

SUMMIT THERAPEUTICS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2020

Registered No. 05197494



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COMPANY INFORMATION

Directors	R W Duggan D J Powell
Company Number	05197494
Registered Office	136A Easter 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 2020**

The Company changed its fiscal year end from 31 January to 31 December effective 31 December 2019. The directors present their report and the audited financial statements for the year ended 31 December 2020.

GENERAL INFORMATION

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

On 18 September 2020, Summit Therapeutics Inc., the ultimate parent company, became the successor issuer to Summit Therapeutics plc. 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 (the Company).

PRINCIPAL ACTIVITIES OF BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the Company is a holding company for its subsidiaries.

RESULTS AND DIVIDENDS

The company made a profit for the year ended 31 December 2020 of £49,898,294 (eleven months ended 31 December 2019: loss of £34,494,208).

The Directors do not recommend the payment of a dividend (eleven months ended 31 December 2019: £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)
V K Stefanov (resigned 4 December 2020)
M S Soni (resigned 11 November 2020)
R Erdtmann (appointed 17 April 2020 resigned 11 November 2020)
U Mahatme (appointed 13 July 2020 resigned 11 November 2020)
E C Stracker (resigned 25 June 2020)
G O Edwards (resigned 18 June 2020)

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.

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 a period beyond 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 until the fourth quarter of 2022.

The Group will need to raise additional funding in order to support its future planned research and development efforts, its preparatory commercialization related activities should ridinilazole receive marketing approval, as well as to support activities associated with operating as a public company in the United States. Should the Group be unable to raise additional funding, management has the ability to take mitigating action to fund its operating expenses and capital expenditure requirements in relation to its clinical development activities for a short period beyond the fourth quarter of 2022. These circumstances represent a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. These financial statements do not contain any adjustments that might result if the Group was unable to continue as a going concern.

The Group continues to evaluate options to further finance its cash needs 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 organisations and patient advocacy groups, and marketing, distribution or licensing arrangements. While the Group believes that funds would be available in this manner before the fourth quarter of 2022, there can be no assurance that the Group will be able to generate funds, on terms acceptable to the Group, on a timely basis or at all, which would impact the Group's ability to continue as a going concern.

Neither the parent company nor the ultimate parent company are intending to call the liabilities which are currently short term and due on demand.

INDEPENDENT AUDITORS

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

DIRECTORS' CONFIRMATIONS

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

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware and;
- the Directors have taken all the steps that they ought to have taken as a Directors 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 22 September 2021 and signed on its behalf.



D J Powell
Director



Independent auditors' report to the members of Summit Therapeutics Limited

Report on the audit of the financial statements

Opinion

In our opinion, Summit Therapeutics Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit 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 2020; 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 balance sheet date, the Company, with Summit Therapeutics Inc.'s support, has available cash resources that the Directors' believe are sufficient to support the Company's operating expenses and capital expenditure requirements for its major programmes up until Q4 2022. The Directors' have concluded that Summit Therapeutics Inc. will be able to secure sufficient financing to support the Company beyond this date and has therefore prepared the financial statements on a going concern basis; however, this 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 2020 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 Companies Act 2006 and UK taxation legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 misappropriation 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.
- Review of employee expenses that represent a heightened risk of fraud and other ad hoc payments made to senior management for any evidence of fraud.
- Evaluated management controls designed to prevent and detect irregularities.

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

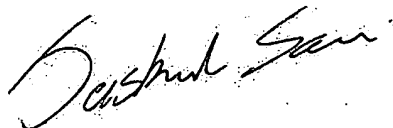
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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 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
22 September 2021

STATEMENT OF COMPREHENSIVE INCOME / (LOSS)

For the year ended 31 December 2020

		Year ended 31 December 2020	Eleven months ended December 2019
	Note	£	£
Administrative expenses		(4,088,209)	(4,065,099)
Reversal of impairment loss		53,986,503	-
Impairment		-	(30,429,109)
Operating profit / (loss)	4	49,898,294	(34,494,208)
Profit / (loss) and total comprehensive income / (loss) for the financial year / period		49,898,294	(34,494,208)

The notes on pages 11 to 21 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

		31 December 2020	31 December 2019
	Note	£	£
Non-current assets			
Investments	7	161,439,760	24,672,440
		161,439,760	24,672,440
Current assets			
Trade and other receivables	8	1,917,708	47,526,474
Cash and cash equivalents		39,914,636	43,526,518
		41,832,344	91,052,992
Creditors: amounts falling due within one year			
Trade and other payables	9	(37,374,921)	(925,855)
Contingent consideration		-	(79,715)
		(37,374,921)	(1,005,570)
Net current assets		4,457,423	90,047,422
Net assets		165,897,183	114,719,862
Equity			
Called up share capital		3,361,595	3,358,903
Share premium account		129,110,262	129,110,262
Share-based payment reserve		2,318,381	1,299,490
Merger reserve		4,969,657	4,969,657
Special reserve		19,992,909	19,992,909
Retained earnings / (accumulated losses)		6,144,379	(44,011,359)
Total equity		165,897,183	114,719,862

The notes on pages 11 to 21 form an integral part of these financial statements

The financial statements on pages 8 to 21 were approved by the board and authorised for issue on 22 September 2021 and signed on its behalf by



D J Powell
 Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share capital £	Share Premium account £	Share-based payment reserve £	Merger reserve £	Special reserve £	Accumulated losses £	Total Shareholders' equity £
At 1 January 2020	3,358,903	129,110,262	1,299,490	4,969,657	19,992,909	(44,011,359)	114,719,862
Profit and total comprehensive income for the year	-	-	-	-	-	49,898,294	49,898,294
Total comprehensive income for the year	-	-	-	-	-	49,898,294	49,898,294
Share options exercised income	2,692	-	-	-	-	-	2,692
Share-based payment	-	-	884,790	-	-	-	884,790
Warrant expense	-	-	391,545	-	-	-	391,545
Transfer	-	-	(257,444)	-	-	257,444	-
At 31 December 2020	3,361,595	129,110,262	2,318,381	4,969,657	19,992,909	6,144,379	165,897,183

	Share capital £	Share Premium account £	Share-based payment reserve £	Merger reserve £	Special reserve £	Accumulated losses £	Total Shareholders' equity £
At 1 February 2019	1,603,898	92,805,979	1,148,525	4,969,657	19,992,909	(10,027,805)	110,493,163
Loss and total comprehensive loss for the period	-	-	-	-	-	(34,494,208)	(34,494,208)
Total comprehensive loss for the year	-	-	-	-	-	(34,494,208)	(34,494,208)
New share capital issued expense	1,753,785	37,004,853	-	-	-	-	38,758,638
Transaction cost on share capital issued	-	(700,570)	-	-	-	-	(700,570)
Share options exercised income	1,220	-	-	-	-	-	1,220
Share-based payment	-	-	647,318	-	-	-	647,318
Warrant expense	-	-	14,301	-	-	-	14,301
Transfer	-	-	(510,654)	-	-	510,654	-
At 31 December 2019	3,358,903	129,110,262	1,299,490	4,969,657	19,992,909	(44,011,359)	114,719,862

The notes on pages 11 to 21 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 COMPANY INFORMATION

Summit Therapeutics Limited, ('the Company') is a holding company.

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 Therapeutics 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 Therapeutics 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 a period beyond 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 until the fourth quarter of 2022.

The Group will need to raise additional funding in order to support its future planned research and development efforts, its preparatory commercialization related activities should ridinilazole receive marketing approval, as well as to support activities associated with operating as a public company in the United States. Should the Group be unable to raise additional funding, management has the ability to take mitigating action to fund its operating expenses and capital expenditure requirements in relation to its clinical development activities for a short period beyond the fourth quarter of 2022. These circumstances represent a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. These financial statements do not contain any adjustments that might result if the Group was unable to continue as a going concern.

The Group continues to evaluate options to further finance its cash needs 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 organisations and patient advocacy groups, and marketing, distribution or licensing arrangements. While the Group believes that funds would be available in this manner before the fourth quarter of 2022, there can be no assurance that the Group will be able to generate funds, on terms acceptable to the Group, on a timely basis or at all, which would impact the Group's ability to continue as a going concern.

Neither the parent company nor the ultimate parent company are intending to call the liabilities which are currently short term and due on demand.

Use of estimates

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

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 Inc. which prepares publicly available consolidated financial statements. The Company is included in the consolidated financial statements of Summit Therapeutics Inc. for the year ended 31 December 2020. 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.

Disclosure exemptions

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

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

IFRS 7, 'Financial instruments: Disclosures'.

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

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

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

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.

Investments

The Company holds 100% ownership of the subsidiaries detailed in Note 11 'Subsidiaries'; these are held at cost. The carrying value of the subsidiaries is reviewed annually by management for any indicators of impairment. In the event that the subsidiaries are considered by management to be impaired, the recoverability of any intercompany balances may be restricted.

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 Group's 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**2 BASIS OF ACCOUNTING (continued)****Share-based payments**

Prior to the Redomiciliation Transaction, Summit Therapeutics Limited (formerly Summit Therapeutics plc) issued share options and restricted stock units ('RSUs') to attract, retain and incentivise its non-executive directors and employees of its subsidiaries. The non-executive directors of the Company provided services to the Company and therefore the Company records the fair value of those services received in exchange for the grant of the share options and RSUs as an expense. The expense is based upon a number of assumptions as disclosed in Note 12, Share based payment. The selection of different assumptions could affect the future results of the Company. The employees of its subsidiaries provided services to the subsidiaries, this is treated as a capital contribution investment and the share-based payment reserve is borne on behalf of the underlying subsidiaries.

In accordance with IFRS 2 '*Share-based payment*', share options and RSUs are measured at fair value at their grant date. The fair value for the majority of the share options and RSUs is calculated using the Black-Scholes formula and charged to the Consolidated 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 conditional upon the Group achieving certain predetermined financial criteria), a simulation model has been used. At each reporting date, the Group 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.

The share-based payment reserve reduces and transfers to accumulated losses reserve as share options are exercised, lapsed or surrendered, and the impact of the subsequent dilution of earnings crystallises.

Warrants

Summit Therapeutics Limited has issued warrants to consultants in exchange for services provided to its subsidiary Summit (Oxford) Limited. The fair value of the services received in exchange for the grant of the warrants is recognised as a capital contribution investment and the warrant expense reserve is borne on behalf of the underlying subsidiary. 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.

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.

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.

There were no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that would have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**Critical Judgements in Applying the Company's Accounting Policies***Impairment of investments*

In accordance with IAS 36, the Company is required to exercise judgement as to whether there is any indication that its investments in subsidiaries have suffered an impairment loss when reviewing the carrying value of those assets. As a result of this review, no impairment was required for the year ended 31 December 2020. See Note 7 'Investments' of these Financial Statements.

Impairment of financial assets

In accordance with IFRS 9, the Company is required to exercise judgement as to whether there is any indication that an expected credit loss is required for its amounts owed by Group undertakings. See Note 8 'Trade and other receivables' of these Individual Financial Statements.

4 OPERATING PROFIT / (LOSS)

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

		Year ended 31 December 2020	Eleven months ended 31 December 2019
	Note	£	£
Management charge		1,094,248	1,009,486
Audit fees payable to the Company's auditors		24,000	-
Reversal of impairment of financial assets	8	(53,986,503)	-
Impairment of financial assets	8	-	30,429,109

5 EMPLOYEES AND DIRECTORS' EMOLUMENTS

The Directors were remunerated by either Summit (Oxford) Limited or Summit Therapeutics Sub Inc., other group companies, and no recharge was made as it is not practicable to allocate these fees between the Company and other group companies. Mr. Soni, Dr. Stracker and Mr. V Stefanov joined as Directors on 24 December 2019, no fees were paid to them in respect of the period to 31 December 2019.

The monthly average number of Directors of the Company during the year / period was:

	Year ended 31 December 2020	Eleven months ended 31 December 2019
Directors	6	4
	<u>6</u>	<u>4</u>

The Company had no employees in the current or previous financial years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 TAX ON PROFIT / (LOSS)

The tax assessed on the profit / (loss) on ordinary activities for the period is lower (eleven months ended 31 December 2019: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%). The differences are explained as follows:

	Year ended 31 December 2020	Eleven months ended 31 December 2019
	£	£
Profit / (Loss) before taxation	49,898,294	(34,494,208)
Tax thereon at 19%	9,480,676	(6,553,900)
Change in unrecognised tax losses	437,881	678,104
Income not deductible for tax purposes	(10,272,582)	-
Expenses not deductible for tax purposes	328,622	5,880,215
Adjustments in respect of prior years	-	-
Share options	25,403	(4,419)
Tax credit	-	-

Unrecognised deferred tax

There is an unprovided deferred tax asset in relation to the trading losses carried forward of £3,828,108 (31 December 2019: £3,067,832) and £34,937 (31 December 2019: £1,469) in relation to future exercisable share options.

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 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. This rate change has been reflected in the calculation of deferred tax at the reporting date. 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 and after the balance sheet date, deferred tax balances at 31 December 2020 continue to be measured at a rate of 19%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 INVESTMENTS

	Investments in subsidiaries £	Capital contributions for share options recharge £	Total £
Cost			
At 31 December 2019	31,796,143	11,187,832	42,983,975
Additions	135,769,303	998,017	136,767,320
At 31 December 2020	167,565,446	12,185,849	179,751,295
Accumulated impairment			
At 31 December 2019	(18,181,128)	(130,407)	(18,311,535)
At 31 December 2020	(18,181,128)	(130,407)	(18,311,535)
Net book value			
At 31 December 2019	13,615,015	11,057,425	24,672,440
At 31 December 2020	149,384,318	12,055,442	161,439,760

Investments in subsidiaries

During the year ended 31 December 2020, the Company acquired 1 new ordinary share of £1 nominal value in Summit (Oxford) Limited for £131,025,836 consideration and 1 new ordinary share of 1 penny nominal value in Discuva Limited for £4,743,467 consideration.

Capital contributions for share options recharge

The charge for share-based payments financed by the Company and recognised in the form of a capital contribution in the accounts of the underlying subsidiaries.

Impairment assessment of investments

No indication of impairment of the carrying amounts of its investments has been identified in the year.

See Note 8 'Prepayments and other receivables' for management's assessment of the carrying value of amounts owed by Group undertakings. See Note 11 'Subsidiaries' for a listing of the interests the Company had in subsidiaries at 31 December 2020.

8 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2020 £	31 December 2019 £
Other receivables	51,298	65,624
Prepayments	348,492	259,435
Amount owed by group undertakings	1,517,918	47,201,415
	1,917,708	47,526,474

Amounts owed to the Company by Group undertakings are unsecured, interest free and payable on demand.

As at 31 December 2019, in accordance with IFRS 9 'Financial Instruments' management assessed the recoverability of the amounts owed to the Company by Group undertakings. Summit (Oxford) Limited had Phase 3 clinical trials ongoing with ridinilazole so the expected credit loss ('ECL') was based on the industry standard cumulative probabilities of achieving approval of 66%. If the drug is approved, the probability of collecting the intercompany loan is 100% and if it fails, 0%. For Discuva Limited management assessed the ECL based on probability of taking a drug from preclinical to approval, which is less than 10%. As a result of these assessments, an impairment charge of £30,429,109 was recognised against amounts owed by Group undertakings based on the relevant industry standard cumulative probabilities of achieving key development milestones.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 PREPAYMENTS AND OTHER RECEIVABLES (continued)

During the year ended 31 December 2020, the Company acquired 1 new ordinary share of £1 nominal value in Summit (Oxford) Limited for £131,025,836 consideration and 1 new ordinary share of 1 penny nominal value in Discuva Limited for £4,743,467 consideration. Subsequently, the Company agreed to set-off the payables of these amounts with amounts owed by Summit (Oxford) Limited and Discuva Limited respectively. As a result, amounts owed by Group undertakings of £53,986,503, that had previously been impaired, were deemed recoverable and a reversal of previous impairment losses was recognised.

9 TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
	£	£
Other creditors	261,094	891,883
Accruals	249,981	-
Amounts owed to group undertakings	36,863,846	33,972
	<u>37,374,921</u>	<u>925,855</u>

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

10 CALLED UP SHARE CAPITAL

	31 December 2020	31 December 2019
	£	£
Allotted, called up and fully paid		
336,159,511 (31 December 2019: 335,890,281) ordinary share of 1p each	<u>3,361,595</u>	<u>3,358,903</u>

Changes to the number of ordinary shares in issue have been as follows:

	Number of shares	Total nominal value £	Total share premium £	Total consideration £
At 1 February 2019	160,389,881	1,603,898	92,805,979	94,409,877
New share capital issued (net of transaction costs)	175,378,450	1,753,785	36,304,283	38,058,068
Share options exercised	121,950	1,220	-	1,220
At 31 December 2019	335,890,281	3,358,903	129,110,262	132,469,166
Share options exercised	269,230	2,692	-	2,692
At 31 December 2020	336,159,511	3,361,595	129,110,262	132,471,857

On 24 December 2019, the Company completed an equity placing on the AIM market of the London Stock Exchange, issuing 175,378,450 new ordinary shares at a price of 22.1 pence and warrants for 26,306,765 new ordinary shares at an exercise price of 24.3 pence. Total gross proceeds of \$50.0 million (£38.7 million) were raised and directly attributable transaction costs of £0.7 million were incurred.

On 24 December 2019, the Company issued warrants over 16,793,660 ordinary shares to a consultant in exchange for certain services. The warrants have an exercise price of 22.1 pence and vest quarterly over three years. If the consulting agreement terminates prior to three years after the date of the grant, all unvested warrants will be deemed lapsed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 SHARE CAPITAL (continued)

On 24 January 2020, 269,230 restricted stock units were exercised resulting in issuance of share capital in Summit Therapeutics Limited (formerly Summit Therapeutics plc). The total net proceeds from the exercise of these restricted stock units was £1,220.

All new ordinary shares rank *pari passu* with existing ordinary shares.

Following the equity placings and the exercise of the above restricted stock units, as of 31 December 2020, the number of ordinary shares in issue was 336,159,511.

Dividends

No dividends were paid or declared in the year ended 31 December 2020 or the eleven month period ended 31 December 2019.

11 SUBSIDIARIES

Company name	Country of incorporation	Registered address	Percentage shareholding	Description
Summit (Oxford) Limited	England and Wales	136A Eastern Avenue, Milton Park, OX14 4SB	100%	1,001 £1 ordinary shares
Discuva Limited	England and Wales	136A Eastern Avenue, Milton Park, OX14 4SB	100%	832,244,257 ordinary 0.1p shares 1 Z ordinary 0.1p share
Summit Therapeutics Sub Inc.	United States of America	One Broadway, Cambridge, MA 02142	100%	20,000 \$1 ordinary shares
Summit Corporation Limited	England and Wales	136A Eastern Avenue, Milton Park, OX14 4SB	100%	1 £1 ordinary shares
Summit (Wales) Limited	England and Wales	136A Eastern Avenue, Milton Park, OX14 4SB	100%	1,000 £1 ordinary shares
Summit (Cambridge) Limited	England and Wales	136A Eastern Avenue, Milton Park, OX14 4SB	100%	109,599,000 ordinary 1p shares
Summit Discovery 1 Limited	England and Wales	136A Eastern Avenue, Milton Park, OX14 4SB	100%	1,000 £1 ordinary shares
Summit Corporation Employee Benefit Trust Company Limited	England and Wales	136A Eastern Avenue, Milton Park, OX14 4SB	100%	1 £1 ordinary shares
MuOx Limited	England and Wales	136A Eastern Avenue, Milton Park, OX14 4SB	100%	20,000 £1 ordinary shares
Summit Infectious Diseases Limited	England and Wales	136A Eastern Avenue, Milton Park, OX14 4SB	100%	1,000 £1 ordinary shares

All subsidiary companies are directly held.

The principal activity of Summit (Oxford) Limited and Discuva Limited is proprietary drug discovery research and development.

Summit Therapeutics Inc. is incorporated in Delaware and operates from an office in Cambridge, Massachusetts. It is the Group's authorised representative in the United States.

Summit Discovery 1 Limited, Summit Corporation Employee Benefit Trust Company Limited, Summit Corporation Limited, Summit (Cambridge) Limited, Summit (Wales) Limited, MuOx Limited and Summit Infectious Diseases Limited are dormant companies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 SHARE BASED PAYMENT

On 18 September 2020, Summit Therapeutics Inc., the ultimate parent company, became the successor issuer to Summit Therapeutics plc. 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 (the Company).

In conjunction with the Redomiciliation Transaction, the Summit Therapeutics plc 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 2020	£ 0.21	3,000,000
Granted during the period	£ 0.57	2,612,160
Lapsed during the period	£ 0.21	(1,000,000)
Effect of the Redomiciliation Transaction on 18 September 2020	-	(3,689,728)
Number of options outstanding at 18 September 2020	\$ 2.43	922,432
Lapsed during the period	\$ 1.60	(227,273)
Number of options outstanding at 31 December 2020	\$ 2.70	695,159

	Weighted average exercise price	Number
Outstanding at 1 February 2019	£ -	-
Granted during the period	£ 0.21	3,000,000
Number of options outstanding at 31 December 2019	£ 0.21	3,000,000

As at 31 December 2020, 90,613 share options were capable of being exercised (31 December 2019: none, prior to the effect of the Redomiciliation Transaction). The options outstanding at 31 December 2020 had a weighted average exercise price of \$2.70 and a weighted average remaining contractual life of 9.3 years. Share based payment expense was recognised in the Statement of Comprehensive Income / (Loss) for the year ended 31 December 2020 of £278,318 (eleven months ended 31 December 2019: £2,180).

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 %
23 December 2019	Unapproved	200,000	1.37	1.37	0.49	4.0	0.5%
1 May 2020	Unapproved	200,000	3.30	3.30	2.10	6.3	0.1%
1 May 2020	Unapproved	81,819	3.30	3.30	2.05	5.5	0.1%
13 July 2020	Unapproved	200,000	3.16	3.16	2.01	6.3	0.0%
13 July 2020	Unapproved	13,340	3.16	3.16	1.91	5.2	0.0%
		695,159					

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 SHARE BASED PAYMENT (continued)

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

- Black-Scholes valuation methodology was used for all share options.
- Figures in the range of 56-73% have been used for expected volatility. 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 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.

The movement in the number of restricted stock units ('RSUs') is set out below:

	Weighted average exercise price	Number
Outstanding at 1 January 2020	£ 0.01	692,306
Exercised during the period	£ 0.01	(269,230)
Effect of the Redomiciliation Transaction on 18 September 2020	-	(338,461)
Number of options outstanding at 18 September 2020	\$ 0.07	84,615
Exercised during the period	\$ 0.07	(57,692)
Number of options outstanding at 31 December 2020	\$ 0.07	26,923

	Weighted average exercise price	Number
Outstanding at 1 February 2019	£ 0.01	814,256
Granted during the period	£ 0.01	-
Exercised during the period	£ 0.01	(121,950)
Number of options outstanding at 31 December 2019	£ 0.01	692,306

As at 31 December 2020, 26,923 RSUs were capable of being exercised (31 December 2019: none). The RSUs outstanding at 31 December 2020 had a weighted average exercise price of \$0.07 and a weighted average remaining contractual life of nil years. Share based payment expense was recognised for the year ended 31 December 2020 of £nil (eleven months ended 31 December 2019: £nil).

The fair value per RSU 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 %
11 January 2019	Unapproved	26,923	0.07	1.57	2.71	1.0	0.8%
		26,923					

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

- Black-Scholes valuation methodology was used for all RSUs.
- Figure of 57% has been used for expected volatility. This has been derived from historical share price performance, weighted to exclude periods of unusually high volatility.
- Expected dividend yield is nil, consistent with the Directors' view that the Group's business model is to generate value through capital growth rather than the payment of dividends.
- The risk-free rate is equal to the prevailing UK Gilts rate at grant date that most closely matches the expected term of the grant.
- RSUs are assumed to be exercised immediately on vesting.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 CAPITAL COMMITMENTS

At 31 December 2020 the Company had no capital commitments (31 December 2019: nil).

14 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 2020.

15 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.