	(47,262,778)
		<b>(27,756,072)</b>	<b>(60,751,400)</b>
<b>Net current (liabilities) / assets</b>		<b>(5,024,731)</b>	<b>(39,080,996)</b>
<b>Total assets less current liabilities</b>		<b>(4,067,815)</b>	<b>(38,012,950)</b>
<b>Creditors: amounts falling due after more than one year</b>			
Lease liabilities	17	(458,282)	(615,272)
Provisions for other liabilities	19	(161,616)	(161,616)
		<b>(619,898)</b>	<b>(776,888)</b>
<b>Net (liabilities) / assets</b>		<b>(4,687,713)</b>	<b>(38,789,838)</b>
<b>Capital and reserves</b>			
Share capital	20	1,001	1,001
Share premium account		131,124,835	131,124,835
Share based payment reserve		10,744,955	10,574,332
Capital contribution reserve		67,622,080	-
Accumulated losses		(214,180,584)	(180,490,006)
<b>Total shareholders' (deficit) / funds</b>		<b>(4,687,713)</b>	<b>(38,789,838)</b>

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 26 June 2023 and signed on its behalf by

  
Ankur Dhingra (Jul 26, 2023 12:51 PM)

**A Dhingra**  
**Director**

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2022**

	Share capital £	Share Premium account £	Share based payment reserve £	Capital contribution £	Accumulated losses £	Total Shareholders' deficit £
<b>At 31 December 2021</b>	<b>1,001</b>	<b>131,124,835</b>	<b>10,574,332</b>	<b>-</b>	<b>(180,490,006)</b>	<b>(38,789,838)</b>
Loss and total comprehensive loss for the year	-	-	-	-	(33,690,578)	(33,690,578)
Share-based payment	-	-	170,623	-	-	170,623
Capital contributions	-	-	-	67,622,080	-	67,622,080
<b>At 31 December 2022</b>	<b>1,001</b>	<b>131,124,835</b>	<b>10,744,955</b>	<b>67,622,080</b>	<b>(214,180,584)</b>	<b>(4,687,713)</b>

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

In September 2022, Summit Therapeutics Limited made capital contribution investments in the Company of £67,622,080, accordingly a capital contribution has been recorded in the Statement of Changes in Equity.

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 the United Kingdom 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 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 2024. As noted in the consolidated accounts, the Group received a \$100 million promissory note ('Duggan September Note') from a related party on 6 December 2022. The Duggan September Note, including all accrued interest, will mature and become due on 6 September 2024. In addition, the Group is not intending to call the liabilities which are currently short-term and due on demand. The Group plans to raise additional funding in order to support the clinical development of ivonescimab. As at the date of these financial statements, this additional funding has not yet been secured.

The Group continues to evaluate options to further finance its operating cash needs for its product candidates through a combination of some, or all, of the following: equity and debt offerings, collaborations, strategic alliances, grants and clinical trial support from government entities, philanthropic, non-government and not-for-profit organizations, and marketing, distribution or licensing arrangements. There is no assurance, however, that additional financing will be available when needed or that management of the Group will be able to obtain financing on terms acceptable to the Group. If the Group is unable to obtain funding when required in the future, the Group could be required to delay, reduce, or eliminate research and development programs, product portfolio expansion, or future commercialization efforts, which could adversely affect its business prospects.

Until the additional funding is secured, the above circumstances indicate the existence of a material uncertainty about the Group's ability to repay the Duggan September Note in September 2024 which may cast significant doubt about the Company's ability to continue as a going concern thereafter. These financial statements do not contain any adjustments that might result if the Company was unable 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 judgements and key sources of estimation uncertainty'.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****2 BASIS OF ACCOUNTING (continued)****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 2022. 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](http://www.summittxinc.com).

**Disclosure exemptions**

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

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****2 BASIS OF ACCOUNTING (continued)**

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

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

**Intangible assets**

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

All patents (once filed)	Over the period of the relevant patents (assumed to be 20 years)
Software licenses	3-5 years

**Impairment of assets**

At each 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****2 BASIS OF ACCOUNTING (continued)**

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.

**Impairment of financial assets**

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

**Provisions**

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

**Other operating income**

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

**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 Income.

**Employee benefits**

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

**Research and development**

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

**Cash**

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)****2 BASIS OF ACCOUNTING (continued)****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.

In accordance with IFRS 2 'Share-based payment', share options and restricted stock units are measured at fair value at their grant date. The fair value for the majority of the options is calculated using the Black-Scholes formula and charged to the Statement of Comprehensive Income on a straight-line basis over the expected vesting period. For those options issued with vesting conditions other than remaining in employment (for example, those conditions upon the Group achieving certain predetermined financial criteria) either a Monte-Carlo or Hull White trinomial lattice model has been used. At each 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 has historically recorded an expense for warrants issued by the Group, where the services received exchanged for these warrants are provided directly to the Company, 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.



**NOTES TO THE FINANCIAL STATEMENTS (continued)****2 BASIS OF ACCOUNTING (continued)****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;
- 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 Income 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 Income.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)****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 2022, the reversal of an impairment loss recorded in previous financial years against amounts owed by an affiliate undertaking was recognised in the Statement of Comprehensive Income for the year ended 31 December 2022, as these amounts are considered recoverable by management.

**Recognition of research expenditure**

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.

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 2022	Year ended 31 December 2021
	£	£
<b>Analysis of revenue by category:</b>		
Collaboration and licence agreement	559,849	1,318,621
	<u>559,849</u>	<u>1,318,621</u>

Revenue recognised in the year consists of amounts recognised in relation to payments 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 4 REVENUE (continued)

	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
<b>Analysis of revenue by geography:</b>		
Latin America	559,849	1,318,621
	<u>559,849</u>	<u>1,318,621</u>

**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 rateably over the performance period, which ended during 2022. The Company does not anticipate receipt of additional milestone payments under this agreement, since in September 2022 the Company determined that it would seek partners or a divestiture of ridinilazole as the path forward for the clinical development of the asset.

## 5 OTHER OPERATING INCOME

	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
Income recognised in respect of BARDA	6,625,528	3,338,203
Research and development credit	12,757	28,605
	<u>6,638,285</u>	<u>3,366,808</u>

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 was 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 a result of the Company's decision, on 28 September 2022, to not pursue further internal clinical development of ridinilazole and seek partners or a divestiture related to ridinilazole as a path forward for the clinical development of the asset, the Company recorded expenses for the remaining clinical trial costs associated with the close out activities of ridinilazole and recognised the remainder of the deferred income that had been received from BARDA prior to the expenses being recognised during 2022.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****6 OPERATING LOSS**

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

		Year ended 31 December 2022	Year ended 31 December 2021
	Note	£	£
Depreciation of property, plant and equipment	12	231,720	302,988
Amortisation of intangible assets	11	9,694	5,729
Loss on disposal of property, plant and equipment	12	1,699	-
Audit fees payable to the Company's auditors		151,000	151,000
Loss on foreign currencies		11,163,411	62,527
Impairment of intercompany balances	14	-	271,962
Reversal of impairment of intercompany balances	14	(1,736,763)	-

**7 FINANCE INCOME AND COSTS**

		Year ended 31 December 2022	Year ended 31 December 2021
	Note	£	£
<i>Finance income</i>			
Bank interest received		-	58
Other interest received		-	7
<b>Finance income</b>		-	65
<i>Finance costs</i>			
Unwinding of discount factor		-	(115)
Lease interest	17	(18,615)	(11,467)
<b>Finance costs</b>		(18,615)	(11,582)

**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 £141,969 (year ended 31 December 2021: £208,841) and a gain of £nil related to exercised stock options (year ended 31 December 2021: £38,903). The Company paid pension contributions totalling £7,470 in respect of the highest paid director (year ended 31 December 2021: £16,707). The remaining Directors were remunerated by Summit Therapeutics Sub Inc. during the years ending 31 December 2022 and 2021, 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 2022	Year ended 31 December 2021
	£	£
Aggregate emoluments	141,969	285,432
Pension contributions	7,470	16,707
Share based payment	59,874	341,515
	<u>209,313</u>	<u>643,654</u>

The total number of Directors that accrued benefits under the Company's defined contribution scheme during the year ended 31 December 2022 was 1 (year ended 31 December 2021: 1).

**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 2022	Year ended 31 December 2021
Technical, research and development	10	18
Administration	13	19
	<u>23</u>	<u>37</u>

Their aggregate remuneration comprised:

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Wages and salaries	2,155,710	4,181,168
Social security costs	315,592	436,386
Other pension costs	257,030	340,924
Share-based payment	170,623	1,318,587
	<u>2,898,955</u>	<u>6,277,065</u>

Included within wages and salaries are termination benefits of £128,522 (year ended 31 December 2021: £229,667).

**10 TAX ON LOSS**

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Current tax on loss:		
Research and development tax credits	2,964,666	10,405,031
Adjustments in respect of prior years	7,056	297
<b>Total tax on loss</b>	<u>2,971,722</u>	<u>10,405,328</u>

The tax assessed on the loss on ordinary activities for the year is higher (year ended 31 December 2021: higher) than the standard rate of corporation tax in the United Kingdom of 19% (2021: 19%). The differences are explained as follows:

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Loss before taxation	(36,662,300)	(58,354,286)
Tax thereon at 19% (2021: 19%)	(6,965,837)	(11,087,314)
Change in unrecognised deferred taxes	5,581,991	5,241,933
Expenses not deductible for tax purposes	152	53,539
Income not deductible for tax purposes	(338,784)	-
Effects of qualifying R&D expenditure	(1,273,470)	(4,492,600)
Effects of super deduction claim	(703)	-
Adjustments in respect of prior years	(7,056)	(297)
Share options	31,985	(120,589)
<b>Tax credit</b>	<u>(2,971,722)</u>	<u>(10,405,328)</u>

There are no current tax liabilities as at 31 December 2022 (31 December 2021: £nil). The current tax receivable as at 31 December 2022 was £2,977,424 (31 December 2021: £10,440,989).

**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 £35,346,454 (31 December 2021: £28,055,536), £232,901 (31 December 2021: £259,603) in relation to RDEC restrictions, £45,442 (31 December 2021: £54,894) in relation to short term deductible temporary differences, £23,021 (31 December 2021: £4,308) in relation to fixed asset temporary differences and £76,777 (31 December 2021: £nil) in relation to future exercisable share options. There is a deferred tax liability of £5,204 (31 December 2021: £7,897) in respect of short term taxable 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 2022 have been remeasured at a rate of 25%.

**11 INTANGIBLE ASSETS**

	<b>Patents</b>	<b>Software licenses</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2022	152,072	110,000	262,072
Additions	44,786	-	44,786
<b>At 31 December 2022</b>	<b>196,858</b>	<b>110,000</b>	<b>306,858</b>
<b>Accumulated Amortisation</b>			
At 1 January 2022	54,628	110,000	164,628
Amortisation	9,694	-	9,694
<b>At 31 December 2022</b>	<b>64,322</b>	<b>110,000</b>	<b>174,322</b>
<b>Net book value</b>			
At 31 December 2021	97,444	-	97,444
<b>At 31 December 2022</b>	<b>132,536</b>	<b>-</b>	<b>132,536</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £	Right of Use Asset £	Laboratory equipment £	Office and IT equipment £	Total £
<b>Cost</b>					
At 1 January 2022	212,967	1,581,541	241,252	422,482	2,458,242
Additions	-	84,682	-	2,514	87,196
Disposals	-	-	(224,196)	(8,179)	(232,375)
<b>At 31 December 2022</b>	<b>212,967</b>	<b>1,666,223</b>	<b>17,056</b>	<b>416,817</b>	<b>2,313,063</b>
<b>Accumulated Depreciation</b>					
At 1 January 2022	173,468	721,744	215,538	376,890	1,487,640
Depreciation	22,529	156,055	24,015	29,120	231,719
Disposals	-	-	(222,497)	(8,179)	(230,676)
Transfers	(74,896)	74,896	-	-	-
<b>At 31 December 2022</b>	<b>121,101</b>	<b>952,695</b>	<b>17,056</b>	<b>397,831</b>	<b>1,488,683</b>
<b>Net book value</b>					
At 31 December 2021	39,499	859,797	25,714	45,592	970,602
<b>At 31 December 2022</b>	<b>91,866</b>	<b>713,528</b>	<b>-</b>	<b>18,986</b>	<b>824,380</b>

## 13 TRADE AND OTHER RECEIVABLES

	31 December 2022 £	31 December 2021 £
Other receivables	288,505	1,318,819
Prepayments	369,284	4,536,693
	<b>657,789</b>	<b>5,855,512</b>

Included within prepayments is £251,193 of prepayments relating to research and development expenditure (31 December 2021 £4,436,423). 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 2022	31 December 2021
	£	£
Amounts owed by group undertakings	<u>2,826,212</u>	<u>262,232</u>

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 2022. As a result, the reversal of an impairment loss recorded in previous financial years against amounts owed by an affiliate undertaking was recognised in the Statement of Comprehensive Income for the year ended 31 December 2022, as these amounts are considered recoverable by management. During the year ended 31 December 2021, an impairment charge of £271,962 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 2022 is £nil (31 December 2021: £1,736,763).

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

**15 TRADE AND OTHER PAYABLES**

	31 December 2022	31 December 2021
	£	£
Trade payables	239,544	2,742,030
Other creditors	239,302	95,872
Taxation and social security	13,885	174,265
Accruals	<u>7,748,439</u>	<u>4,421,303</u>
	<u>8,241,170</u>	<u>7,433,470</u>

Included within accruals is £7,305,844 accruals relating to research and development expenditure (31 December 2021: £3,579,860). These amounts are determined based on the estimated full costs to complete each study or activity and the invoices received. As a result of the Company's decision to seek partners or a divestiture related to ridinilazole as a path forward for the clinical development of the asset, the Company recorded expenses for the remaining clinical trial costs associated with the close out activities during 2022.

The key sensitivity is the estimated current stage of completion of each study or activity.

**16 DEFERRED REVENUE AND INCOME**

	31 December 2022	31 December 2021
	£	£
<b>Due within one year</b>		
Deferred revenue	-	559,849
Deferred income	<u>-</u>	<u>5,316,430</u>
	<u>-</u>	<u>5,876,279</u>



**NOTES TO THE FINANCIAL STATEMENTS (continued)****17 LEASE LIABILITIES**

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 2022 is £713,528 (31 December 2021: £859,797). The following table summarises the future minimum lease payments under the Company's lease liabilities:

	31 December 2022 £	31 December 2021 £
2022	-	166,135
2023	198,005	166,135
2024	198,005	166,135
2025	198,005	166,135
2026	198,005	166,135
2027	-	-
Thereafter	-	-
<b>Total minimum lease payments</b>	<b>792,020</b>	<b>830,675</b>
Less: imputed interest	(95,726)	(36,530)
<b>Total lease liabilities</b>	<b>696,294</b>	<b>794,145</b>
<b>Liabilities</b>		
Current lease liabilities	238,012	178,873
Non-current lease liabilities	458,282	615,272
	<b>696,294</b>	<b>794,145</b>
	Year ended 31 December 2022 £	Year ended 31 December 2021 £
<b>Lease cost</b>		
Depreciation	156,055	105,723
Interest expense	18,615	11,467
<b>Total lease cost</b>	<b>174,670</b>	<b>117,190</b>
<b>Other information</b>		
Lease payments	201,149	166,135

**18 AMOUNTS OWED TO GROUP UNDERTAKINGS**

	31 December 2022 £	31 December 2021 £
Amounts owed to group undertakings	19,276,890	47,262,778

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)****19 PROVISION FOR OTHER LIABILITIES**

	<b>Dilapidations</b>	<b>Royalties</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2022	161,616	-	161,616
At 31 December 2022	161,616	-	161,616
	<b>Dilapidations</b>	<b>Royalties</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
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**

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 related 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 pay-out 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****20 SHARE CAPITAL**

	31 December 2022	31 December 2021
	£	£
<b>Allotted, authorised, called up and fully paid</b>		
1,001 (31 December 2021: 1,001) ordinary shares of £1 each	1,001	1,001

**Dividends**

No dividends were paid or declared for the year ended 31 December 2022 (year ended 31 December 2021: £nil).

**21 SHARE BASED PAYMENT**

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

	Weighted average exercise price	Number
Outstanding at 1 January 2022	\$ 4.09	1,673,098
Granted during the year	\$ 1.22	536,000
Exercised during the year	\$ 1.86	(11,995)
Lapsed during the year	\$ 3.30	(808,014)
<b>Number of options outstanding at 31 December 2022</b>	<b>\$ 3.46</b>	<b>1,389,089</b>
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)
<b>Number of options outstanding at 31 December 2021</b>	<b>\$ 4.09</b>	<b>1,673,098</b>

As at 31 December 2022, 327,089 share options were capable of being exercised (31 December 2021: 323,646). The options outstanding at 31 December 2022 had a weighted average exercise price of \$3.46 and a weighted average remaining contractual life of 8.7 years. Share based payment expense was recognised for the year ended 31 December 2022 of £170,623 (year ended 31 December 2021: £1,318,587).

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 authorised that had not achieved a grant date became granted on 24 September 2021 relating to the modification. The Company will recognise the additional shares' compensation expense using the original grant date fair value over the remaining service period.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****21 SHARE BASED PAYMENT (continued)**

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	23,222	1.92	1.92	0.56	3.0	0.8%
29 Mar 2019	Unapproved	31,867	1.79	1.79	0.61	3.0	0.6%
8 July 2020	Unapproved	50,000	3.31	3.31	2.10	4.0	0.0%
9 July 2020	Unapproved	37,500	3.17	3.17	2.01	4.0	0.0%
22 November 2020	Unapproved	60,000	4.40	4.40	2.79	4.0	0.5%
22 November 2020 <sup>(1)</sup>	Unapproved	250,000	4.40	4.70	3.27	4.0	0.4%
19 February 2021	Unapproved	5,000	7.33	7.33	4.76	4.0	0.8%
19 February 2021 <sup>(1)</sup>	Unapproved	110,000	7.33	7.33	2.95	4.0	1.1%
18 August 2021 <sup>(1)</sup>	Unapproved	50,000	7.14	7.14	3.13	4.0	1.1%
11 November 2021	Unapproved	153,000	5.28	5.28	3.48	4.0	1.4%
15 December 2021	Unapproved	82,500	4.75	4.75	2.38	3.0	1.0%
3 March 2022	Unapproved	5,000	2.87	2.87	1.99	4.0	1.8%
1 June 2022	Unapproved	80,000	1.33	1.33	0.94	4.0	2.9%
28 June 2022 <sup>(2)</sup>	Unapproved	140,000	1.06	1.06	0.75	6.0	3.2%
1 September 2022 <sup>(2)</sup>	Unapproved	241,000	1.30	1.30	0.84	5.7	3.3%
12 October 2022	Unapproved	20,000	1.10	1.10	0.80	4.0	4.0%
10 November 2022 <sup>(2)</sup>	Unapproved	50,000	1.00	1.00	0.61	6.1	3.9%
		<b>1,389,089</b>					

(1) These awards were previously subject to performance based conditions and were modified in September 2021. As the modification was favourable to participants, the Company has recognised expense using the original grant date fair value.

(2) These awards were valued using a Monte-Carlo Simulation model as the vesting conditions are based upon the Group achieving certain predetermined financial criteria.

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

- Black-Scholes valuation methodology was used for all share options, unless otherwise noted above.
- The fair value of options awarded where there are different vesting instalments is the average of the fair values calculated per instalment.
- The weighted average expected volatility used for granted awards in 2022 was 74.5%. This has been derived from historic share price performance, weighted to exclude periods of unusually high volatility.
- 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.
- The risk-free rate is equal to the US Treasury Yield Curve rates (prior to redomiciliation of the Company from the UK to the US, the Company used the prevailing UK Gilts rate) at grant date that most closely matches the expected term of the grant.
- Share options are assumed to be exercised immediately on vesting.
- 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 to the Company, Maky Zanganeh and Associates, Inc. were granted warrants. The number of warrants outstanding as at 31 December 2022 are over 559,787 shares of common stock in Summit Therapeutics Inc. and have an exercise price of \$1.44 each. During the year to 31 December 2022, no warrant expense was recognised (year ended 31 December 2021: £nil).

**22 COMMITMENTS**

At 31 December 2022 the Company had off-balance sheet commitments of £nil (31 December 2021: £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. The Company had no other related party transactions during the year ended 31 December 2022.

**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 2882 Sand Hill Road, Suite 106, Menlo Park, California 94025.

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](http://www.summittxinc.com).