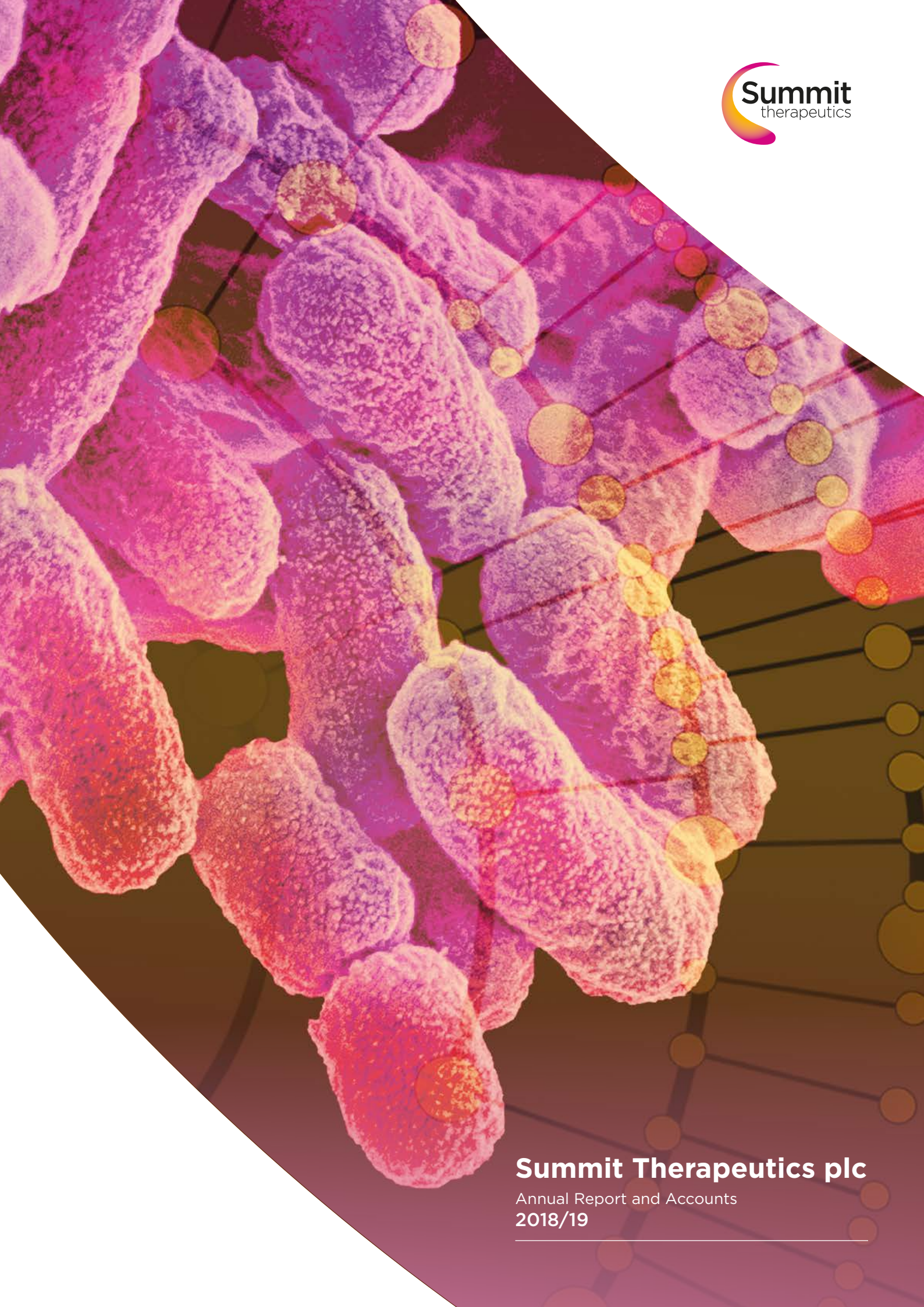


Summit Therapeutics plc

Annual Report and Accounts
2018/19

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Read more about
a patient's journey with CDI
See page 16

Read more about
our Discuva Platform
See page 18

Without urgent action, once easily curable infections could become global health crises.

World Health Organization

OUR PURPOSE

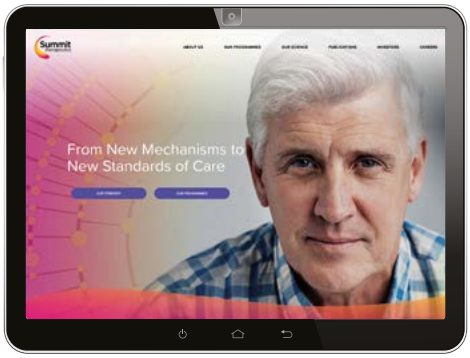
Improving patient outcomes whilst building a successful business for shareholders.

OUR VISION

To become a fully integrated biopharmaceutical company focussed on the discovery, development and commercialisation of novel antibiotics for serious infectious diseases.

OUR MISSION

Our goal is to develop new antibiotics that can show significant advantages over the current standards of care and offer compelling value to payors.



Go online to find out more
www.summitplc.com

INNOVATION WITHIN A SPACE

THE SUMMIT DIFFERENCE

The world is entering an era of untreatable infections. There is overuse and inappropriate use of existing antibiotics and a lack of innovation in the discovery and development of new antibiotics.

Through the second half of the last century, society benefited from an antibiotic revolution, beginning with penicillin. The discovery of new mechanism antibiotics allowed physicians to keep ahead of antimicrobial resistance. However, this is no longer the situation, with only two new classes of antibiotic developed and marketed in the past two decades.

Recently approved antibiotics have generally been analogues of older broad-spectrum antibiotics already in use. These antibiotics are not necessarily the most appropriate drug for the infection and may promote resistance development. Worse still, there are few new antibiotics in clinical development, making the future of treating infectious diseases an uncertain one.

As of March 2019, there were only 42 antibiotics in clinical development.

It is critical that we expand antibiotic research and development. The lives of millions of people depend on it.

PAST COMMERCIAL SUCCESS ASSOCIATED WITH INNOVATION

1920s 1930s 1940s 1950s 1960s 1970s 1980s 1990s 2000s 2010s

1920s to 1980s

- Multiple novel mechanisms & classes discovered
- Multiple examples of significant commercial success
- Resistance not clinical issue

Since 1990

- Few new mechanisms; only incremental benefits
- Niche market positioning with low commercial return
- Resistance is a clinical issue

SUMMIT'S INNOVATION

Summit believes innovation is key to changing this situation. At the core of our strategy, we are using new science to advance development programmes aimed at creating new opportunities in infectious diseases.

To execute this strategy, we are developing new antibiotics:

Designed to be specific to a pathogen or infection

Aimed at meeting the unmet needs of patients and healthcare providers

Developed to offer compelling value propositions for payors and healthcare systems

Our goal is to generate new antibiotics that show meaningful differences over current standards of care. Our focus is on developing new mechanism antibiotics for bacteria listed as urgent or serious threats by the World Health Organization ('WHO') or the US Centers for Disease Control and Prevention ('CDC').

We believe that new mechanism antibiotics can combat today's bacterial threats. With new mechanism antibiotics in development for *C. difficile* infection ('CDI'), gonorrhoea and ESKAPE pathogens, and our Discuva Platform to expand our pipeline, we believe we are a leader in antibiotic innovation.

> Antibiotic resistance is one of the biggest threats to global health, food security, and development today.
>
> **World Health Organization**

THE ANTIBIOTIC CRISIS

In 2016, healthcare providers in the US prescribed 270.2 million antibiotics, a number equivalent to 836 prescriptions per 1,000 persons. The CDC estimates that 50% of these antibiotics were used inappropriately, including 30% which were completely unnecessary.

Overuse and inappropriate use of antibiotics contribute to two serious public health issues: antimicrobial resistance and *C. difficile* infection.

ANTIMICROBIAL RESISTANCE ('AMR')

Antimicrobial resistance is a serious healthcare threat. It could render once easily treated infections untreatable and undermine physicians' ability to perform life-saving surgeries and other procedures. Approximately 700,000 people die every year from antibiotic resistant infections.

Unless urgent action is taken, this number is projected to rise to ten million by 2050, a number that surpasses deaths due to cancer.

Antibiotic resistance happens when bacteria change and become resistant to the antibiotics used to treat the infections they cause.

Overuse and **inappropriate use** of antibiotics lead to **AMR**

Approximately **700,000 deaths** per year due to **antibiotic resistance**

C. DIFFICILE INFECTION ('CDI')

As antibiotic use has increased, so has the incidence of CDI. Studies have shown anywhere from a three- to seven-fold increased risk of developing CDI when receiving broad-spectrum antibiotics in the hospital.

Similarly, use of broad-spectrum antibiotics in the community setting was associated with a three-fold increased risk of developing CDI. Broad-spectrum antibiotics indiscriminately kill bacteria, including the body's natural CDI defence system: the gut microbiome.

The current standard of care for the treatment of CDI is the broad-spectrum antibiotic, vancomycin. Its use causes further damage to the patient's protective gut microbiome, leaving the patient vulnerable to recurrence. Each recurrent episode of CDI is typically more severe than the prior episode and carries an increased risk of mortality. This means reducing disease recurrence is the key clinical issue in the management of CDI.

Read more about our programme in CDI on page 16

>1 million cases per year in the US and Europe

Associated with **29,000 deaths per year** in the US

If antibiotics lose their effectiveness, then we lose the ability to treat infections and control public health threats.

US Centers for Disease Control and Prevention

SUMMIT'S FOCUS ON INNOVATION

With the health and well-being of many people on the line, Summit is focussed on contributing potential solutions to the antibiotic problem.

We believe that being innovative across the drug development spectrum from discovery through commercialisation is key. If successful, we could meaningfully improve outcomes of patients with serious infectious diseases.

INNOVATING DRUG DISCOVERY

We are discovering brand new mechanism antibiotics with our Discuva Platform. These new mechanism antibiotics are designed to be specific to a pathogen or infection.

INNOVATING DRUG DEVELOPMENT

We believe that antibiotics need to be developed to show meaningful differences for patients and meet real unmet needs.

INNOVATING COMMERCIALISATION

We believe gathering the right clinical and economic data during development will ultimately provide payors and healthcare systems with compelling value propositions.

STEWARDSHIP

Our approach closely aligns with good antibiotic stewardship. Stewardship promotes the appropriate use of antibiotics, which is the goal of designing the right drug for the right infection. We believe this is achievable because our new science allows us to develop new mechanism antibiotics and because new diagnostics are able to rapidly identify disease-causing pathogens. We therefore believe we can design antibiotics for a specific pathogen or infection, and reserve broad-spectrum antibiotics for idiopathic infections. This approach serves to improve patient outcomes and reduce resistance development.

With new mechanism antibiotics in development to treat infections caused by *C. difficile*, *N. gonorrhoeae* and ESKAPE pathogens, and our Discuva Platform to expand our pipeline, we believe we are a leader in antibiotic innovation.

One of the principles of antimicrobial stewardship is really once you know the bacteria that is causing the problem, you use the most focussed antibiotic possible.

Richard Martinello, MD
Yale Medical Director

DISCUVA PLATFORM

Our proprietary Discuva Platform encompasses three core areas, which allow us to expand upon our leadership position in the research and development of new mechanism antibiotics:

Read more about our Discuva Platform on page 18

Q&A

NEW STANDARDS OF CARE

A Q&A with President of R&D, David Roblin, an experienced scientist and physician, with a distinguished career in the pharmaceutical industry.

Q What is your experience in infectious disease?

A I've had the privilege to contribute to the development of six products that made it to market for infectious diseases in my previous roles at Bayer and Pfizer. It's one of the few areas in medicine where you have the chance to provide patients with a cure, and I believe that's what makes infectious disease drug development so rewarding.

Q Why does the field of infectious diseases need to change?

A Through the second half of the last century, society benefited from an antibiotic revolution. The discovery of new mechanism antibiotics allowed physicians to keep treating infections and also stay ahead of antimicrobial resistance. If you define a new class of antibiotics as one that hits a new target, there has not been a new class of antibiotic developed and marketed for nearly two decades. Instead, we have seen analogues of existing classes that, while being valuable additions in addressing some aspects of antimicrobial resistance, generally offer only incremental improvements over existing drugs. Old and often inappropriate antibiotics continue to be used in preference, which fuels antimicrobial resistance.

Q Why is Summit developing innovative new mechanism antibiotics?

A We believe the key to finding solutions to antimicrobial resistance lies in innovation. I believe we are one of the few companies developing genuinely innovative new mechanism antibiotics with the ultimate goal to meaningfully improve patient outcomes.

Q Why is the current field dominated by broad-spectrum antibiotics?

A An infectious disease, such as pneumonia, can be caused by different bacteria. A physician cannot detect which bacteria are causing the disease based on symptoms alone. Therefore, patients have historically been given a broad-spectrum antibiotic, which would cover all the potential bacteria causing the disease. What we know now is that the use of these broad-spectrum antibiotics contributes to antimicrobial resistance.

Q What is the benefit of targeting specific infections?

A By targeting specific infections or pathogens, we believe we can develop the optimal drug for the patient and healthcare provider and improve clinical outcomes. This antibiotic stewardship approach promotes the right drug for the pathogen upfront and preserves broad-spectrum antibiotics for severe, systemic infections.

Q What makes use of targeted antibiotics possible in the future?

A There have recently been several scientific advances in the development of rapid diagnostics to identify the bacterial cause of an infection, meaning that highly targeted, new mechanism drugs could be used instead of broad-spectrum antibiotics as front-line therapies for patients. Existing broad-spectrum agents can then be reserved for cases where the cause is unknown. This could result in a reduction in antimicrobial resistance.

Q Won't these new, targeted antibiotics put a burden on healthcare costs?

A On the contrary. New, targeted antibiotics have the potential to save on overall healthcare costs. If we meaningfully improve clinical outcomes for the patient, it could result in shorter hospital stays, fewer hospital admissions or fewer disease recurrences. We have the potential to drive down costs for governments and healthcare systems and bring future benefit to patients by reserving use of broad-spectrum antibiotics.

Q Are we headed for an era of untreatable infections? What will the future look like?

A In its current state, the future could be bleak. However, I believe the research going on at Summit and elsewhere has the potential to significantly advance the field and provide solutions. Investment in this area is imperative. There's a unique opportunity to revive the engine room of antibiotic development to bring wider medical and societal benefits – it is a chance we cannot miss, and I am excited that Summit is playing a leading role.

We believe the key to finding solutions to antimicrobial resistance lies in innovation. I believe we are one of the few companies developing genuinely innovative new mechanism antibiotics with the ultimate goal to meaningfully improve patient outcomes.

David Roblin
President of R&D

STRATEGIC REPORT

Our goal is to bring innovation into the discovery, development and commercialisation of new mechanism antibiotics for serious infectious diseases.

Frank Armstrong
Non-Executive Chairman

STRATEGIC REPORT

BUILDING VALUE TOGETHER

Over the past year, Summit gained a new identity as an antibiotics company. Antibiotics have always been a part of our core strategy. Ridinilazole is our lead programme now in Phase 3 clinical trials, and the Discuva Platform is bolstering our pipeline. However, in the past, Summit was well known for its programme in Duchenne muscular dystrophy ('DMD').

While we were disappointed to announce negative results from our Phase 2 clinical trial in DMD in June 2018, they allowed us to align the entire Company's efforts towards delivering new antibiotics that meaningfully improve patient outcomes. The Phase 2 DMD trial generated a high-quality data set that enabled us to come to the definitive conclusion that ezutromid was not providing a benefit to patients. What followed was a swift, strategic pivot to become a leading antibiotics company with what we believe are the capabilities to radically change the current antibiotic paradigm through a single focus: innovation.

It is abundantly clear that the world needs new antibiotics. Too many patients with serious bacterial infections have unsatisfactory outcomes with today's armamentarium of decades-old classes of antibiotics.

We aim to change that. Our goal is to bring innovation into the discovery, development and commercialisation of new mechanism antibiotics for serious infectious diseases.

The acquisition of our Discuva Platform in December 2017 strengthened our capabilities in antibiotics by incorporating discovery efforts into Summit. This platform, alongside our team of scientists, has the potential to disrupt the field of antibiotic discovery. Over the past year, we have added three new programmes to our pipeline, all of which originated from the Discuva Platform, an encouraging early sign of how prolific we believe our proprietary platform can be.

Two of the programmes we added to our pipeline are for the treatment of gonorrhoea. We are entering a world of super gonorrhoea, infections that are extensively drug resistant. One such case of super gonorrhoea arrived in the UK just last year, with further cases reported since. *Neisseria gonorrhoeae* is particularly clever when it comes to evading antibiotics. It has consistently gained resistance to the antibiotics used to treat it and keeps this resistance over time. The only recommended treatment is failing in many cases, and there are no other recommended drugs available to treat gonorrhoea. In order to gain the upper hand against *N. gonorrhoeae*, society desperately needs new mechanism antibiotics.

Through the Discuva Platform, we have identified two new targets for *N. gonorrhoeae*. Our focus in gonorrhoea is on our lead clinical candidate, SMT-571, which was nominated in September 2018. In preclinical studies, SMT-571 has demonstrated potent activity across hundreds of clinically relevant *N. gonorrhoeae* strains, including numerous multi-and extensively-drug resistant strains. Our opportunity in gonorrhoea is to be the next treatment option recommended for the 78 million estimated annual cases worldwide.

Our third programme added in 2018 addresses serious hospital-acquired infections caused by the ESKAPE pathogens. These infections are plagued by resistance, which result in poor patient outcomes and substantial medical costs. As is the case with all of our programmes, we believe that developing new mechanism antibiotics that are designed to target a specific infection or pathogen could result in significantly improved patient outcomes and reduced healthcare costs. We look forward to providing an update on this programme in 2019.

Our late-stage antibiotic ridinilazole for the treatment of *C. difficile* infection has made a strong start to 2019 following the progress made in our manufacturing processes during 2018. We dosed the first patient in our much-anticipated Phase 3 clinical trials in February. These Phase 3 clinical trials of ridinilazole truly exemplify our innovation in development and planning for commercial success.

Our goal is to send a clear message to physicians and payors that ridinilazole is a superior product clinically and economically and should be used as a front-line treatment of CDI. We have designed the Phase 3 clinical trials to support this goal. The primary endpoint for the Phase 3 clinical trials aims to show superiority of ridinilazole over the standard of care, vancomycin, in sustained clinical response. In other words, the trials are designed to provide evidence that patients are being cured and remaining free of CDI, something which doesn't happen in approximately one third of CDI patients treated with vancomycin. There are over a million cases of CDI in the US and Europe every year, representing unacceptably high number of patients who are not receiving a satisfactory clinical outcome.

Our Phase 3 clinical programme also is designed to support commercialisation through the inclusion of health economic outcomes measures. Unsatisfactory patient outcomes lead to higher healthcare costs. If treatment with ridinilazole improves patient outcomes, it could reduce those healthcare costs and potentially support its uptake by healthcare providers.

We believe the clinical and economic outcomes will both play a key role in ensuring ridinilazole's potential commercial success. Superior clinical and positive health economic outcomes could provide healthcare providers with the information to encourage use, guideline writers to change their recommendations and payors to provide reimbursement. We are bold in this endeavour, but the positive results from our Phase 2 clinical trial of ridinilazole and lessons from past antibiotic launches provide us with confidence that this is the right path to achieve success.

Our differentiated approach to antibiotic development continues to be endorsed by third parties. In 2018, BARDA exercised one of its options in our award of up to $62 million for the clinical and regulatory development of ridinilazole. The total committed capital from BARDA is now $44 million. Also in 2018, we received a grant worth up to $4.5 million from the public-private partnership, CARB-X, to support the development of SMT-571 through the end of a Phase 1 clinical trial.

These awards are further endorsement of Summit's strategy and innovation in new mechanism antibiotics. In addition to these non-dilutive capital sources, we believe our singular focus as an antibiotics company and clear mission to bring new mechanism antibiotics to patients are increasingly resonating with the investment community, including new and existing shareholders.

Our people are central to being successful in antibiotic research. We have a team with deep expertise and experience in infectious diseases from conducting early stage research to running global clinical trials and successfully launching new antibiotics.

Our ambitious goals in the discovery of new mechanism antibiotics through to commercialisation of these products ourselves in key territories rely on having the support of our shareholders and the right team in place to do so. We thank our shareholders for supporting us in this vision and our employees, who are dedicated to bringing potentially life-saving treatments to patients. Together, we are redefining antibiotic development and bringing much needed innovation to this crucial area of medicine.

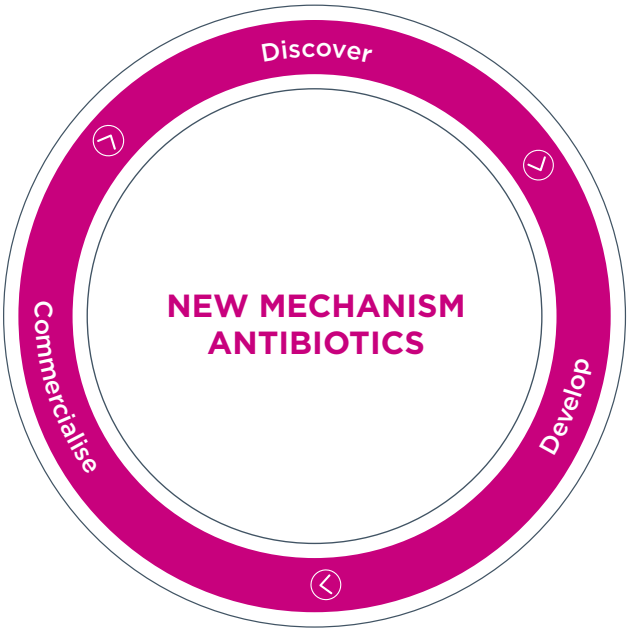
Frank Armstrong, FRCPE, FFPM
Non-Executive Chairman

27 March 2019

OUR STRATEGY AND MISSION

Our overarching goal is to develop new antibiotics that meaningfully improve patient outcomes. In doing so, we aim to show significant advantages over the current standards of care and offer compelling value propositions to payors. Our approach is about using our new science and differentiated development programmes to design the right drug for the right infection.

OUR BUSINESS MODEL



DISCOVER
Discovering innovative medicines

DEVELOP
Being creative in research and development

COMMERCIALISE
Increasing value for our products

OUR VALUES

Everyone at Summit plays a role in achieving our strategic mission. Underpinning our efforts are five core values. These have been developed by the employees of Summit. They describe who we are, how we work together and what we want to accomplish. These are our values. Together, we are Summit. Together, we aim to make a difference.

We all matter

We value everyone's role and contribution. We believe everyone has good intentions and acts with integrity. We create an open and inclusive environment.

We are open

We promote debate, take advice and listen carefully. We are open to changing our minds and when necessary disagree. We find solutions and deliver our goals.

OUR STRATEGY

Discover

Our discovery and development efforts focus on antibiotics which have a new mechanism of action. One potential advantage to this approach is all strains of that bacteria could be equally susceptible to the new mechanism antibiotic, including those resistant to currently marketed antibiotics. In addition, resistance to the new mechanism antibiotic may develop at a slower rate than it does to antibiotics that are related to, or part of, an already marketed antibiotic class.

We use our Discuva Platform to identify new bacterial targets and optimise new antibiotics against these targets. As historical antibiotic discovery has focussed on broad-spectrum antibiotics, many of the new mechanisms being discovered are more targeted to specific bacteria. This allows us to design our programmes to be specific to an infectious disease or pathogen, which could have the advantage of sparing good bacteria that can help to ward off disease and further improve patient outcomes.

Develop

Improving patient outcomes is central to Summit in the development of our new mechanism antibiotics. We adopt a creative approach to our research and development activities, for example by developing clinical trials that show wider societal value of our new antibiotics. This could be by inclusion of clinical or economic metrics in clinical trials that support the use of our compounds over the current standard of care for the patient in question. This approach could target the entire patient population or more niched patient populations that still afford us a commercial opportunity. We believe that demonstrating improved patient outcomes in clinical trials could result in favourable drug labels upon potential regulatory approvals and encourage adoption of the new mechanism antibiotic by the medical community.

Commercialise

An important part of our strategy is the need to deliver economic data at launch that show potential cost-saving advantages of using a new drug over the current standard of care. We believe having both the appropriate drug label and health economic data could command fair pricing that make antibiotic research and development a more attractive proposition.

We expect to commercialise ridinilazole for CDI in the United States with our own sales force. We will evaluate our options to maximise the commercial opportunity for ridinilazole in other key territories where we retain exclusive commercial rights.

Through these collective scientific, development and economic efforts, we believe we can position our new mechanism antibiotics for commercial success and bring urgently needed medicines to patients. Our strategy also aligns with good antibiotic stewardship in the drive to reduce the threat posed by AMR.

We're in it together

By collaborating effectively we become a cohesive group that recognises and respects what each other are doing and why.

We win together

Winning attitude helps us deliver value to patients, shareholders and each other.

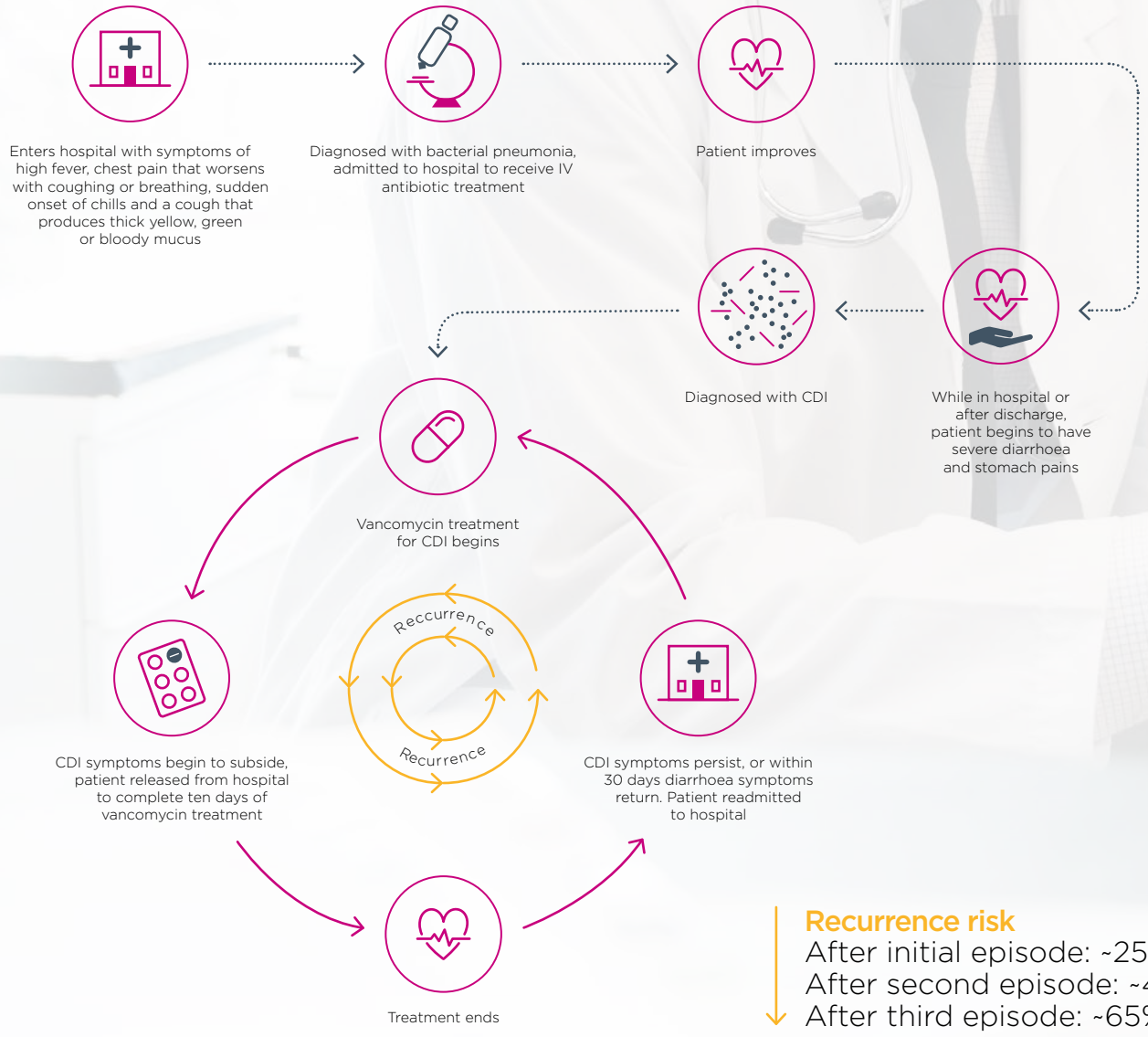
We focus on making a difference

We focus on improving the quality of life of patients, families and people whilst building a successful business.

A PATIENT'S JOURNEY WITH CDI

Summit's ridinilazole is a new mechanism, precision antibiotic in Phase 3 development for front-line treatment of CDI. Ridinilazole is designed to selectively target *C. difficile* bacteria at the site of infection without causing collateral damage to the gut microbiome, and therefore has the potential to treat not only the initial CDI infection, but importantly reduce the rate of CDI recurrence. If successful, ridinilazole could significantly improve patient outcomes, where currently, treatment fails in over one third of patients.

A PATIENT'S JOURNEY WITH RECURRENT CDI



Recurrence risk
After initial episode: ~25%
After second episode: ~45%
After third episode: ~65%

Better prevention of recurrence is the next frontier in CDI therapy, with potential to reduce both patient morbidity and healthcare costs.

David Roblin
President of R&D

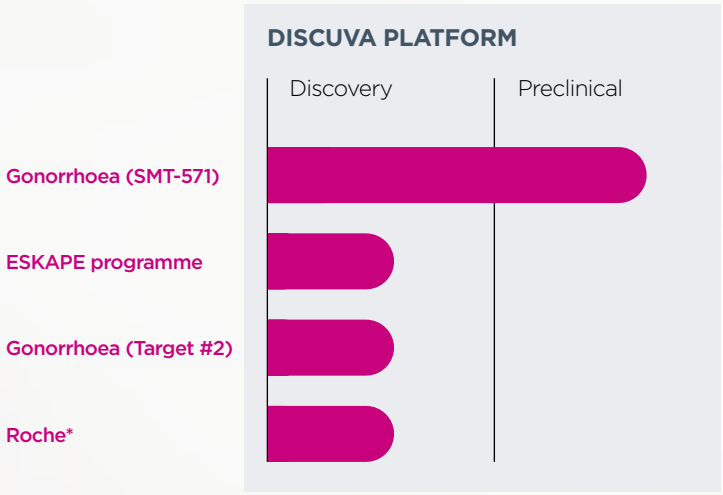
DISCUVA PLATFORM

Our proprietary Discuva Platform encompasses three core areas, which allow us to expand upon our leadership position in the research and development of new mechanism antibiotics:

- Identify **novel targets**
- Elucidate **mechanisms of action**
- Optimise against **bacterial resistance**

To perform these core areas, our scientists have created libraries of mutant bacteria, which enable exquisite control over bacterial gene expression. This allows our scientists, with the help of next-generation sequencing, to identify which genes are essential for a bacterium's survival. We can then design antibiotics to target the product of these genes. Further, genetic control of the mutant bacteria can help to identify a compound's mechanism of action and to ensure compounds are selected to which the bacteria are less likely to develop resistance.

Our libraries cover a wide range of bacteria that are classified as urgent or high-risk threats by the CDC and WHO. To date, our Discuva Platform has identified: two new mechanism targets to kill the pathogen *Neisseria gonorrhoeae;* an ESKAPE programme; and undisclosed targets under a historical collaboration with Roche.



* Roche holds worldwide development and commercialisation rights to these compounds and Summit is entitled to specified development, commercialisation and sales milestone payments from Roche.

We think about antibiotics differently. We design our new mechanism antibiotics to be specific for the pathogen or infection.

David Roblin
President of R&D

LEADING ANTIBIOTIC INNOVATION

Summit's discovery and development efforts are currently focussed on antibiotics which have a new mechanism of action.

Glyn Edwards
Chief Executive Officer

Summit is a leader in antibiotic innovation. The Company is developing new antibiotics with the potential to significantly improve patient outcomes in serious infectious diseases. Summit aims to become a fully integrated antibiotics company. Summit's lead antibiotic candidate is ridinilazole, a precision antibiotic in Phase 3 clinical development for front-line treatment of *C. difficile* infection ('CDI'). In addition, the Company is advancing SMT-571 for the treatment of gonorrhoea and a series of new mechanism antibiotics against hospital-acquired infections caused by the ESKAPE pathogens.

Summit's antibiotic research and development activities have and continue to receive significant funding support from third-party organisations including BARDA, CARB-X, the Wellcome Trust and Innovate UK.

STRATEGY

Since the turn of the century, few new mechanism antibiotics have entered the market. Overuse or inappropriate use of current antibiotics is fuelling antimicrobial resistance ('AMR'), and without the introduction of new antibiotics, the world is headed for an era where once easily curable infections could become global health crises. According to the US Centers for Disease Control and Prevention ('CDC'), at least two million people are infected with antibiotic resistant bacteria in the US every year, and of those, at least 23,000 people die as a result. The 2016 O' Neill Review on Antimicrobial Resistance ('AMR') stated that by 2050, an estimated ten million lives a year are at risk worldwide due to the rise of antibiotic resistant infections.

Although the need for new antibiotics is apparent, the companies developing antibiotics are not highly valued in the market – those antibiotics which are commercially available are not selling enough to sustain the respective developer, and investors are reluctant to invest their money where returns are likely limited.

Summit believes part of the solution to this problem is innovation. It has identified where it believes innovation could lead to success. Summit aims to develop new antibiotics that can show significant advantages over the current standards of care and offer compelling value propositions to payors. Summit is doing so through three key areas: discovery of new science, development programmes aimed at showing differentiation and commercialisation plans aimed at demonstrating the value of its antibiotic candidates. This approach is about ensuring the patient receives the right drug for the right infection.

Discovery
Summit's discovery and development efforts focus on antibiotics which have a new mechanism of action. One potential advantage to this approach is all strains of that bacteria could be equally susceptible to the new mechanism antibiotic, including those resistant to currently marketed antibiotics. In addition, resistance to the new mechanism antibiotic may develop at a slower rate than it does to antibiotics that are related to, or part of, an already marketed antibiotic class.

Summit uses its Discuva Platform to identify new bacterial targets and optimise new antibiotics against these targets. As historical antibiotic discovery has focussed on broad-spectrum antibiotics, many of the new mechanisms being discovered are more targeted to specific bacteria. This allows Summit to design its programmes to be specific to an infectious disease or pathogen, which could have the advantage of sparing good bacteria that can help to ward off disease and further improve patient outcomes.

Development
Improving patient outcomes is central to Summit in the development of its new mechanism antibiotics. Summit adopts a creative approach to its research and development activities, for example by developing clinical trials that show wider societal value of its new antibiotics. This could be by inclusion of clinical or economic metrics in clinical trials that support the use of its compounds over the current standard of care for the patient in question. This approach could target the entire patient population or more niched patient populations that still afford Summit a commercial opportunity. The Company believes that demonstrating improved patient outcomes in clinical trials could result in favourable drug labels upon potential regulatory approvals and encourage adoption of the new mechanism antibiotic by the medical community.

Commercialisation
While having the right drug label is part of the solution in offering compelling value propositions to payors, Summit also believes in the need to deliver economic data at launch that show potential cost-saving advantages of using a new drug over the current standard of care. The Company believes having both the appropriate drug label and health economic data could command fair pricing that make antibiotic research and development a more attractive proposition.

Through these collective scientific, development and economic efforts, Summit believes it can position its new mechanism antibiotics for commercial success and bring urgently needed medicines to patients. In addition, the Company's strategy favours the use of targeted antibiotics over broad-spectrum antibiotics, a key element of good antibiotic stewardship in the drive to reduce AMR and preserve use of important broad-spectrum antibiotics for serious idiopathic infections.

RIDINILAZOLE: A POTENTIAL FRONT-LINE ANTIBIOTIC TO COMBAT *C. DIFFICILE* INFECTION

Summit's strategy is exemplified by ridinilazole. Ridinilazole is a new mechanism, precision antibiotic in Phase 3 development for front-line treatment of CDI.

There are over one million cases of CDI in the US and Europe per year, resulting in about 29,000 deaths annually in the US alone. The mainstay CDI treatment is the broad-spectrum antibiotic, vancomycin. Initial treatment with vancomycin fails in approximately one-third of patients, driven by a high rate of patients having a recurrence of the disease within 30 days after treatment. This recurrence is caused by substantial disruption to the gut microbiome driven by the use of broad-spectrum antibiotics. Each recurrent episode of CDI is typically more severe than the prior episode and carries an increased risk of mortality. As such, reducing disease recurrence is the key clinical issue facing CDI.

Ridinilazole is designed to selectively target *C. difficile* bacteria at the site of infection without causing collateral damage to the gut microbiome, and therefore has the potential to be a front-line therapy that treats not only the initial CDI infection, but importantly reduces the rate of CDI recurrence. In August 2018, data were published showing patients treated with ridinilazole in the Company's Phase 2 proof of concept clinical trial had significantly preserved gut microbiomes versus the standard of care vancomycin. In that clinical trial, ridinilazole demonstrated clinical and statistical superiority over vancomycin in sustained clinical response ('SCR'), driven by its preservation of patients' microbiomes that reduced CDI recurrence by 59%.

Ridinilazole's Phase 3 clinical trials have been designed to replicate the positive results from the Phase 2 clinical trial. SCR is the primary endpoint that measures cure of the initial infection and whether patients have disease recurrence 30 days after completing treatment. The Phase 3 programme comprises two global, randomised, double-blind, active controlled clinical trials called Ri-CoDIFy 1 and Ri-CoDIFy 2. The trials are running concurrently with each expected to enrol approximately 680 patients at sites in North America, Latin America, Europe, Australia and Asia. Half of the patients in the trials receive ridinilazole, and the other half receive vancomycin. The Phase 3 trials also include various health economic outcome measures, such as hospital readmission rates and length of hospital stay, to help support the commercialisation of ridinilazole, if approved. Dosing of the first patient in the clinical trials began in February 2019, and top-line data are expected to be reported in the second half of 2021.

The ongoing clinical and regulatory development of ridinilazole is being supported by a contract with the US Biomedical Advanced Research and Development Authority ('BARDA') that potentially provides up to $62 million in non-dilutive funding. To date, total committed BARDA funding under this contract is $44 million, including a $12 million option that was exercised by BARDA in August 2018 and which will be drawn down to specifically support drug manufacturing activities required for the submission of a new drug application to the US Food and Drug Administration and other regulatory activities.

Summit expects to commercialise ridinilazole in the US with a targeted salesforce, if approved. The Company is evaluating its options to maximise the value of ridinilazole in other territories outside of certain Latin American and Caribbean countries, where it has a commercial agreement with Eurofarma Laboratórios S.A. ('Eurofarma').

SMT-571: PRECLINICAL ANTIBIOTIC FOR THE TREATMENT OF GONORRHOEA

Gonorrhoea is recognised as an urgent bacterial threat by the CDC and designated as a high priority pathogen by the World Health Organization ('WHO'). The WHO estimates there are approximately 78 million new cases of gonorrhoea globally each year. There is now only one treatment option recommended by the CDC for the treatment of gonorrhoea, a combination of two generic antibiotics. Resistance to this treatment option is growing, and alarmingly there are currently no other recommended antibiotics available.

Summit is developing SMT-571 as a new antibiotic for the treatment of gonorrhoea. Working by a novel mechanism of action, SMT-571 has shown high potency for a range of clinically relevant *N. gonorrhoeae* strains in *in vitro* studies, including numerous multi- and extensively-drug resistant strains. In September 2018, SMT-571 was nominated as a preclinical candidate for progress into investigational new drug ('IND')-enabling studies. Should SMT-571 successfully complete these IND-enabling studies, Summit expects to initiate a Phase 1 clinical trial in the second half of 2019.

In July 2018, Summit was awarded up to $4.5 million in non-dilutive funding from CARB-X, a public-private partnership dedicated to accelerating antibacterial research and development to address the rising global threat of drug-resistant bacteria. Summit will receive an initial $2.0 million in funding with the remaining $2.5 million split into two option segments, which may be exercised by CARB-X upon the achievement of certain development milestones. The full funding would support the development of SMT-571 through the completion of a Phase 1 clinical trial.

DISCUVA PLATFORM: AN ENGINE TO GENERATE NEW MECHANISM ANTIBIOTICS

The development of Summit's pipeline of new mechanism antibiotics is underpinned by its proprietary Discuva Platform. From discovery through the selection of optimised clinical candidates, Summit believes the Discuva Platform has the potential to deliver antibiotics with new mechanisms of action and a low likelihood of resistance development combined with a targeted spectrum of activity. The Discuva Platform utilises proprietary libraries of a wide range of bacteria that can be used to generate new mechanism antibiotics against bacteria that are classified as urgent or high-risk threats by the CDC and WHO.

ESKAPE programme

In September 2018, a new discovery programme targeting ESKAPE pathogens was unveiled. The ESKAPE pathogens (*Enterococcus faecium, Staphylococcus aureus, Klebsiella pneumoniae, Acinetobacter baumannii, Pseudomonas aeruginosa, Enterobacter spp.*) are a group of bacteria that represent a leading cause of hospital acquired infections around the world and are subject to increasing rates of resistance to existing antibiotic classes. Summit expects to provide an update on its first series of antibiotics from this programme in 2019.

Second novel gonorrhoea target

In June 2018, identification of a second novel target to kill *N. gonorrhoeae* distinct from the one targeted by SMT-571 was reported, along with the discovery of a new series of compounds that have activity against this target. The development of this second series of compounds has been supported in part by a grant from Innovate UK. The development of this programme is currently on hold as the Company pursues its lead candidate, SMT-571, for the treatment of gonorrhoea.

Roche collaboration

Prior to Summit's acquisition of Discuva Limited, Roche and Discuva entered into a collaboration using the Discuva Platform for the discovery and development of new antibiotic compounds in 2014. The joint research element of the collaboration concluded in early 2018, and Roche is solely responsible for continuing development of any compound that was identified under the collaboration, with Summit eligible to receive from Roche milestones and royalty payments based on the successful development and commercialisation of any such compound.

DUCHENNE MUSCULAR DYSTROPHY ('DMD')

In June 2018, Summit discontinued the development of ezutromid, the Company's lead utrophin modulator for the treatment of DMD. This decision was taken following the reporting in June 2018 that the Phase 2 proof of concept clinical trial in patients with DMD did not meet its primary or secondary endpoints. The Company believes the Phase 2 trial provided comprehensive data on a variety of endpoints that would have enabled the detection of any clinical benefit of ezutromid if it existed. These data have the potential to be helpful for other researchers and companies in the DMD community, and therefore, Summit has submitted anonymised, individual data to several DMD research consortia. Summit sincerely thanks the participants of that Phase 2 clinical trial for their contributions in furthering DMD research for the entire DMD community. Summit has substantively completed close-out activities related to ezutromid.

OPERATIONAL AND BOARD CHANGES

As a consequence of the discontinuation of ezutromid, the Company reduced its headcount by 17 employees, or approximately 23% of total headcount. Separately, Erik Ostrowski stepped down as Chief Financial Officer to pursue other opportunities at the end of December 2018. The Company plans to appoint a new Chief Financial Officer in due course.

There were also changes to the Board of Directors as part of the Company's business re-alignment to focus on the development of new mechanism antibiotics with Dr Barry Price and Professor Stephen Davies stepping down as Non-Executive Directors in September 2018.

Glyn Edwards
Chief Executive Officer

27 March 2019

INVESTING IN INNOVATION

REVENUE

Revenue was £43.0 million for the year ended 31 January 2019 compared to £12.4 million for the year ended 31 January 2018.

Revenues in each of these periods relates primarily to the Group's licence and collaboration agreement with Sarepta. The increase in revenues was driven by the recognition of all remaining deferred revenue related to the Sarepta agreement following the Group's decision to discontinue development of ezutromid in June 2018. This recognition of deferred revenues did not impact the Group's cash flows. Revenue recognised during the year ended 31 January 2019 relating to the Sarepta agreement amounted to £42.3 million. This included £6.3 million of cost-share income which the Group continues to receive.

The Group also recognised £0.5 million of revenue during the year ended 31 January 2019 relating to the receipt of a $2.5 million (£1.9 million) upfront payment in respect of the licence and commercialisation agreement signed with Eurofarma in December 2017 and £0.2 million of revenue pursuant to a research collaboration agreement between the Group's subsidiary Discuva Limited and Roche. The research services period under the Roche agreement ended in February 2018.

See Note 3 – Changes to accounting policies of IFRS 15 *'Revenue from contracts with customers'* for details of the impact of the initial adoption of IFRS 15.

OTHER OPERATING INCOME

Other operating income increased by £12.5 million to £15.2 million for the year ended 31 January 2019 from £2.7 million for the year ended 31 January 2018. This increase resulted primarily from the recognition of £13.1 million during the year ended 31 January 2019, as compared to £1.8 million during the year ended 31 January 2018 from the Group's funding contract with BARDA for the development of ridinilazole for the treatment of CDI.

The Group also recognised other operating income of £1.2 million during the year ended 31 January 2019 related to the Group's funding arrangements with CARB-X and Innovate UK awards for its antibiotic pipeline activities. In addition, £0.3 million was recognised in respect of UK Research and Development Expenditure Credits.

During the year ended 31 January 2019, the Group also recognised £0.5 million of other operating income resulting from the release of the Group's financial liabilities on funding arrangements relating to DMD-related US not for profit organisations because of the discontinuation of ezutromid's development.

OPERATING EXPENSES

Research and development expenses

Research and development expenses increased by £10.2 million to £39.2 million for the year ended 31 January 2019 from £29.0 million for the year ended 31 January 2018. This was due to increased expenditure related to the Group's CDI programme, antibiotic pipeline

development activities, and research and development related staffing and facilities costs, offset by decreased expenditure related to the discontinued DMD programme.

In more detail, investment into the CDI programme increased by £12.3 million to £17.9 million for the year ended 31 January 2019 from £5.6 million for the year ended 31 January 2018. This increase primarily related to clinical preparatory activities and manufacturing activities related to the Phase 3 clinical trials of ridinilazole that commenced in February 2019. Investment in the Group's antibiotic pipeline development activities was £1.9 million for the year ended 31 January 2019 compared to £0.1 million for the year ended 31 January 2018, which reflects activities post the completion of the acquisition of Discuva Limited that included the proprietary Discuva Platform in December 2017.

Expenses related to the DMD programme decreased by £6.5 million to £9.5 million for the year ended 31 January 2019 from £16.0 million for the year ended 31 January 2018. This was driven by the decision to discontinue development of ezutromid in June 2018, which resulted in a decrease in the clinical and manufacturing costs, as well as a reduction in next and future generation utrophin modulation programme research activities.

Other research and development expenses increased by £2.5 million to £9.8 million during the year ended 31 January 2019 as compared to £7.3 million during the year ended 31 January 2018, which was due to an increase in staff and facilities costs related to the CDI and antibiotic development teams, a non-cash charge related to the acceleration of share-based payment expenses resulting from the surrender of share option awards and a non-cash charge for amortisation of the proprietary Discuva Platform.

General and administration expenses
General and administration expenses increased by £0.3 million to £12.3 million for the year ended 31 January 2019 from £12.0 million for the year ended 31 January 2018. This increase was primarily due to a non-cash charge for the acceleration of share-based payment expenses resulting from the surrender of share option awards, a loss on recognition of contingent consideration payable relating to the acquisition of Discuva Limited, offset by a net positive movement in exchange rate variances.

Impairment of goodwill and intangible assets
As a result of discontinuing the development of ezutromid, the Group recognised an impairment charge during the year ended 31 January 2019 of £4.0 million relating to the utrophin programme intangible asset and goodwill associated with the acquisition of MuOx Limited.

FINANCE INCOME
Finance income was £2.8 million for the year ended 31 January 2019. This related primarily to the remeasurement of the Group's financial liabilities on funding arrangements relating to DMD-related US not for profit organisations following the discontinuation of the development of ezutromid in June 2018. Finance income was £3.1 million for the year ended 31 January 2018. This related primarily to the derecognition of the Group's financial liability on the Wellcome Trust funding arrangement, after the Group and the Wellcome Trust entered into a revenue sharing agreement in October 2017.

FINANCE COSTS
Finance costs recognised during the year ended 31 January 2019 relate to the unwinding of the discounts associated with financial liabilities on funding arrangements and provisions. Finance costs were £0.4 million for the year ended 31 January 2019 compared to £1.2 million for the year ended 31 January 2018. This decrease was due to a reduction in the unwinding of the discount following the remeasurement of the financial liabilities on funding arrangements relating to DMD-related US not for profit organisations to £nil following the discontinuation of the development of ezutromid in June 2018.

INCOME TAX
The income tax credit for the year ended 31 January 2019 was £2.5 million as compared to £3.8 million for the year ended 31 January 2018. This change in income tax credit was driven by a reduction in the Group's accrued UK research and development tax credit, as there are insufficient losses to surrender for the year ended 31 January 2019 to be eligible to receive a full research and development tax credit. This is due to the recognition of all remaining deferred revenue related to the Sarepta agreement following the Group's decision to discontinue the development of ezutromid in June 2018. This movement was offset by the release of deferred tax liabilities associated with the impairment of goodwill and amortisation of intangible assets.

The Group's net corporation tax receivable includes research and development tax credits receivable on qualifying expenditure in respect of previous financial years. The Group anticipates that it will receive these research and development tax credit payments in the first half of 2019, after receiving confirmation of intention to pay from the HM Revenue & Customs ('HMRC') in March 2019.

PROFIT/(LOSS)
Profit before income tax was £5.0 million for the year ended 31 January 2019 compared to a loss before income tax of £24.0 million for the year ended 31 January 2018. The profit recorded for the year ended 31 January 2019 was due to the recognition of all remaining deferred revenue related to the Sarepta agreement following the Group's decision to discontinue the development of ezutromid in June 2018. This recognition of deferred revenues did not impact the Group's cash flows.

Net profit was £7.5 million for the year ended 31 January 2019 with a basic and diluted profit per share of 9 pence compared to a net loss of £20.2 million for the year ended 31 January 2018 with a basic and diluted loss per share of 31 pence.

CASH FLOWS
The Group had a net cash inflow of £6.3 million for the year ended 31 January 2019 compared to a net cash outflow of £6.0 million for the year ended 31 January 2018.

Operating activities
Net cash used in operating activities for the year ended 31 January 2019 was £26.8 million compared to £14.7 million for the year ended 31 January 2018. This increase of £12.1 million was primarily driven by an increase in operating costs of £6.4 million, a net reduction in cash received from licensing agreements and funding arrangements of £2.5 million and a negative movement in taxation cash flows of £3.2 million due to timing of receipt of the Group's research and development tax credits receivable on qualifying expenditure in respect of previous financial years.

Investing activities

Net cash used in investing activities for the year ended 31 January 2019 was £0.3 million compared to £5.2 million for the year ended 31 January 2018. Net cash outflow from investing activities for the year ended 31 January 2019 represents contingent consideration paid and amounts paid to acquire property, plant and equipment and intangible assets, net of bank interest received on cash deposits. Net cash outflow from investing activities for the year ended 31 January 2018 included £4.8 million used in the acquisition of Discuva Limited in December 2017, net of cash acquired as part of the transaction, and a further £0.5 million used to acquire property, plant and equipment and intangible assets mainly in relation to the relocation of our UK office in Oxford.

Financing activities

Net cash generated from financing activities for the year ended 31 January 2019 was £33.4 million. This includes £14.1 million of net proceeds received following the Group's equity placing on the AIM market of the London Stock Exchange in March 2018, £19.2 million of net proceeds received following the Group's private placement of ADSs in the United States in January 2019, and £0.1 million received following the exercise of restricted stock units and share options. Net cash generated from financing activities for the year ended 31 January 2018 of £13.9 million included £13.5 million of net proceeds received following the Group's underwritten public equity offering in September 2017, and £0.4 million received following the exercise of warrants and share options.

FINANCIAL POSITION

As at 31 January 2019, total cash and cash equivalents held were £26.9 million (31 January 2018: £20.1 million).

HEADCOUNT

Headcount for the Group as at 31 January 2019 was 61 compared to 76 as at 31 January 2018, with this reflecting implementation of cost-cutting measures following the decision to discontinue ezutromid development in June 2018.

SHARE CAPITAL

On 29 March 2018, the Company completed an equity placing on the AIM market of the London Stock Exchange, issuing 8,333,333 new ordinary shares at a price of 180 pence per share. Total gross proceeds of £15.0 million were raised and directly attributable transaction costs of £0.9 million were incurred and accounted for as a deduction from equity.

On 9 January 2019, the Company completed a private placement of 15,625,000 American Depository Shares ('ADS') at a price of $1.60 per ADS. Each ADS represents five ordinary shares of one penny nominal value each in the capital of the Company, meaning 78,125,000 new ordinary shares were issued. Total gross proceeds of $25.0 million (£19.6 million) were raised and directly attributable transaction costs of £0.4 million were incurred.

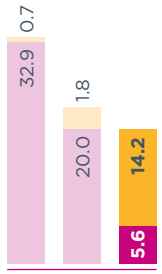
During the year 367,924 restricted stock units and share options were exercised raising net proceeds of £0.1 million.

Glyn Edwards
Chief Executive Officer

27 March 2019

KEY PERFORMANCE INDICATORS

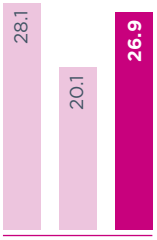
Grant income[1] Licensing revenue[2]



£19.8m

Total licensing revenue and grant income cash receivable[3]

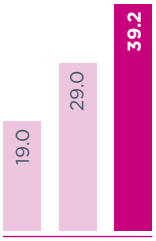
-9.2% since 2018



£26.9m

Year end cash held

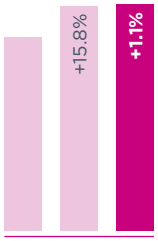
33.6% since 2018



£39.2m

Total research and development expenditure

35.2% since 2018



+1.1%

Increase in total patents granted[4]

1.1% since 2018

(1) Grant income comprises cash receivable from BARDA, CARB-X and Innovate UK.
(2) Licensing revenue includes cash receivable from Sarepta Therapeutics, Inc. and Eurofarma Laboratórios S.A.
(3) This KPI has been modified to reflect the period in which the Group has the right to receive cash from licensing agreements and grant awards. This indicator previously measured revenue and other operating income recognised on an accounting basis, an approach that can result in revenue being recognised over several financial years where it relates to a specified research development period. As a pre-commercialisation biotechnology business, management believes this revised indicator is a more relevant and effective measure of the Group's financial performance as it better reflects its internal financial monitoring related to cash resources required to support its ongoing research and development activities. The comparator years have been adjusted to be consistent with this revised approach.
(4) Total patents granted covers only active drug programmes and technology assets. DMD related patents have been excluded following discontinuation of ezutromid in June 2018.

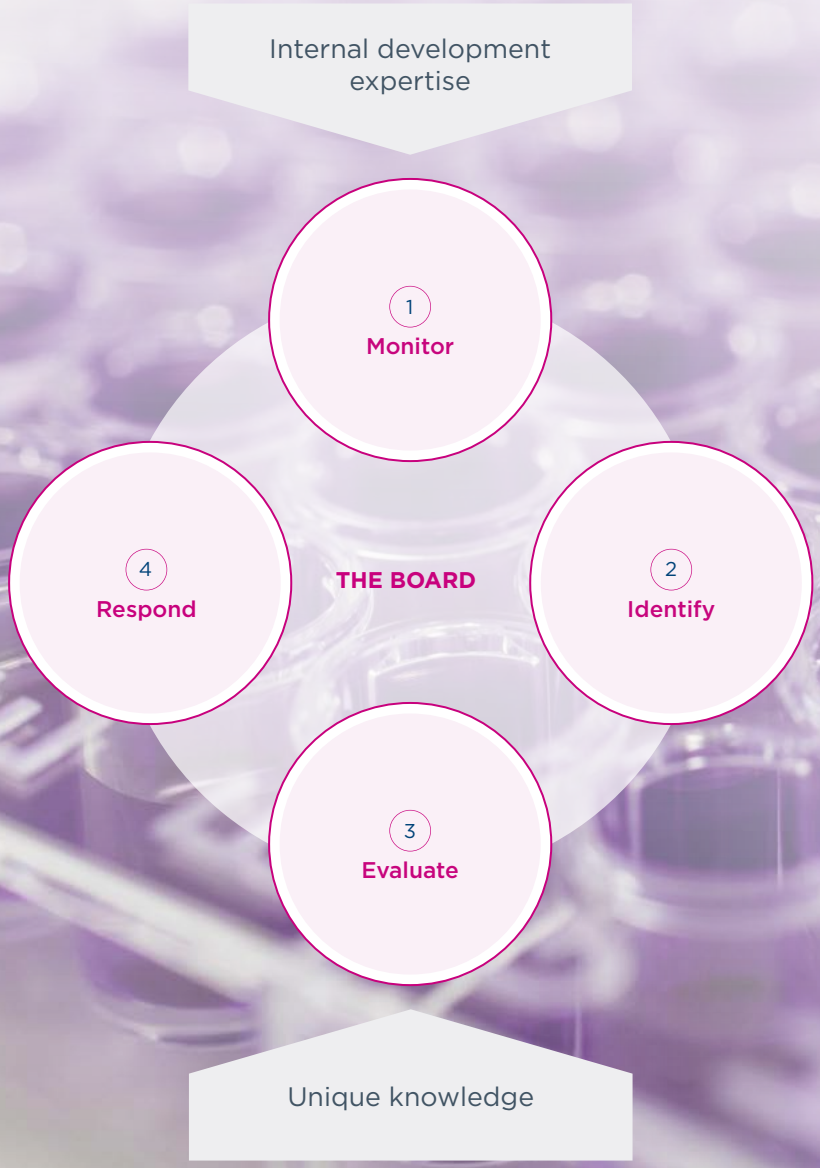
MANAGEMENT & MONITORING

As is common with other biopharmaceutical companies, Summit is subject to a number of risks and uncertainties.

IDENTIFIED PRINCIPAL RISKS AND UNCERTAINTIES

This section provides an overview of the principal risks and uncertainties identified by Summit that could affect its ability to implement its business strategy for the year ended 31 January 2019. These risks include the development and commercialisation of its clinical and preclinical programmes, its financial performance and its ability to conduct its business operations. A more detailed analysis of the risks and uncertainties for this period is included on Form 20-F that has been filed with the US Securities and Exchange Commission.

HOW WE MANAGE OUR RISKS AND UNCERTAINTIES



- Research & development
- Commercial
- Third-party collaborations
- Regulatory
- Intellectual Property ('IP')
- Financial
- Operational
- Brexit

Research & development

Summit's research and development activities are focussed on the progression of the precision antibiotic ridinilazole for the treatment of infections caused by the bacteria *C. difficile* and the development of a pipeline of other new mechanism antibiotics. All of the Company's product candidates are in clinical or preclinical development and the risk they will not be successfully developed is high.

The Company's ability to successfully develop ridinilazole, and future product candidates, could be influenced by a number of factors. These include its ability to demonstrate satisfactory safety and efficacy in clinical trials, delays in completing clinical trials which may cause the Company to incur additional costs, possible unforeseen events in connection with clinical trials, and delays or difficulties in the enrolment of patients into clinical trials. If the product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities, or otherwise produce unfavourable results, the Company may ultimately be unable to complete the development and commercialisation of ridinilazole or any other future product candidate.

Summit is also dependent on third parties to manufacture drug product for its clinical trials and help conduct its clinical trials. This exposes the Company to increased associated risks. For example, the Company may not be able to secure sufficient supplies of drug product for its clinical trials at an acceptable cost or may experience delays in conducting its product development activities.

The Company's plans to generate a pipeline of new mechanism antibiotics will rely on its Discuva Platform. While the Company expects to use this platform to facilitate the discovery and development of new mechanism antibiotics, it may fail to do so.

Commercial

There are a number of risks that could impair the Company's ability to commercialise its clinical stage candidates and earlier stage development pipeline. These include its ability to effectively establish sales and marketing capabilities if any product candidates are approved, its ability to enter into agreements with third parties, and the risk of competition that may lead to third parties discovering, developing or commercialising products earlier or more successfully than the Company. Summit may also be subject to unfavourable pricing regulations, pricing controls or healthcare reform initiatives and may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.

Summit does not have any approved products and is heavily dependent on the successful commercialisation of its lead antibiotic ridinilazole for the treatment of CDI. Summit intends to advance ridinilazole through Phase 3 clinical trials, and if it receives marketing approval, commercialise it independently in the United States.

The Company is reliant on Eurofarma Laboratórios to successfully commercialise ridinilazole in countries in South America, Central America and the Caribbean where it has granted Eurofarma commercial rights following the signing of a licence and commercialisation agreement in December 2017. Summit is evaluating various options to develop and commercialise ridinilazole in other territories where it retains rights.

Third-party collaborations

Summit has entered into agreements with third parties to support the development of its programmes.

The future clinical and regulatory development of ridinilazole is dependent on a contract with the US government agency, BARDA, which was signed in September 2017. Under the contract, BARDA will provide a significant portion of funding over several years. This contract adds uncertainty to the research and commercialisation efforts for ridinilazole. For example, BARDA is entitled to terminate the contract at any time and can opt to not exercise two future options that provide additional funding for the programme, both of which could reduce or delay funding, and in turn hamper development activities.

Summit's preclinical stage programme targeting gonorrhoea is being supported by contract funding from CARB-X that was signed in July 2018. Receipt of the full funding from CARB-X is dependent on the programme achieving certain development milestones and CARB-X exercising its option to release additional funding. If these milestones are not achieved, or CARB-X determines not to exercise its options, Summit may be able unable to continue the development of the gonorrhoea programme.

The government funding agreements may also contain contractual rights that are not typically found in commercial agreements and could impose requirements that increase the costs of commercialisation and production of product candidates.

Regulatory

The Company operates in a heavily regulated industry and there are a number of risks that could affect the development and marketing of its product candidates. For example, if Summit is unable to obtain, or if there are delays in obtaining, required regulatory marketing approvals, the Company will not be able to commercialise its product candidates. For certain product candidates, Summit is also dependent upon third-party collaborators to obtain regulatory marketing approvals in specified territories and their failure to achieve this would have an adverse impact on the ability to commercialise these product candidates.

Regulatory authorities also exercise authority to support expedited regulatory review of drug candidates for serious or life-threatening conditions, such as Fast Track designation, QIDP designation, Breakthrough Therapy designation, and Priority Review designation. However, such designations the Company has, or may receive, may not lead to faster development, nor assure marketing approval from the FDA. Summit could also be affected by changes to current and future legislation as it relates to regulatory matters.

Current and future legislative and regulatory changes in countries including the United States could also have an impact on Summit's ability to obtain marketing approval and commercialise its products, and affect the reimbursement obtained by the Company or its potential collaborators.

Intellectual Property ('IP')

Summit's success depends in large part on its ability to obtain and maintain patent protection for its proprietary technology and products, including the Company's Discuva Platform, in the United States, Europe and other countries.

If Summit is unable to obtain or maintain patent protection for its technology and products, or if the scope of the patent protection is not sufficiently broad, competitors could develop and commercialise similar technology and products which would materially adversely affect the Company's ability to successfully commercialise its technology and products. Summit is exposed to additional IP risks, including infringement of intellectual property rights, involvement in lawsuits and other proceedings to protect or enforce the Company's intellectual property, with such action being potentially expensive, time-consuming and potentially unsuccessful. The Company faces the risk that third-parties initiate legal proceedings related to infringement of intellectual property rights, with the outcome of such action uncertain and potentially having an adverse effect on the business. Summit may also be unable to protect the confidentiality of its trade secrets which could have an adverse effect on the Company.

Financial

Summit has a limited operating history, has incurred significant losses since its inception and does not have any approved or sales-generating products. The Company expects to incur losses for the foreseeable future, and there is no certainty that the business will generate profits from its operations or maintain profitability. The Company expects that its expenses will continue to increase to support its research and development activities and other operational costs. The future capital requirements will depend on many factors including ones related to the progress of the Company's product development programmes and commercialisation plans. Summit's shares are traded on AIM, a market of the London Stock Exchange, and the Nasdaq Global Market and means the value of the Company is subject to stock market volatility. Biotechnology companies in particular can experience extreme volatility that is often unrelated to the operating performance of the company. The Company may not be able to raise additional funds that will be needed to support its product development programmes, identify and develop additional product candidates, or support commercialisation efforts. Any additional funds that are raised could cause dilution to existing investors.

The Company is also exposed to currency exchange rate variations due to a significant portion of operations being conducted outside of the United Kingdom. This can have an impact on the cost of research and development outside of the United Kingdom, as well as the value of the Company's cash deposits.

Operational

Summit may seek to enter into partnerships, in-license technologies, or complete acquisitions to strengthen its business. Any acquisition that Summit completes will involve the integration of the operations, product candidates and technology of the acquired business with the Company's existing operations and programmes. There are uncertainties inherent in any such integration. Any acquisition may require significant resources and management time. The anticipated benefits of any acquisition may not be fully realised, may take longer than expected or may not be realised at all. For example, in December 2017, Summit acquired a development-stage biopharmaceutical company, including the Discuva Platform that the Company expects will help to expand its pipeline of new mechanism antibiotics. This may not happen and means that the Company may not obtain any value from this acquisition.

Summit's future success also depends on its ability to retain key executives, including the Chief Executive Officer, Chief Operating Officer, Chief Medical Officer and President of R&D and Chief Commercial Officer, and to attract, retain and motivate qualified personnel. The unplanned loss of the services of any key persons could materially impact the achievement of Summit's research, development and commercialisation objectives. Recruiting, retaining and motivating qualified personnel will also be critical to the Company's success. There is a risk that Summit may not be able to attract, retain and motivate qualified personnel on acceptable terms due to the competition among numerous biotechnology and pharmaceutical companies for similar personnel. Summit also expects to expand its development, regulatory and sales and marketing capabilities, and there is a risk that the Company may encounter difficulties in managing this growth that could disrupt the business.

Summit needs to maintain an effective system of internal control over financial reporting to produce reliable financial statements and protect against and detect fraud. The Company's internal computer systems, or those of its collaborators, contractors or consultants may fail or suffer security breaches that could cause material disruption to our business and product development programmes. Summit may also fail to comply with global privacy and data security laws, or environmental, health and safety laws and regulations and be liable to fines, penalties or incur costs that could have a material adverse effect on the success of the business.

Brexit

Following the electoral vote for the UK to leave the European Union ('EU'), commonly referred to as Brexit, the UK's withdrawal from, and the terms of its future relationship with the EU is uncertain and could have a material adverse effect on its business operations. There is a lack of clarity about which EU laws and regulations will be replaced or replicated into future UK laws and regulations as part of a withdrawal including financial laws and regulations, tax and trade agreements, intellectual property rights, supply chain logistics, the regulatory regime that applies to clinical product candidates, employment laws, and environmental, health and safety laws and regulations. This uncertainty could adversely affect Summit's business operations. For example, one near-term risk is potential disruption to import and export processes between the EU and UK custom agencies. This may cause delays to the clinical trial supply chain which could have a consequence on the time taken to conduct the clinical trials. There is also a risk of increased stock market volatility during and post the Brexit negotiations, and on the terms of the withdrawal, which could adversely affect the market price of Summit's shares.

GOVERNANCE

Summit continually seeks to apply the highest standards of corporate governance appropriate to our size and stage of development.

Frank Armstrong
Non-Executive Chairman

GOVERNANCE

INTRODUCTION TO GOVERNANCE

We have an exciting future ahead as we look to deliver on our business strategy of advancing innovative antibiotics that aim to show meaningful benefits over the existing standard of care treatments.

Frank Armstrong
Non-Executive Chairman

The Board has needed to adapt to the changing needs of the business during the year while ensuring it continued to apply high standards of corporate governance. The business emerged from the disappointing results from our Phase 2 clinical trial in Duchenne muscular dystrophy as a pure-play infectious disease business with a focus on advancing novel antibiotics with the potential to make meaningful changes to patients' lives. Against this background, this section sets out how we applied our philosophy on corporate governance to meet the needs of the business during this year, what changes we made to enhance our corporate governance practice, as well as our report on the remuneration of the Board of Directors.

KEY BOARD ACTIVITIES

- To set the Company strategy and monitoring progress against this
- To set governance and remuneration policies that align with shareholder interests
- To manage risk and undertake business in a responsible manner
- To listen and respond to the views of all stakeholders

Summit continually seeks to apply the highest standard of corporate governance appropriate to our size and stage of development. We are undertaking late-stage global clinical trials and are conducting preclinical research as we seek to build a pipeline of new mechanism antibiotics. To support our work, we have operations in the United Kingdom and the United States. Summit also has its shares listed on two global markets: the AIM Market in London and Nasdaq Global Market in New York.

During the year, Summit formally adopted the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') to comply with changes to the AIM Rules introduced in September 2018. After careful deliberation, the Board believed that adoption of the QCA Code was most appropriate for a business of our size and stage of development. The QCA Code contains ten principles that provide a clear framework that very closely aligns with our existing corporate governance practice. This meant Summit fully complied with the QCA Code from adoption. The Board will however continue to monitor its practice against the QCA Code while balancing the needs of the business to ensure it has the correct level of skills and expertise required to manage a global business and fulfil our financial and regulatory obligations across two distinct jurisdictions.

There may be times in the future where aspects of our policies run against the QCA Code. When this is the case, we will seek to provide a clear explanation as to why the Board believes the specific policies are in the best interests of shareholders and consistent with implementing our business strategy.

The Remuneration Committee played an important role during the year as the business prepared to report key clinical trial data and the subsequent transition to focus on antibiotics. The central activity of this Committee was to ensure that the interests of our employees remained aligned with those of shareholders as detailed in our approved Remuneration Policy.

This was also the second year of our restricted stock unit programme for Non-Executive Directors to replace the historical practice of awarding share options, with no Non-Executive Director now holding share options. Further details are outlined in the Directors' Remuneration Report.

The Corporate Governance Report includes this year a separate report from the Audit Committee to more clearly highlight their important work on monitoring the financial health of the Group and risk management related matters. The Corporate Governance Report also includes for the first time additional disclosures on employment and environmental matters to meet the requirements of the UK Companies Act. It is important that Summit is able to attract and retain high calibre individuals with expertise in running dual-listed companies and experience within the life sciences industry, specifically antibiotics. The gender profile of our employees is included as we seek to appoint people with the appropriate skills, knowledge and experience combined with an understanding of our values and mission. We also report on greenhouse gas emissions by the Company with these data reflecting Summit operating as both an office and laboratory-based business.

The Board continues to recognise the importance of listening and responding to feedback from shareholders. We have an exciting future ahead as we look to deliver on our business strategy of advancing innovative antibiotics that aim to show meaningful benefits over the existing standard of care treatments.

Frank Armstrong, FRCPE, FFPM
Non-Executive Chairman

27 March 2019

OUR STRONG LEADERSHIP TEAM

COMMITTEES

(A) Audit Committee

(R) Remuneration Committee

(N) Nominating and Corporate Governance Committee

○ Member

● Chair

Frank Armstrong, FRCPE, FFPM

(R) (N)

Non-Executive Chairman

APPOINTMENT

Dr Armstrong (62) has served as a member of the Board of Directors since November 2012 and Non-Executive Chairman since June 2013.

EXPERIENCE

Prior to this, Dr Armstrong led Medical Science and Innovation at Merck Serono, the biopharmaceutical division of Merck KGaA, from 2010 to 2011. Dr Armstrong was also Head of Worldwide Product Development at Bayer AG from 1998 to 2001 and held various positions at ICI plc and Zeneca plc, now AstraZeneca plc, from 1985 to 1988. Dr Armstrong has served as the Chief Executive Officer at five biotechnology companies, including Fulcrum Pharma plc, CuraGen Corporation, which was acquired by Celldex Therapeutics Inc, Bioaccelerate Holdings Inc., Provensis Limited and Phoqus Pharmaceuticals plc.

EXTERNAL APPOINTMENTS

Dr Armstrong is the Non-Executive Chairman of the Boards of Directors of Faron Pharmaceuticals Oy and Caldan Therapeutics Ltd. He is also a Member of the Strategic Advisory Board of HealthCare Royalty Partners and Epidarex Capital and a Member of the Court of the University of Edinburgh.

Accreditation

Dr Armstrong received an honours degree in biochemistry and an MBChB in medicine from the University of Edinburgh in Scotland. Dr Armstrong is a Fellow of the Royal College of Physicians of Edinburgh and a Fellow of the Faculty of Pharmaceutical Physicians.

Glyn Edwards

Chief Executive Officer

APPOINTMENT

Mr Edwards (63) has served as Summit's Chief Executive Officer and a member of the Board of Directors since April 2012.

EXPERIENCE

Prior to joining the Company, Mr Edwards served as interim Chief Executive Officer of the BioIndustry Association, a UK trade organisation, from November 2011 to June 2012, and Chief Executive Officer at Antisoma plc, a publicly traded biotechnology company specialising in the development of novel drugs for the treatment of cancer from 1998 to 2011. Mr Edwards also previously served as Vice President of Business Development at Therapeutic Antibodies Ltd.

EXTERNAL APPOINTMENTS

Mr Edwards is a Non-Executive Director of the private UK company OxSonics Limited.

ACCREDITATION

Mr Edwards received a BSc in biochemistry from Bristol University and a MSc in economics from the London Business School.

Leopoldo Zambeletti

A R N

Non-Executive Director

APPOINTMENT

Mr Zambeletti (50) has served as a member of our Board of Directors since May 2014.

EXPERIENCE

Mr Zambeletti has served as an independent strategic adviser to life sciences companies since 2013, focussing on mergers and acquisitions, out-licensing deals, and financing strategy. Prior to this, Mr Zambeletti worked in investment banking for 19 years, during which time he led the European Healthcare Investment teams at JP Morgan and at Credit Suisse.

EXTERNAL APPOINTMENTS

He is a Non-Executive Director of Faron Pharmaceuticals Oy, Tiziana Life Sciences plc, OKYO Pharma Plc, Philogen SpA, Nogra Pharma Ltd, DS Biopharma Ltd (formerly known as Dignity Services Ltd), Overjoy S.R.L and Afimmune Limited. He is also an adviser and co-founder to the US medtech company Qardio. Mr Zambeletti began his career as an accountant at KPMG.

ACCREDITATION

Mr Zambeletti received a degree in business administration from Università Bocconi, Milan.

Valerie Andrews

A R N

Non-Executive Director

APPOINTMENT

Ms Andrews (59) has served as a member of the Board of Directors since September 2014.

EXPERIENCE

Most recently, Ms Andrews served from May 2011 until May 2014 as General Counsel at Vertex Pharmaceuticals Incorporated, a biopharmaceutical company focussed on small molecule therapies for cystic fibrosis and other indications. From 2002 to May 2011, Ms Andrews served in various legal roles at Vertex, including as Deputy General Counsel and Chief Compliance Officer. Prior to joining Vertex, Ms Andrews was the Executive Director of Licensing for Massachusetts General Hospital and Brigham and Women's Hospital from September 2001 to March 2002. From 1989 to 2001, Ms Andrews served as a corporate lawyer at Hill & Barlow PC, where she became a partner in 1997. In her professional roles, Ms Andrews has garnered expertise in areas including corporate strategy, strategic transactions, corporate governance, executive compensation, risk management, and compliance. Ms Andrews has served as a Non-Executive Director of Juniper Pharmaceuticals Inc. from 2005 until 2015.

ACCREDITATION

Ms Andrews received a BA in chemistry and psychology from Duke University and a JD from Boston College.

David Wurzer

A N

Non-Executive Director

APPOINTMENT

Mr Wurzer (60) has served as a member of the Board of Directors since February 2015.

EXPERIENCE

Mr Wurzer is currently the Executive Vice President and Chief Investment Officer at Connecticut Innovations Inc, a state-funded venture capital fund, where he previously served as Senior Managing Director and Managing Director. Prior to joining Connecticut Innovations in November 2009, Mr Wurzer served as Executive Vice President, Treasurer and Chief Financial Officer at CuraGen Corporation from 1997 to 2008. He also held numerous positions at Value Health Inc from 1991 to 1997, including Senior Vice President, Treasurer and Chief Financial Officer. Mr Wurzer is a Certified Public Accountant and began his career with Coopers & Lybrand, which is now part of PricewaterhouseCoopers.

EXTERNAL APPOINTMENTS

Mr Wurzer is a Non-Executive Director on the boards of Standard Diversified, Inc., Thetis Pharmaceuticals LLC, ReNetX Bio, Inc. (formerly known as Axerion Therapeutics, Inc.), and Bioasis Technologies, Inc.

ACCREDITATION

Mr Wurzer received a BBA from the University of Notre Dame.

The Board believes in the importance of corporate governance and is aware of its responsibility for overall corporate governance and for supervising the general affairs and business of the Company and its subsidiaries.

The Company's ordinary shares are listed on AIM, a market of the London Stock Exchange, and Summit is subject to the continuing obligations of the AIM Rules. The Company also has American Depositary Shares ('ADSs') listed in the United States on the Nasdaq Global Market ('Nasdaq').

Summit has applied the Quoted Companies Alliance Corporate Governance Code ('the QCA Code') from 28 September 2018. This in accordance with the requirement from the London Stock Exchange for all AIM companies to apply a recognised corporate governance code. This Corporate Governance Statement sets out how Summit applies the ten principles of the QCA Code.

From a US perspective, Summit is currently classed as a foreign private issuer ('FPI') and this status requires the Company to comply with various corporate governance practices under the Sarbanes-Oxley Act of 2002, as well as related rules subsequently implemented by the US Securities and Exchange Commission (the 'SEC'). In addition, Nasdaq rules permit FPIs to follow home country practice in lieu of the Nasdaq corporate governance standards, subject to certain exemptions and except to the extent that such exemptions would be contrary to US federal securities law. The Company intends to take all actions necessary to maintain compliance as an FPI under the applicable corporate governance requirements.

This section provides general information on the Group's adoption of corporate governance.

OUR STRATEGY AND BUSINESS MODEL

The focus of the Group's business is on the discovery, development and commercialisation of novel antibiotics for the treatment of serious infectious diseases. Further information about Summit's strategy and business model is set out on pages 14 and 15 of this Annual Report.

OUR APPROACH TO RISK

The Group invests its efforts and financial resources into the process of identifying suitable pharmaceutical product candidates which it then intends to take through an extensive development process. The nature of this work is inherently risky. There is no certainty that any of its product candidates will progress successfully through preclinical and clinical trials and become marketable products. Summit's internal development expertise and unique knowledge of the therapeutic area in which it operates should however allow it to identify and develop valuable products in a manner that will substantially reduce, but which cannot eliminate, this risk in the future. All of the Group's activities involve an ongoing assessment of risks and the Group seeks to mitigate such risks where possible.

THE TEN PRINCIPLES OF THE QCA CODE

Number	Principles	Disclosed in the 2019 Annual Report
1	Establish a strategy and business model that promotes long-term value for shareholders	Pages 14 to 15
2	Seek to understand and meet shareholder needs and expectations	Page 38
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Pages 38 to 39
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	Pages 26 to 29, 45
5	Maintain the Board as a well-functioning, balanced team led by the Chair	Pages 37 to 38
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Pages 34 to 35, 37 to 38
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Page 37
8	Promote a corporate culture that is based on ethical values and behaviours	Pages 14 to 15, 39
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Pages 37 to 64
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Page 38

The Board has undertaken an assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. In addition, the Board has considered the longer-term viability of the Group including factors such as the prospects of the Group and its ability to continue in operation for the foreseeable future. The Board considers that the disclosures outlined in the Group's Strategic Report on pages 10 to 29 and the further detailed risk factors included on Form 20-F filed with the SEC, are appropriate given the stage of development of the business. The Board considers that these disclosures provide the information necessary for shareholders to assess the Group's future viability and potential requirements for further capital to fund its operations.

Having carried out a review of the level of risks that the Group is taking in pursuit of its strategy, the Board is satisfied that the level of retained risk is appropriate and commensurate with the financial rewards that should result from achievement of its strategy.

THE BOARD

At 31 January 2019, the Board comprised four Non-Executive Directors, and one Executive Director.

The Board typically has six scheduled meetings per year (approximately every two months), with additional Board meetings and Board sub-committee meetings convened as circumstances and business needs dictate. The Board is responsible to the shareholders for the proper management of the Group and sets the overall direction and strategy of the Group, reviews scientific, operational and financial performance, and advises on management appointments. All key operational and investment decisions are subject to Board approval. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

There is a clear separation of the roles of Chief Executive Officer and Non-Executive Chairman. The Non-Executive Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-Executive Directors are properly briefed on matters. The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day to day business activities of the Group.

The Board believes that all Non-Executive Directors are independent under UK corporate governance standards. The Board has also determined that all Non-Executive Directors qualify as independent Directors under Rule 5605(a)(2) of the Nasdaq Listing Standards.

All of the Directors are subject to election by shareholders at the first Annual General Meeting ('AGM') after their appointment to the Board and to re-election by shareholders at least once every three years. The Board considers that this practise of retiring by rotation every three years is appropriate given as a biopharmaceutical company, the nature of the business is to carry out long-term research and development. The Company Secretary is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are complied with. The work of the Board and Committees is also assisted by other people including the Company's Vice President of Investor Relations and Corporate Affairs and Senior Director of Human Resources.

DIRECTOR DEVELOPMENT

The Board considers each Non-Executive Director is of sufficient competence and calibre to add strength and objectivity to the Board. Each Non-Executive Director brings considerable experience in scientific, operational or financial development of biopharmaceutical products and companies. The Board contains the necessary skills to support the Company in the development of its drug candidates and discovery programmes, and to support the financial and regulatory obligations as a dual-listed Company in the United Kingdom and United States. The Directors' biographies can be found pages 34 and 35.

PERFORMANCE EVALUATION

The Remuneration Committee oversees the annual evaluation of the performance of the Chief Executive Officer, and it is part of the role of the Nominating and Corporate Governance Committee to oversee the review and evaluation of the Board as a whole, the Committees and the individual Directors. The Board evaluations are conducted annually through use of a confidential questionnaire completed by each Director. The questionnaire covers topics including the composition of the Board and Committees, oversight of management, understanding the business, and the conduct and effectiveness of Board meetings. The results are collated and analysed by external counsel and anonymised results are shared with, and discussed, by the Board with areas for improvement identified where appropriate. The formality and complexity of the process is considered appropriate for a company of Summit's size and stage of development, and the Board will continue to review the process and make any changes as appropriate should this position change. The Nominating and Corporate Governance Committee is responsible for managing succession planning for Directors and Executive Officers.

BOARD COMMITTEES

The Board has Audit, Remuneration, and Nominating and Corporate Governance Committees, each with written terms of reference stating their authorities and duties. The full terms of reference of all the Committees are published on the Group's website at www.summitplc.com.

Audit Committee

The Audit Committee Report can be found on pages 40 and 41.

Remuneration Committee

The members of the Remuneration Committee are Ms Valerie Andrews, Dr Frank Armstrong and Mr Leopoldo Zambeletti. Mr Leopoldo Zambeletti replaced Professor Stephen Davies on the Remuneration Committee during the year. Ms Valerie Andrews is the Chair of the Remuneration Committee. The Remuneration Committee held six scheduled meetings and two additional meetings during the 12 month period under review. Attendance of members at these meetings is shown in the table on page 38.

The responsibilities of the Committee include the following:

- determining and agreeing with the Board the Remuneration Policy for all Directors;
- within the terms of the agreed policy, determining the total individual remuneration package for Executive Directors;
- overseeing the evaluation of Executive Officers;
- determining bonuses payable under the Group's cash bonus scheme; and
- determining the vesting conditions of awards under the Group's long-term incentive plans and the issue of share options.

The Directors' Remuneration Report for the year ended 31 January 2019 is presented on pages 42 to 64.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are Dr Frank Armstrong, Ms Valerie Andrews, Mr Leopoldo Zambeletti and Mr David Wurzer. Dr Frank Armstrong is the Chair of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee held two scheduled meetings during the 12 month period under review. Attendance of members at this meeting is shown below.

The responsibilities of the Committee include the following:

- identifying individuals qualified to become members of the Board of Directors;
- recommending Directors to be appointed to the Committees;
- overseeing the annual evaluation of the Board and its Committees;
- reviewing and making recommendations to the Board on Board leadership structure;
- reviewing and making recommendations to the Board on management succession planning; and
- developing and recommending to the Board appropriate corporate governance principles.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The Directors attended the following Board and Committee meetings during the year:

Attendance	Audit Committee	Remuneration Committee	Nominating and Corporate Governance Committee	Board meetings
Frank Armstrong	–	8/8	2/2	15/16
Glyn Edwards	–	–	–	15/16
Barry Price[1]	–	–	1/1	8/10
Stephen Davies[1]	–	3/4	1/1	9/10
Leopoldo Zambeletti	5/9	4/4	2/2	13/16
Valerie Andrews	9/9	8/8	2/2	15/16
David Wurzer	9/9	–	2/2	15/16

(1) Resigned from the Board on 20 September 2018.

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of communication with its shareholders to ensure that its strategy and performance are understood and that it remains accountable to shareholders. The Company regularly engages with its institutional and other major shareholders, particularly around key scientific, operational and financial events. The Company's website, www.summitplc.com, has a section dedicated to investor matters.

The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, while the Non-Executive Chairman and Chief Executive Officer ensure that the views of the shareholders are communicated to the Board as a whole. The Board ensures that the Group's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholder value. Fully audited Annual Reports will be distributed to shareholders and Interim and Quarterly Results statements notified *via* Regulatory Information Service announcements. All financial reports, press releases and filings to the Securities and Exchange Commission ('SEC') are made available on the Company's website.

Shareholders are welcome to attend the Company's AGM and any additional general meetings, where they have the opportunity to meet the Board and discuss aspects of the Group's performance and question management in more detail. All shareholders will have at least 21 days' notice of the AGM. The Company engages with its shareholders on any resolutions that it will propose at a general meeting of the Company, and the notice of meeting and proxy voting results are made available from the website.

CORPORATE SOCIAL RESPONSIBILITY

The Board recognises the growing awareness of social, environmental and ethical matters, and it endeavours to take into account the interest of the Group's stakeholders, including its investors, employees, suppliers and business partners when operating the business. Summit's mission is developing new mechanism antibiotics that have the potential to improve outcomes of patients who suffer from serious infectious diseases and support good antibiotic stewardship.

People

Summit's relationship with its employees is vital to its success. The Company aims to appoint employees with appropriate skills, knowledge and experience for the roles they undertake and thereafter to develop and incentivise staff. The Company also actively promotes diversity across the workforce.

The Board recognises its legal responsibility to ensure the well-being, safety and welfare of its employees and maintain a safe and healthy working environment for them and for its visitors.

Summit also works with external organisations and collaborators. For example, Summit uses contract research organisations to support the running of clinical trials and manufacture of drug products. Summit also works from time to time with other advisers in a range of business areas including financial, regulatory, legal, information technology and human resources. Summit seeks frequent and open dialogue with all of its various collaborators as it looks to maintain good working relationships.

The profile of the Group's employees at 31 January 2019 was as follows:

	Female 31 January 2019	Male 31 January 2019	Total 31 January 2019
Number of persons who were Directors of the Company (including Non-Executive)	1	4	5
Number of persons who were Executive Officers of the Company	–	1	1
Number of persons who were senior managers of the Company	4	5	9
Number of persons who were employees of the Company	30	16	46
Total employees at 31 January 2019	35	26	61

A senior manager is an employee who has the responsibility for planning, directing or controlling the activities of the Group or a strategically significant part of the Group.

Culture and values

The Board believes that the promotion of corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. The Company maintains a Code of Business Conduct and Ethics to which it expects all employees and Directors of Summit to adhere. This code is intended to promote the conduct of all Company business in accordance with high standards of integrity and in compliance with all applicable laws and regulations. Employees also have developed five core values that underpin the mission of the business. These five values, illustrated on pages 14 and 15, promote integrity, openness, collaboration and a focus on making a difference for patients.

Environmental matters

The Group has reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.
The sources of emissions relate solely to the electricity and gas purchased by our UK office and laboratory premises, the costs of which are included within the consolidated financial statements. Management has responsibility for any emission sources that the Group controls and where the Group bears the associated costs in the consolidated statements. The Greenhouse Gas ('GHG') Protocol Corporate Accounting and Reporting Standard (revised edition) data gathered have been used to fulfil the requirements under the CRC Energy Efficiency scheme, and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2018.

Management has used the most recent evidence or estimates provided by its energy supply partners to generate the disclosure of emissions for the year ended 31 January 2019. These include the purchase of electricity, heat, steam or cooling.

The annual quantity of emissions for the Group for the year ended 31 January 2019 was 241 tonnes of carbon dioxide (year ended 31 January 2018: 70 tonnes), produced by activities for which the Group was responsible.
The Group considers that the intensity ratio of tonnes of carbon dioxide per employee is a suitable metric for its operations. This was 4.2 tonnes per head average for the year ended 31 January 2019 (year ended 31 January 2018: 1.7 tonnes). This increase in the average tonnes of carbon dioxide per head is directly related to the Company acquisition of Discuva Limited in December 2017. The research laboratories acquired as part of the transaction require additional electricity and gas inputs to facilitate the antibiotic pipeline research and development activities.

On behalf of the Audit Committee, I am pleased to present our Audit Committee Report for the year ended 31 January 2019. This report outlines the role of the Audit Committee on behalf of the Board, and the activities undertaken by the Committee during the year. It also sets out key financial and risk management matters that the Committee has considered as part of our work.

David Wurzer
Chair of the Audit Committee

THE AUDIT COMMITTEE

The Audit Committee oversees the financial reporting process and monitors the effectiveness of the Group internal controls systems and risk management. The Audit Committee also assesses the independence of the external auditors. The Audit Committee meets at least four times a year and reports to the Board.

As at 31 January 2019, the members of the Audit Committee were Mr David Wurzer, Mr Leopoldo Zambeletti and Ms Valerie Andrews. Mr David Wurzer is the Chair of the Audit Committee. The Board is satisfied that Mr David Wurzer's experience ensures compliance with provision 24 of the UK Corporate Governance Code whereby at least one member of the Audit Committee must have recent and relevant financial experience. Each member of the Audit Committee satisfies the independence requirements of Rule 10A-3(b)(1) under the US Securities Exchange Act. In addition, the Board has determined that Mr David Wurzer is an 'audit committee financial expert' as defined in Item 16A of Form 20-F filed with the SEC.

The Audit Committee's terms of reference confirm the main responsibilities of the Committee and are available on the Company's website at www.summitplc.com.

The responsibilities of the Audit Committee include the following:

- monitoring the integrity of the financial statements of the Group;
- reviewing accounting policies, accounting treatment and disclosures in the financial reports;
- reviewing the Group's internal financial controls and risk management systems; and
- overseeing the Group's relationship with external auditors, including making recommendations to the Board as to the appointment or re-appointment of the external auditors, reviewing their terms of engagement, and monitoring the external auditors' independence, objectivity and effectiveness.

The Audit Committee held six scheduled meetings and an additional three meetings during the 12 month period ending 31 January 2019. Attendance of members at these meetings is shown in the table on page 38.

During the period under review, the key matters considered by the Audit Committee whilst discharging its duties and responsibilities are set out below:

- review and approval of the Annual Report and Accounts, including relevant corporate governance statements;
- consideration and approval of the unaudited interim financial statements for the quarters ended 30 April 2018, 31 July 2018 and 31 October 2018;
- review and approval of financial information included in forms filed with the SEC in connection with the Company's registration statement on Form F-3 and the acquisition of Discuva Limited;
- review of the key matters impacting the Group's financial information and reporting;
- discussions with the external auditor on the audit strategy, including significant audit risks and key matters of focus for the audit of the year ended 31 January 2019;
- consideration and approval of the audit fees for the financial year ended 31 January 2019;
- approval of non-audit work to be carried out by the external auditor;
- consideration of the independence, objectivity and effectiveness of the external auditor;
- review of the internal controls and consideration of the requirement for the Group to have an internal audit function;
- review and consideration of the Company's cyber security policies; and
- review and monitoring of wider risk management systems within the Group.

The ultimate responsibility for reviewing and approving the interim financial statements and Annual Report and Accounts remains with the Board.

EXTERNAL AUDITOR

PricewaterhouseCoopers LLP ('PwC') has been the Group's auditor since 2013. Representatives from PwC are invited to attend Audit Committee meetings and have the opportunity to meet privately with Audit Committee members in the absence of management. The Audit Committee is also responsible for recommending the appointment and removal of the auditors and agreeing the audit fees. The Audit Committee also monitors the scope and results of the audit, the independence and objectivity of the auditors and their performance. The independent auditors continue to operate procedures to safeguard against the possibility of their objectivity and independence being compromised. This includes the use of quality review partners, consultation with internal compliance teams and the carrying out of an annual independence procedure within their firm. PwC reports to the Audit Committee on matters including independence and non-audit fees on an annual basis. The specific audit partner changes every five years. The amount charged by the external auditors for the provision of services during the 12 month period under review is set out in Note 10, Auditors' remuneration in the Notes to the Financial Statements. The Audit Committee is satisfied with the independence, objectivity and performance of the external auditor and has not felt it necessary at this stage to propose re-tendering of the audit contract. A resolution for the re-appointment of PwC as the statutory Auditor will therefore be proposed at this year's AGM. No other formal recommendations have been made to the Board by the Audit Committee and no external reports have been commissioned on financial control processes during the year ended 31 January 2019.

INTERNAL AUDIT

The Audit Committee considers the need for an internal audit function annually and in consultation with the external auditor has concluded that, given the current size of the Group's operations, it is not necessary at this time. Financial results are reviewed monthly in detail and all large transactions are authorised by the Chief Financial Officer, another senior member of the finance function or the Chief Executive Officer.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, through the Audit Committee, is responsible for the systems of internal controls and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The Audit Committee reviews the effectiveness of these systems annually by considering the risks potentially affecting the Group.

In addition to consideration of financial risk as part of the review of broader internal controls, this is the fourth year that the Group is required to assess and report on the effectiveness of the internal controls over financial reporting under Section 404(a) of the Sarbanes-Oxley Act. As the Group currently qualifies as an 'emerging growth company', as defined in the Jumpstart Our Business Start-Ups Act of 2012 with the SEC, Summit is currently exempt from the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act. The Group will lose this exemption when it either fails to qualify as an 'emerging growth company' or in the financial year ended 31 January 2021, whichever is the sooner.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. Detailed management accounts are produced on a monthly basis, with all significant variances investigated promptly, and reviewed and commented on a monthly basis by the management team and budget holders. The Board reviews cash forecasts at the Board meetings which are held every two months. The Audit Committee reviews the financial statements in detail on a quarterly basis and recommends to the Board that these are approved and released.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors and Officers because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed and approved on an annual basis by the Audit Committee.

ANTI-BRIBERY AND CORRUPTION

During the year, the Board reviewed and approved the Group's Code of Business Conduct and Ethics and the relevant procedures for their appropriateness. The Group has formal arrangements in place to facilitate 'whistle-blowing' by employees through a contract with a third-party service provider. If any call is made to this third party, the Chairman of the Audit Committee is notified promptly of the fact and the content of the call, so that appropriate action can be taken.

LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholder,
On behalf of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended 31 January 2019.

The following sections provide an overview of the context for key decisions made by the Committee along with a summary of the Company's performance during the year. We also provide a summary of key points from the Directors' Remuneration Report, including those relating to performance and incentive plan outcomes, and other activities undertaken by the Committee during the year.

Business context

This financial year began with anticipation of the results of our Phase 2 clinical trial in Duchenne muscular dystrophy ('DMD'), and preparations for the launch of two Phase 3 clinical trials in our lead antibiotic programme for the treatment of *C. difficile* infection ('CDI'). These events were reflected in our corporate goals, which were proportionately balanced across clinical development, commercial readiness for a potential accelerated approval in DMD (if the Phase 2 results were positive) and manufacture of commercially viable formulations of our clinical candidates. In addition, we were focussed on the integration of Discuva into the Group, following completion of the December 2017 acquisition of this antibiotic discovery platform company.

The Committee began in 2018 by ensuring that the management team's remuneration provided appropriate incentives in the context of potentially rapid changes in the business as we readied for the Phase 2 DMD clinical trial results anticipated mid-year. In April, we took steps to ensure stability within the management team in advance of these data. In particular, the Committee noted that the outstanding long-term equity holdings of the Chief Executive Officer and Chief Financial Officer would expire without vesting just prior to the expected Phase 2 data readout, and thus did not achieve the objectives of the Remuneration Policy ('the Policy') by appropriately rewarding or incentivising successful achievement of this important milestone. We accordingly awarded to the Chief Executive Officer and Chief Financial Officer share options at the then market price of 205p per share, subject to a three year vesting period and performance conditions relating to future strategic objectives beyond the results of the Phase 2 DMD clinical trial.

In late 2018, the Committee reviewed all elements of remuneration in light of the DMD programme discontinuation, lower share price, and revised business focus. Many of the outstanding employee equity awards, including those made to members of the management team in April, were adversely impacted by the share price drop and voluntarily surrendered. We adopted a new peer company group, to include companies having anti-infective drugs in late clinical to early commercial stage in both the UK and US, and reviewed our remuneration programmes in the context of data from this group. In connection with its review, the Board awarded equity grants to all employees to provide a long-term equity incentive looking forward to value creation as the Company implements its long-term infectious disease strategy. The Board made no other changes to remuneration for Executive Directors or Non-Executive Directors as a result of its reviews.

In January 2019, the Committee considered the Company's performance for the 2018 calendar year in the context of determining annual performance bonuses for the Chief Executive Officer and other employees. The Committee looked at performance both before and after the Phase 2 DMD clinical trial result. In conducting this review, the Committee took into account the disappointment and loss in Company value due to the lack of efficacy established in the DMD clinical trial, and did not give credit against pre-established objectives that were not achieved due to the DMD programme discontinuation. Nonetheless, the Committee rated the Company's performance for the year as strong. The Company's achievements included completing the well-executed Phase 2 DMD clinical trial, which generated high quality data that enabled rapid decision making, allowing the Company to reallocate investment into our clinical and emerging preclinical antibiotic pipeline; streamlining the Company's organisational structure; and raising sufficient funding to allow initiation of the Phase 3 clinical trials of ridinilazole in February 2019. In reviewing the year's accomplishments, the Committee also considered all phases of the Company's transition, including the restructuring and rebranding of the business, giving particular weight to the success in pivoting from the DMD disappointment to streamlining the organisation and maintaining a cash runway to support the ongoing clinical, research and development activities.

REMUNERATION OUTCOMES IN RESPECT OF THE YEAR ENDED 31 JANUARY 2019

Short-term annual bonus

For the year ended 31 January 2019, our annual bonus award for the Chief Executive Officer was based on an assessment of Company performance against corporate goals (clinical, research, financial and commercial, contributing 80% of the bonus) and individual achievements (contributing 20% of the bonus).

The Company performance assessment resulted in a score of 100%, of which 65% was awarded against pre-established objectives, and 35% was awarded for the Company's successful adjustments to the business in light of the DMD programme termination and subsequent capital raise. Company performance duly contributed 80% towards the total bonus. The Chief Executive Officer scored 100% in his individual performance assessment in recognition of his leadership and stewardship of the Company through this challenging year, with this segment contributing 20% towards the total bonus for the year.

This resulted in a total annual bonus payment to the Chief Executive Officer of 100% of base salary, which is equivalent to two thirds of the maximum potential opportunity, for the year ended 31 January 2019. Further details of these measures can be found on page 46.

Long-Term Incentives

The share options granted to the Chief Executive Officer on 16 June 2015 failed to meet the performance condition of the average closing share price being equal to or greater than 214.5p in any period of 30 consecutive days during the period between the date of the grant and 16 June 2018, and therefore lapsed in full.

The share options granted to the Chief Executive Officer on 11 April 2017 would have vested if the average closing share price was equal to or greater than 214.5p in any period of 30 consecutive days during the period from the date of the grant to 16 June 2018. The Chief Executive Officer surrendered these options on 8 April 2018.

Key decisions and activities in the year ended 31 January 2019

During the year ended 31 January 2019, the Committee undertook the following key decisions and activities:

- On 20 April 2018, awarded the annual share option grants to employees, including the Chief Executive Officer.
- On 20 April 2018, granted share options to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer for the purposes of the long-term retention of the senior management team.
- On 20 April 2018, recommended to the Board the 2018 grant of restricted stock units ('RSUs') to the Non-Executive Directors.
- In April 2018, implemented an increase to pension contributions to 7% of base salary in line with the wider UK Summit employee population. The Executive Director chooses to take this as a cash amount.
- In October 2018, adopted a new peer group reflecting the new business strategy.
- On 19 October 2018, approved a grant of share options to all employees, including the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer with the purpose of re-incentivising and re-engaging them in the revised business strategy, according to the Remuneration Policy and in line with the interests of shareholders.
- In November 2018, reviewed Non-Executive Director fees and recommended no changes.
- Reviewed and assessed the Company's performance against the corporate goals set for the year ended 31 January 2019 along with individual performance in the year for the purposes of determining annual bonus outcomes.
- Awarded a salary increase of 3% for the Chief Executive Officer, in line with the general level of inflationary increase awarded to the Company's wider employee population.
- On 11 January 2019, recommended to the Board the 2019 annual grant of RSUs to the Non-Executive Directors.
- Established corporate goals for the performance year 2019 in line with the Company's business strategy.

Board changes

Barry Price and Stephen Davies resigned their positions as Non-Executive Directors on 20 September 2018 in connection with the Company refocussing on the development of new mechanism antibiotics. In accordance with the Remuneration Policy, Barry Price and Stephen Davies retained their unvested RSUs granted on 24 October 2017 and 20 April 2018. The RSUs are exercisable on the first anniversary of their respective grant dates.

Summary

Summit has emerged from this challenging year with a clear focus. The Company's strategy allowed us to address the consequences of the disappointing clinical data and swiftly transition to a focus on our new mechanism antibiotics for serious infectious diseases. We are focussing on advancing ridinilazole through Phase 3 clinical trials and building a pipeline of novel antibiotics as we seek to establish ourselves as leaders in this important field. With this change of direction, we have attracted new investment from the public markets as well as the CARB-X alliance, which further endorse our strategy.

The Remuneration Committee believes its work has helped to position Summit on the path for success in these endeavours. The Annual Report on Remuneration will be subject to an advisory vote at the 2019 Annual General Meeting. I hope that you will fully support the resolution.

Yours sincerely,

Valerie Andrews
Remuneration Committee Chair

27 March 2019

ANNUAL REPORT ON REMUNERATION

For the year ended 31 January 2019

Certain information in this part of the Directors' Remuneration Report is subject to audit.

STRUCTURE AND ROLE OF THE REMUNERATION COMMITTEE

During the year, the Committee was comprised of Ms Valerie Andrews, who chairs the Committee, Dr Frank Armstrong, Professor Stephen Davies (until his resignation on 20 September 2018) and Mr Leopoldo Zambeletti, who stepped in to fill the vacancy left by Professor Davies. Each of the members of the Committee were 'Independent Directors', as such term defined in Rule 10A-3 under the US Securities Exchange Act, while serving on the Committee.

During the year, the Company adopted the Quoted Companies Alliance Corporate Governance Code ('QCA Code') and the Company believes that its remuneration programme is fully in line with the QCA Code.

The Committee has been assisted by the Company's Senior Director of Human Resources, Vice President of Investor Relations and Corporate Affairs, and the Company Secretary. In line with good governance, the Chief Executive Officer is not present when decisions about his remuneration are made.

The Committee did not appoint an independent external adviser during this financial year.

GOVERNANCE

Remuneration decisions are made by the Company's Board of Directors on the basis of recommendations from the Remuneration Committee, which seeks to ensure that remuneration decisions are aligned with the best interests of shareholders when viewed against the priorities of the Company in delivering against its short-term and longer-term goals. The Board routinely consults with the Company's shareholders to obtain feedback on how to best achieve this objective. As a dual-listed company in the United Kingdom and United States, the Company is subject to different and sometimes conflicting governance principles, and Committee actions are taken with the objective of balancing these considerations to develop a remuneration structure that is in the best long-term interests of the Company and its shareholders. The Committee's approach to remuneration matters is to enable the Company to attract and retain talent, incentivise the long-term Company value generation and execute the strategy that focuses on the effective management of the Company's cash resources. It is the Committee's belief that this is best achieved through a balanced mix of competitive base salary, benefits, and longer-term incentives, along with the flexibility to appropriately reward and incentivise with variable pay as described within the Policy.

On 18 July 2017, shareholders voted at the AGM to approve the Remuneration Policy currently in effect. For ease of reference only, the approved Policy can be found on pages 55 to 64 of this Annual Report. No changes have been made to the Policy since it was approved by shareholders. The Policy will remain in effect up to the 2020 AGM.

SINGLE TOTAL FIGURE OF REMUNERATION OF EACH DIRECTOR (SUBJECT TO AUDIT)

The Directors received the following remuneration for the years ended 31 January 2019 and 31 January 2018.

Year ended 31 January 2019	Salaries and fees £	Taxable benefits[1] £	Short-term incentives[2] £	Restricted stock unit[3] £	Share options[4] £	Pension contributions[5] £	Total £
Executive							
Glyn Edwards	313,635	1,577	313,635	–	–	21,432	650,279
Non-Executive							
Frank Armstrong	75,000	3,519	–	146,749	–	–	225,268
Leopoldo Zambeletti	40,278	582	–	68,483	–	–	109,343
Valerie Andrews	58,378	1,101	–	68,483	–	–	127,962
David Wurzer	50,796	1,911	–	68,483	–	–	121,190
Barry Price[6]	24,125	2,161	–	34,829	–	–	61,115
Stephen Davies[6]	27,889	–	–	34,829	–	–	62,718
	590,101	**10,851**	**313,635**	**421,856**	**–**	**21,432**	**1,357,875**

Year ended 31 January 2018	Salaries and fees £	Taxable benefits[1] £	Short-term incentives[2] £	Restricted stock unit[3] £	Share options[4] £	Pension contributions[5] £	Total £
Executive							
Glyn Edwards	304,500	1,359	304,500	–	–	18,270	628,629
Non-Executive							
Frank Armstrong	75,000	2,804	–	145,005	–	–	222,809
Leopoldo Zambeletti	36,805	587	–	67,670	–	–	105,062
Valerie Andrews	58,587	2,108	–	67,670	–	–	128,365
David Wurzer	50,978	2,483	–	67,670	–	–	121,131
Barry Price	38,195	2,793	–	67,670	–	–	108,658
Stephen Davies	40,000	–	–	67,670	–	–	107,670
	604,065	**12,134**	**304,500**	**483,355**	**–**	**18,270**	**1,422,324**

(1) For the Executive Director, taxable benefits comprise healthcare insurance premiums. Amounts included are based on the taxable benefits reported to HM Revenue and Customs ('HMRC') in the financial year to which they relate. For Non-Executive Directors the taxable benefits comprise travel costs (and associated income tax and National Insurance Contributions ('NIC') which were settled on behalf of the Non-Executive Directors) for attendance at Board meetings. Amounts included are based on the taxable benefits reported in the year ended 31 January 2019 to HMRC.
(2) Short-term incentive amounts are derived from awards made under the annual bonus plan. The amount receivable in respect of the financial year ending 31 January 2019 amounts to 100% of salary and was due to the achievement of clinical, research, financial and commercial goals, and individual performance. Further details of these goals and their respective weightings are set out on page 46.
(3) Amounts reflect the value on the date of the award of RSUs granted during the year in the form of nominal cost options that vest 12 months following the date of grant. There are no performance conditions.
Year ended 31 January 2019: RSUs were granted on 20 April 2018 and 11 January 2019. In each case, the award is in the form of nominal cost options equivalent to the amount of the annual basic fee payable to the NED, less the exercise price. The amounts are calculated according to the share price at the date of each grant (using a share price of 205 pence on 20 April 2018 and a share price of 26 pence on 11 January 2019) less the exercise price per share (1 pence per share for both of the grants). The grant on 20 April 2018 was for 2018 fees and the grant on 11 January 2019 was for 2019 fees. These awards remain unvested at 31 January 2019.
Year ended 31 January 2018: RSUs were granted on 18 July 2017 and 24 October 2017. The amounts are calculated according to the share price at the date of each grant (using a share price of 182.5 pence on 18 July 2017 and a share price of 170 pence on 24 October 2017) less the exercise price per share (1 pence per share for both of the grants). The grant on 18 July 2017 was for 2017 fees, and the grant on 24 October 2017 was a deferred grant for 2016 fees, when the Company was seeking shareholder approval to award RSUs in lieu of options to Non-Executive Directors. These awards have vested.
(4) No performance-based share options vested in respect of the years ended 31 January 2019 or 31 January 2018.
(5) Pension contributions are the amount paid to the Director in lieu of employer pension contributions.
(6) Barry Price and Stephen Davies resigned their directorships on 20 September 2018. The figures in the table above reflect their remuneration earned from the start of the year ended 31 January 2019 to 20 September 2018. In accordance with the Remuneration Policy, Barry Price and Stephen Davies retained their unvested RSUs granted on 24 October 2017 and 20 April 2018. The RSUs become capable of exercise on the first anniversary of their respective grant dates.

IMPLEMENTATION OF REMUNERATION POLICY FOR THE CHIEF EXECUTIVE OFFICER IN THE CURRENT YEAR

Base salary, pension and benefits changes during the financial year (subject to audit)

The Remuneration Committee awarded the Chief Executive Officer an increase to base salary of 3%, effective from 1 February 2018, taking base salary for the year ended 31 January 2019 to £313,635 per annum from £304,500 for the year ended 31 January 2018. This increase was in line with the wider employee population. In addition, in line with the Company's Remuneration Policy and as detailed in the Annual Report on Remuneration for the year ended 31 January 2018, the pension contribution for the Chief Executive Officer was increased to 7% of base salary, effective from 1 April 2018. This followed a market competitive review undertaken in November 2017 and is in line with all other Summit UK employees. The Chief Executive Officer currently chooses to receive this as a cash amount.

Short-term incentive payments made during the financial year (subject to audit)

Corporate goals are adopted each year in connection with establishing the business plan for the year in order to advance the overall long-term strategy of the Company. Performance against these corporate goals is measured at the end of the year and is the main factor used to determine the award of any short-term incentive payment to the Executive Director. For the performance year ended 31 December 2018, the Board of Directors set corporate goals in the first quarter after discussions with the senior management team.

The corporate goals are based on certain assumptions and forward-looking statements, planning for the successful endeavours of the business, and determined with the purpose of supporting the future growth of the business. Details regarding performance targets are disclosed when they cease to be commercially sensitive, and the Company will confirm such timing once it has been determined.

The goals for the performance year ended 31 December 2018 were initially selected in relation to:

- the clinical advancement of ezutromid and ridinilazole;
- the advancement of our research objectives related to our DMD and infectious diseases programmes;
- commercial objectives reflecting the advanced stage of development of ezutromid and ridinilazole; and
- maintaining financial and operational strength.

Following the discontinuation of ezutromid development in June 2018, the Company refocussed on its serious infectious disease drug discovery and research programmes. Goals relating to the further development and commercialisation of ezutromid were no longer aligned with the strategic direction of the business and the creation of shareholder value.

The annual bonus amount has therefore been determined taking into account:

- Performance against those goals that remained relevant, including completion of the DMD Phase 2 clinical trial and progress toward initiation of two Phase 3 clinical trials of ridinilazole.
- The Group's continued viability and progress in the infectious disease space, where the Group has significantly outperformed against business objectives set at the start of the performance year. This includes raising additional capital in a difficult investment market, particularly in the area of therapies for infectious diseases; accelerating progression of new antibiotic research targets; and securing CARB-X funding.
- The Chief Executive Officer's effective leadership and strong overall performance during the performance year.

The assessment of these collective achievements resulted in a total annual bonus of 100% of base salary for the performance period ended 31 December 2018, which is equivalent to 67% of the maximum opportunity. The annual bonus award was paid in cash in February 2019.

Details of the annual performance assessment are shown in the table below. The Committee considered 80% of the annual bonus award to be determined by corporate performance and 20% of the annual bonus award to be determined by personal performance. This is illustrated in the table below.

Annual bonus table

Pre-established corporate objectives for 2018 performance year	On-Target Weighting	Maximum	Achievement against on-target weighting	Score
Report 48-week data from PhaseOut DMD	25%	37.5%	100%	25%
Initiate Phase 3 clinical trials for ridinilazole	10%	15%	50%	5%
Complete manufacturing plan for Phase 3 asset(s)	20%	30%	100%	20%
Build commercial plan and capability based on Phase 2 DMD data[1]	10%	15%	0%	0%
Identify path to market for ezutromid in the US[1]	20%	30%	0%	0%
Conduct FDA mock audit for ezutromid and define action plan to address key findings[1]	5%	7.5%	0%	0%
End year with 12 months' cash	10%	15%	150%	15%
Corporate objectives sub-total	**100%**	**150%**		**65%**

Discretionary credit for corporate achievements outside original plan for the 2018 performance year	Score
Reposition the Company to focus solely on antibiotic programmes, including obtaining financing to allow initiation of Phase 3 clinical studies of ridinilazole	25%
Consolidate Discuva acquisition and adopt research strategy	5%
Select preclinical candidate and secure research funding from CARB-X in *N. gonorrhoeae* programme	5%
Additional achievements sub-total	**35%**
Corporate performance total	**100%**
CONTRIBUTION TO ANNUAL BONUS CALCULATION	**80%**

Individual performance assessment	Weighting	Maximum	Achievement	Score
Individual performance	20%	30%	100%	20%
CONTRIBUTION TO ANNUAL BONUS CALCULATION				**20%**
Total annual bonus award				**100% of salary**

(1) These goals were set in the context of planning for success in our Phase 2 DMD study. After the DMD data readout in June 2018, the Company did not continue to pursue these objectives.

Long-Term Incentive awards during the financial year (subject to audit)

On 20 April 2018, Summit made an annual grant of share options to all employees, including the Chief Executive Officer. On the same day, the Committee made an additional grant of share options for Executives and other senior managers with the purpose of incentivising the long-term retention of certain members of the senior management team.

In late 2018, the Committee reviewed all elements of remuneration in light of the DMD programme discontinuation, lower share price, and revised business focus. Many of the outstanding employee long-term incentives, including awards made in April, were adversely impacted by the reduction in share price and voluntarily surrendered. The Board of Directors, upon a recommendation from the Committee, granted new share options awards to all employees on 19 October 2018. Details of share options granted and surrendered are provided on page 107.

Details of the share options granted to the Chief Executive Officer on 19 October 2018 are set out below.

Number of shares	Face value at grant[1]	Exercise price	Performance period
2,375,309	£700,716	29.5p	3 years

(1) Calculated based on the number of share options granted multiplied by the mid-market closing share price on the grant date (29.5 pence).

These share options are subject to the achievement of specific performance conditions based on meeting strategic milestones over a three year performance period. The Company considers the details of these performance conditions to be commercially sensitive and therefore is not disclosing them at this time. Further details regarding the performance conditions and targets will be disclosed when they cease to be commercially sensitive, and the Committee will confirm such timing once it has been determined.

There were no awards that vested during the year.

The share options granted to the Chief Executive Officer on 16 June 2015 failed to meet the performance condition of the average closing share price being equal to or greater than 214.5 pence in any period of 30 consecutive days during the period between date of the grant and 16 June 2018. These share options lapsed in full.

The share options granted to the Chief Executive Officer on 11 April 2017 would have vested if the average closing share price was equal to or greater than 214.5 pence in any period of 30 consecutive days during the period from the date of the grant to 16 June 2018. These options were surrendered on 8 April 2018 without having vested.

Payments to past Directors (subject to audit)

There were no payments to past Directors made during the financial year ending 31 January 2019.

Payments for loss of office (subject to audit)

There were no payments for loss of office made during the financial year ending 31 January 2019.

Statement of Directors' shareholding and share interests (subject to audit)

The table below details the total number of shares owned by the Directors and their connected parties, the total number of share options held with and without performance conditions, the number of share options vested but not yet exercised, and those exercised during the year as at 31 January 2019 (or as at 20 September 2018 for Barry Price and Stephen Davies). The Non-Executive Directors had surrendered all outstanding share option awards as at 31 January 2019 and hold only restricted stock units ('RSUs') as at that date.

The Company does not have a formal policy on Director shareholdings.

	Shares	Unvested with performance conditions	Unvested without performance conditions	Vested not yet exercised	Exercised during the year	Total (shares, options and RSUs)
Executive[1]						
Glyn Edwards	383,333	2,375,309	–	409,959	–	3,168,601
Non-Executives[2]						
Frank Armstrong	122,204	–	325,046	–	82,762	447,250
Leopoldo Zambeletti	15,979	–	151,688	–	38,623	167,667
Valerie Andrews	49,123	–	151,688	–	38,623	200,811
David Wurzer	46,123	–	151,688	–	38,623	197,811
Barry Price[3]	116,539	–	36,517	–	19,179	153,056
Stephen Davies[3]	621,660	–	36,517	–	19,179	658,177
	1,354,961	**2,375,309**	**853,144**	**409,959**	**236,989**	**4,943,373**

(1) Glyn Edwards is granted share options awards.
(2) Non-Executives Directors are granted RSUs in the form of nominal cost options.
(3) Barry Price and Stephen Davies stepped down from the Board on 20 September 2018.

The interests of the current Directors in the Company's share options for the year ended 31 January 2019 (or for the period ended 20 September 2018 for Barry Price and Stephen Davies) were as follows:

Director	Date of grant	1 February 2018	Granted during the period	Exercised during the period	Surrendered during the period	**31 January 2019**	Price per share (p)	Date from which exercisable	Expiry date
Glyn Edwards	10-May-12	150,046				**150,046**	60.0	Note (i)	10-May-22
	31-Jan-13	72,973				**72,973**	20.0	Note (ii)	31-Jan-23
	18-Dec-13	76,364				**76,364**	20.0	Note (iii)	18-Dec-23
	15-Jul-14	600,000			(600,000)	**–**	126.0	Note (iv)	–
	16-Jun-15	887,333			(887,333)	**–**	143.0	Note (viii)	–
	23-Jun-16	110,576				**110,576**	1.0	Note (x)	23-Jun-26
	11-Apr-17	762,764			(762,764)	**–**	185.0	Note (xi)	–
	18-Jul-17	135,478			(135,478)	**–**	182.5	Note (xi)	–
	24-Oct-17	198,776			(198,776)	**–**	180.0	Note (xi)	–
	20-Apr-18		458,978		(458,978)	**–**	205.0	Note (xi)	–
	20-Apr-18		900,000		(900,000)	**–**	205.0	Note (xi)	–
	19-Oct-18		2,375,309			**2,375,309**	29.5	Note (xii)	19-Oct-28
		2,994,310	3,734,287	–	(3,943,329)	**2,785,268**			
Frank Armstrong	15-Jul-14	37,500			(37,500)	**–**	126.0	Note (v)	–
	16-Jun-15	50,000			(50,000)	**–**	143.0	Note (ix)	–
		87,500	–	–	(87,500)	**–**			
Leopoldo Zambeletti	16-Jun-15	25,000			(25,000)	**–**	143.0	Note (ix)	–
		25,000	–	–	(25,000)	**–**			
Valerie Andrews	16-Jun-15	25,000			(25,000)	**–**	143.0	Note (ix)	–
		25,000	–	–	(25,000)	**–**			
David Wurzer	16-Jun-15	25,000			(25,000)	**–**	143.0	Note (ix)	–
		25,000	–	–	(25,000)	**–**			
Barry Price	07-Apr-11	13,981	–	(13,981)	–	**–**	65.0	Note (vi)	–
	15-Jul-14	17,500	–	(17,500)	–	**–**	126.0	Note (vii)	–
	16-Jun-15	25,000	–	–	(25,000)	**–**	143.0	Note (ix)	–
		56,481	–	(31,481)	(25,000)	**–**			
Stephen Davies	15-Jul-14	17,500	–	(17,500)	–	**–**	126.0	Note (vii)	–
	16-Jun-15	25,000	–	–	(25,000)	**–**	143.0	Note (ix)	–
		42,500	–	(17,500)	(25,000)	**–**			

(i) These options vested and became exercisable on 10 May 2015, following the satisfaction of the performance conditions relating to share price.
(ii) These deferred bonus options vested and became exercisable on 31 July 2013. These options were awarded as a bonus for the financial year ended 31 January 2013.
(iii) These deferred bonus options vested and became exercisable on 18 June 2014. These options were awarded as a bonus for the financial year ended 31 January 2014.
(iv) These options vested on 13 March 2017, following the satisfaction of the performance conditions relating to share price. One third of the options became exercisable on 13 March 2017 and the remaining options became exercisable on 15 July 2017. These options were voluntarily surrendered on 5 October 2018.
(v) These options vested on 13 March 2017, following the satisfaction of the performance conditions relating to share price. One third of the options became exercisable on 13 March 2017 and the remaining options became exercisable on 15 July 2017. These options were voluntarily surrendered on 11 January 2019.
(vi) These options were awarded to Barry Price whilst he was interim Executive Chairman. They vested and became exercisable on 8 April 2014 following the satisfaction of performance conditions relating to share price. These options were exercised on 23 April 2018.
(vii) These options vested on 13 March 2017, following the satisfaction of performance conditions relating to share price. One third of the options became exercisable on 13 March 2017 and the remaining options became exercisable on 15 July 2017. These options were exercised on 23 April 2018.
(viii) These options failed to meet the performance conditions relating to share price and therefore lapsed.
(ix) These options remained unvested and were voluntarily surrendered on 8 April 2018.
(x) These deferred bonus options vested and became exercisable on 21 July 2016. These options were awarded as a part settlement of the bonus for the financial year ended 31 January 2016.
(xi) These options remained unvested and were voluntarily surrendered on 5 October 2018.
(xii) These options are subject to achievement of performance conditions pertaining to corporate and programme development milestones. These options will vest on 19 October 2021 if the performance condition is met on or before that date.

The interests of the current Directors in the Company's restricted stock units for the year ended 31 January 2019 (or of Barry Price and Stephen Davies for the period ended 20 September 2018) were as follows:

Director	Date of grant	1 February 2018	Granted during the period	Exercised during the period	**31 January 2019**	Price per share (p)	Date from which exercisable	Expiry date
Frank Armstrong	18-Jun-17	41,096		(41,096)	**–**	1.0	Note (i)	31-Dec-18
	24-Oct-17	41,666		(41,666)	**–**	1.0	Note (ii)	31-Dec-18
	20-Apr-18	–	36,585	–	**36,585**	1.0	Note (iii)	31-Dec-19
	11-Jan-19	–	288,461	–	**288,461**	1.0	Note (iv)	31-Dec-20
		82,762	325,046	(82,762)	**325,046**			
Leopoldo Zambeletti	18-Jun-17	19,179	–	(19,179)	**–**	1.0	Note (i)	31-Dec-18
	24-Oct-17	19,444	–	(19,444)	**–**	1.0	Note (ii)	31-Dec-18
	20-Apr-18	–	17,073	–	**17,073**	1.0	Note (iii)	31-Dec-19
	11-Jan-19	–	134,615		**134,615**	1.0	Note (iv)	31-Dec-20
		38,623	151,688	38,623	**151,688**			
Valerie Andrews	18-Jun-17	19,179	–	(19,179)	**–**	1.0	Note (i)	31-Dec-18
	24-Oct-17	19,444	–	(19,444)	**–**	1.0	Note (ii)	31-Dec-18
	20-Apr-18	–	17,073	–	**17,073**	1.0	Note (iii)	31-Dec-19
	11-Jan-19	–	134,615		**134,615**	1.0	Note (iv)	31-Dec-20
		38,623	151,688	38,623	**151,688**			
David Wurzer	18-Jun-17	19,179	–	(19,179)	**–**	1.0	Note (i)	31-Dec-18
	24-Oct-17	19,444	–	(19,444)	**–**	1.0	Note (ii)	31-Dec-18
	20-Apr-18	–	17,073	–	**17,073**	1.0	Note (iii)	31-Dec-19
	11-Jan-19	–	134,615		**134,615**	1.0	Note (iv)	31-Dec-20
		38,623	151,688	38,623	**151,688**			
Barry Price	18-Jun-17	19,179	–	(19,179)	**–**	1.0	Note (i)	31-Dec-18
	24-Oct-17	19,444	–	–	**19,444**	1.0	Note (ii)	31-Dec-18
	20-Apr-18	–	17,073	–	**17,073**	1.0	Note (iii)	31-Dec-19
		38,623	17,073	(19,179)	**36,517**			
Stephen Davies	18-Jun-17	19,179	–	(19,179)	**–**	1.0	Note (i)	31-Dec-18
	24-Oct-17	19,444	–	–	**19,444**	1.0	Note (ii)	31-Dec-18
	20-Apr-18	–	17,073	–	**17,073**	1.0	Note (iii)	31-Dec-19
		38,623	17,073	(19,179)	**36,517**			

These RSUs are in the form of nominal cost options with no performance conditions and no risk of forfeiture. These RSUs vest and become exercisable on the first anniversary of the date of grant. Amount awarded represents a face value with one times the base fee for Non-Executive Directors (the flat fee for the Chairman). The amount represented in the table is the face value of the award calculated on the day of the award (which can differ slightly to the point at which the amount was calculated if the award was made the following day) minus the exercise price of 1 pence per share.

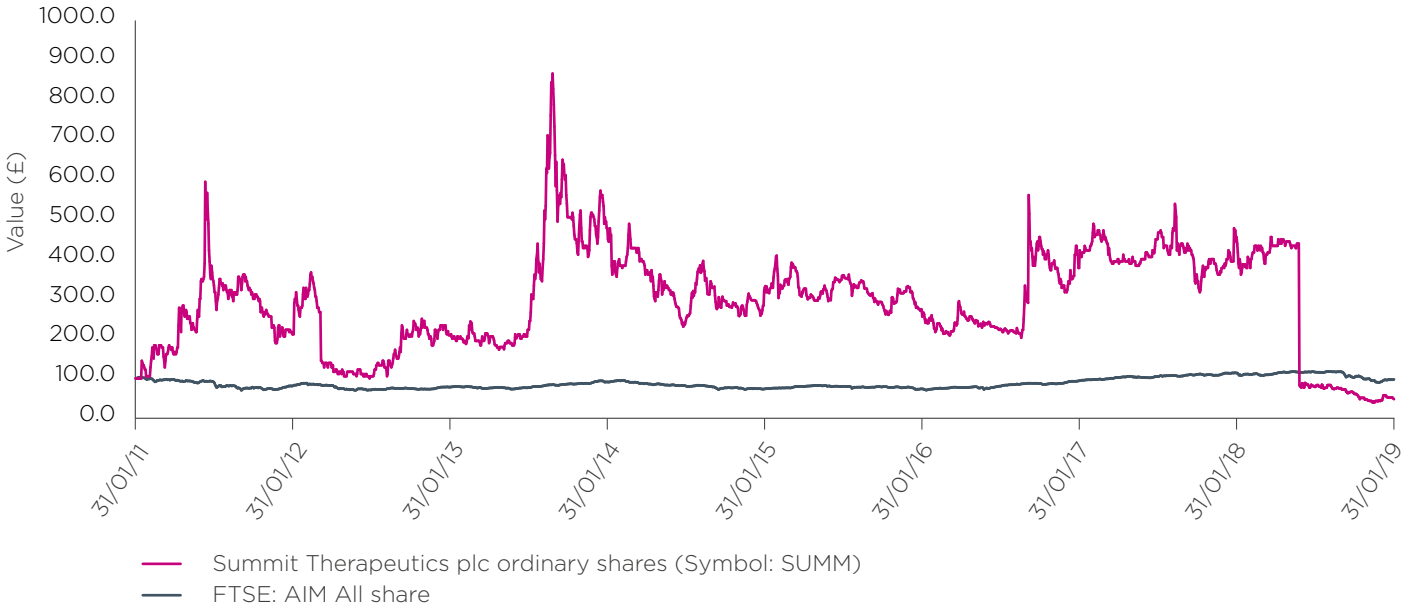
(i) This award was exercised by all Non-Executive Directors on 18 July 2018.
(ii) This award was exercised by all Non-Executive Directors, and also by the former Non-Executive Directors Barry Price and Stephen Davies, on 24 October 2018. This was a postponed equity award from the financial year ended 31 January 2017 as the Company ended its practice of making annual share option awards to Non-Executive Directors.
(iii) This award expires on 31 December 2019, unless this falls within a restricted trading period, in which case it is expected that the award would be exercised in the next available trading period and no later than 31 December 2020.
(iv) This award expires on 31 December 2020, unless this falls within a restricted trading period, in which case it is expected that the award would be exercised in the next available trading period and no later than 31 December 2021.

The remainder of the Annual Report on Remuneration is not subject to audit.

TOTAL SHAREHOLDER RETURN

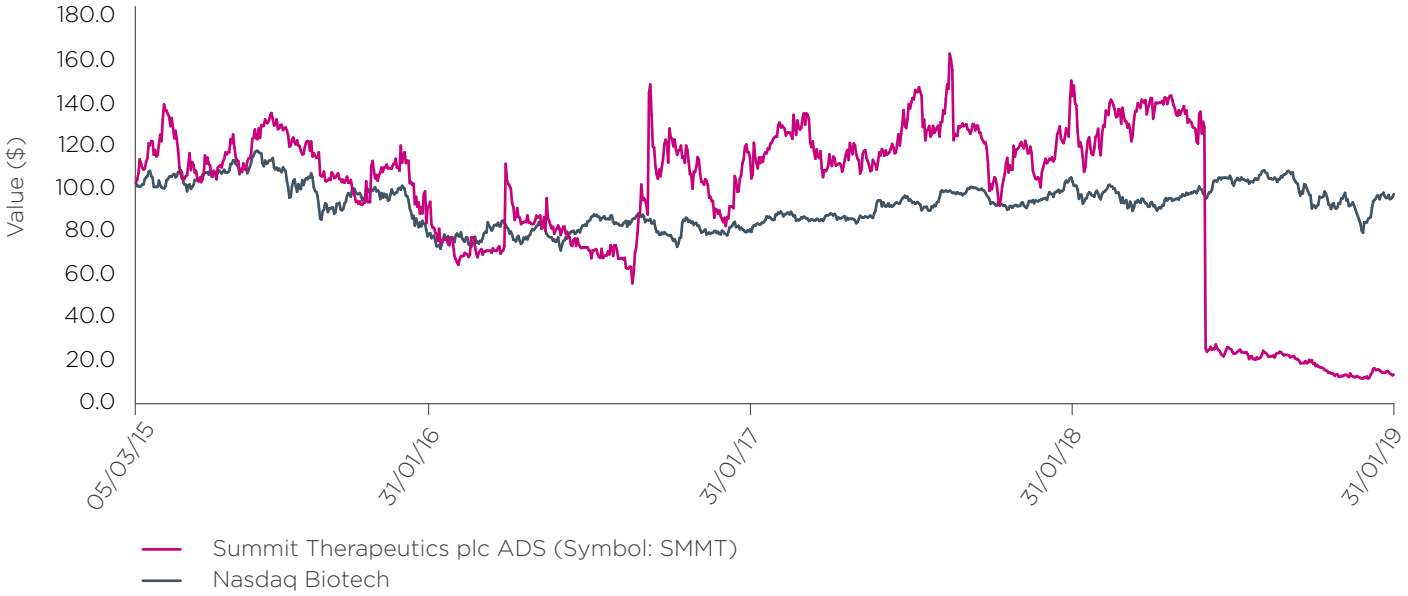
The graph below shows the daily movements, by 31 January 2019, of £100 invested in Summit Therapeutics plc ordinary shares on 31 January 2011 compared with the value of £100 invested in the FTSE: AIM Index.

The Company has chosen to use the FTSE: AIM Index as it considers this index to be the most suitable comparator index for the business as an AIM-listed company.



The graph below shows the daily movements, by 31 January 2019, of $100 invested in Summit Therapeutics plc American Depository Shares ('ADS') on 5 March 2015 compared with the value of $100 invested in the Nasdaq Biotech Index.

The Company has chosen to use the Nasdaq Biotech Index because it is the most suitable comparator index for US-listed shares in the Company's sector.



CHIEF EXECUTIVE OFFICER TOTAL REMUNERATION HISTORY

Year ended 31 January	Chief Executive Officer single figure of total remuneration	Short-term incentive pay – as a percentage of maximum	Long-term incentive vesting rates as a percentage of maximum
2019 Glyn Edwards	£650,279	67%	0%
2018 Glyn Edwards	£628,629	67%	0%
2017 Glyn Edwards	£1,072,626	73%	100%
2016 Glyn Edwards	£516,439	67%(1)	66%
2015 Glyn Edwards	£541,045	43%	77%
2014 Glyn Edwards	£189,817	46%(1)	100%
2013 Glyn Edwards	£133,875	20%(1)	–
2013 Barry Price(2)	£17,500	–	–

(1) The bonus awards made to Glyn Edwards for the years ended 31 January 2016, 2014 and 2013 were made in part by way of a grant of deferred bonus options.
(2) Barry Price undertook the role of Chief Executive Officer on an interim basis from November 2010 until April 2012 through his position as Executive Chairman. Glyn Edwards joined the Board as Chief Executive Officer on 4 April 2012 and Barry Price returned to his former role of Non-Executive Chairman on this date.

PERCENTAGE CHANGE IN REMUNERATION OF THE DIRECTOR UNDERTAKING THE ROLE OF CHIEF EXECUTIVE OFFICER

The table below shows the percentage change in remuneration of the Chief Executive Officer and the Group's employees as a whole (or a subset of employees) as set out below between the year ended 31 January 2018 and the year ended 31 January 2019. Employees, unless otherwise indicated, includes all UK employees who were employed on a like for like basis in both of the financial years under comparison.

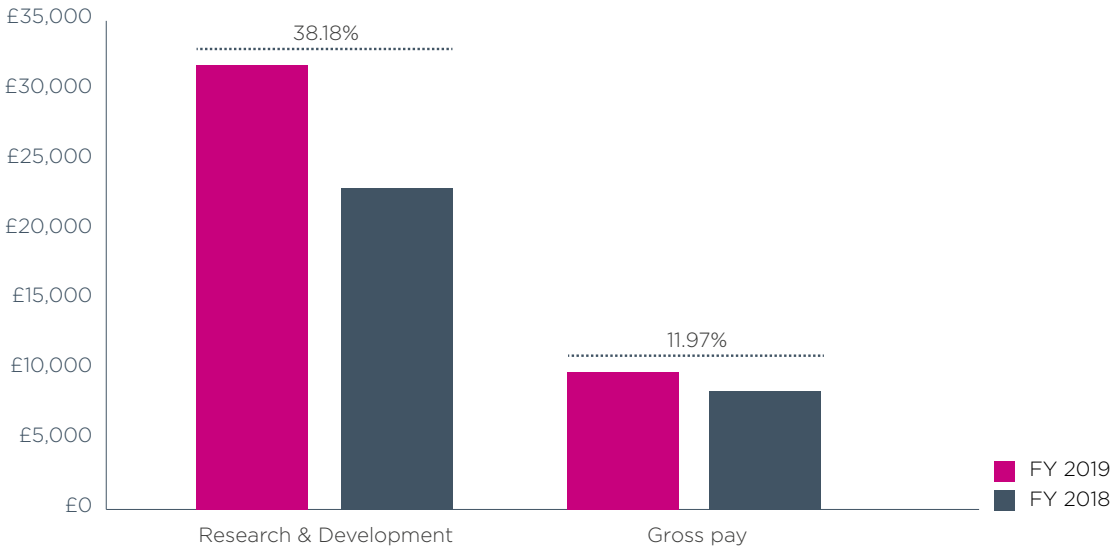
	Percentage increase or decrease in remuneration in the year ended 31 January 2019 compared with remuneration in the year ended 31 January 2018	
	Chief Executive Officer	All UK employees
Basic salary(1)	3%	18%
Short-term incentives(2)	3%	5%
Taxable benefits(3)	16%	14%

(1) The Committee awarded the Chief Executive Officer a cost of living increase to base salary of 3% which took effect from 1 February 2018.
(2) The change in short-term incentives is calculated on a per head basis using UK employees only as the most appropriate comparator group due to exchange rate variations between the UK and US.
(3) The change in taxable benefits is calculated using taxable benefits to UK employees only as this is considered the most appropriate measure given that the current Executive Director resides in the UK, participating in UK benefits only, and that there are considerable market norm variations between the UK and US in terms of taxable benefits provision. This figure is calculated on a per head basis.

RELATIVE IMPORTANCE OF SPEND ON PAY

The Committee considers the Group's research and development expenditure relative to gross pay for all employees, as reported in the Consolidated Statement of Comprehensive Income, to be the most appropriate metric for assessing overall spend on pay due to the nature and stage of the Group's business.

The graph below illustrates the gross pay to all employees per year as compared to research and development expenditure and the year-on-year change.



Dividend distribution and share buy-back comparators have not been included as there have been no transactions of this nature in the Group.

STATEMENT OF VOTING AT THE ANNUAL GENERAL MEETINGS

Voting is held at our annual general meetings and is conducted through a show of hands by shareholders who are in attendance at the meeting and by votes that are lodged by proxy in advance of the meeting.

The following table sets out votes cast by proxy in respect of the resolutions to approve the Directors' Remuneration Report (at the Annual General Meeting held on 7 June 2018) and Directors' Remuneration Policy (at the Annual General Meeting held on 18 July 2017):

	For (including discretionary votes)	Against	Total votes cast (excluding votes withheld)	Votes withheld[1]	Total votes cast (including votes withheld)
To approve the Remuneration Report	51,265,248	57,830	51,323,078	26,811	51,349,889
% of votes cast	99.89%	0.11%			
To approve the Remuneration Policy	39,428,050	111,321	39,539,371	8,721	39,548,092
% votes cast	99.72%	0.28%			

(1) A vote that is withheld does not constitute a vote in law and has not therefore been included in the totals above.

STATEMENT OF THE IMPLEMENTATION OF THE POLICY FOR THE YEAR ENDING 31 JANUARY 2020

The Policy was approved by the Company's shareholders at the 2017 Annual General Meeting. The Group retains the right to make any payments per contractual arrangements with Executive Directors that were entered into prior to the approval of the Policy.

Fixed elements of remuneration

With effect from 1 February 2019, the base salary of the Chief Executive Officer is £323,044. With effect from 1 April 2019, pension contributions for the Chief Executive will increase to 8% of base salary. These percentage increases to base salary and pension contributions are in line with those of the Summit UK employee population.

Variable elements of remuneration

Short-term incentives

In early 2020, the Remuneration Committee will assess Executive Director's performance against pre-determined objectives to determine whether any annual bonus is payable.

The annual bonus will be based on corporate goals (as regards 80% of the award), and qualitative measures in relation to individual performance and the strength of the controls environment (as regards 20% of the award).

The corporate goals for the performance year ending 31 December 2019 were established in January 2019. These goals are weighted approximately 30% for the clinical advancement of ridinilazole, 25% for advancement of our research objectives related to our infectious diseases pipeline programmes, 15% for commercial objectives reflecting the advanced stage of development of ridinilazole and 30% for maintaining financial and operational strength.

The Board currently considers more detailed information about these objectives to be commercially sensitive, as they relate to the organisation's strategy with regard to advancement of its key clinical and preclinical assets. The Company will disclose objectives and performance measures in a future Directors' Remuneration Report to the extent that any disclosure does not include commercially sensitive information.

Long-Term Incentives

The Company anticipates that long-term incentives for 2019 will be awarded at the earliest opportunity.

Awards made to the Chief Executive Officer will be within the framework of the Policy, details of which will be disclosed in the necessary Regulatory Information Service announcement and in the Annual Report on Remuneration for the year ending 31 January 2020.

OTHER REMUNERATION-RELATED ASPECTS

Chairman and Non-Executive Director fees

The Committee periodically reviews the fees of our Chairman and other Non-Executive Directors in line with the Policy. Any increases to fees are effective from the date of approval by the Board. The last such review took place in November 2018. No changes were made to the Chairman and Non-Executive Director fees.

The table below shows the annual cash fees currently payable to our Chairman and Non-Executive Directors.

Board fee structure*	
Board Chair (flat fee)	£75,000
Non-Executive Director base fee	£35,000
Committee Chair	£10,000
Committee member	£5,000

* Board fees for US-based Non-Executive Directors are denominated in US Dollars and calculated based on Pound Sterling/US Dollar exchange rates at time of joining and when Board fee amounts increase, as appropriate.

Non-Executive Director non-cash fees

In addition to cash fees, Non-Executive Directors also receive an annual grant of RSUs in the form of nominal-cost options. The RSUs have a one-year vesting period. There are no performance conditions attached to these awards and there is no risk of forfeiture.

REMUNERATION POLICY

The information provided in this part of the report is not subject to audit.

The Remuneration Policy (the 'Policy') provides a framework for execution of the Company's remuneration strategy. The current Policy was approved by shareholders at the AGM held on 18 July 2017 ('2017 AGM') and has been in effect since that date. The Policy has been replicated below for ease of reference. This is the Policy that has been implemented and there have been no changes to the Policy since it was approved by shareholders. The Policy will remain in place up until the 2020 AGM.

The Policy aims to establish remuneration programmes that provide an appropriate mix of rewards, incentives and benefits balanced across fixed and variable pay as well as short- and long-term performance.

SUMMIT THERAPEUTICS' REMUNERATION PHILOSOPHY

Summit aims to create value through the advancement of its drug development programmes, to deliver innovative new therapies to patients with serious unmet medical needs. To do this, the Company must maintain a remuneration policy which:

- attracts suitably qualified Executive and Non-Executive Directors with appropriate drug development experience, and retains this talent within the business;
- incentivises and rewards the execution of Company strategy; and
- promotes long-term growth and sustainability.

To achieve this, the Company's Remuneration Policy and programmes aim to:

- compete effectively in the talent market;
- pay for performance by rewarding achievement of objectives which deliver real value creation;
- align Directors' long-term interests with those of other shareholders;
- be weighted heavily toward equity elements to conserve cash needed to advance the clinical programmes; and
- provide flexibility in the amounts payable under the Company's remuneration programme to accommodate potential growth in both the size and complexity of the business as it seeks to become a fully integrated biopharmaceutical company.

Summit believes it can achieve its aims through a remuneration programme that connects the types and levels of pay to the achievement of our short-term and long-term objectives. Accordingly, for Executive Directors, our remuneration programme includes:

- a market-based base salary and benefits package;
- short-term (annual) performance-based incentives awarded for the achievement of corporate goals and individual performance, payable in cash, equity, or a combination of both; and
- long-term performance-based incentives that align the Executive Director's interests with shareholders structured as equity awards with performance conditions in line with the Company's longer-term strategy.

COMMITTEE PROCESSES AND DECISION MAKING

The Remuneration Committee (the 'Committee') considers recommendations from management only in determining overall remuneration levels for the wider employee population; management have no involvement in decisions determining their own remuneration.

The Committee carefully considers shareholder feedback when determining remuneration for Executive and Non-Executive Directors. The Committee commits to continuing to engage with shareholders to aid future development of the Directors' Remuneration Report and overall Remuneration Policy.

FACTORS CONSIDERED IN DETERMINING AMOUNTS TO BE PAID

In determining remuneration for Executive Directors, the Committee considers remuneration as a whole, aiming for a balance between the elements of compensation, and weighting toward variable performance-based and equity (non-cash) elements. The Committee takes account of the seniority and experience of Executive Directors, and their short-term and long-term performance record, as well as relative levels of internal remuneration to maintain integrity of organisational structure. Shareholder feedback forms a critical aspect of the Committee's decision-making process.

EXTERNAL COMPARISONS

In determining overall remuneration levels, the Committee periodically considers remuneration paid in similar companies as reference points. The Committee aims to undertake this review once every three years, unless a change to the organisation's size, life cycle or structure justifies an earlier review. The Company's review of peer data is not the single determining factor upon which remuneration decisions are made, but rather helps to ensure that remuneration remains fair and reasonable overall. The relative compensation of both UK and US peers forms a part of this.

ELEMENTS OF EXECUTIVE COMPENSATION

Base salary, pension and benefits

Summit aims to provide a base salary and benefits package to attract and retain highly skilled and experienced Executive Directors.

Annual bonus

The Company has a performance-based short-term (annual) bonus programme, which rewards achievement of Company goals and individual performance. The Committee sets stretching strategic goals at the start of the performance year which are aligned with overall Company and shareholder interests.

The annual Company goals are chosen on the basis of objective milestones related to a combination of progression of the Company's drug programmes, maintenance of financial strength and advancement and management of the organisational capability required to support successful development of the drug programmes.

The Committee assesses the achievement of the strategic goals at the end of the performance year, and a percentage bonus is determined. The bonus depends on the proportion of the strategic goals achieved, the relative importance of the strategic goals achieved and individual performance. The Committee retains the discretion to make adjustments for exceptional achievement of stretch targets or exceptional performance.

Each year, as far as they are not commercially sensitive, the prior year's strategic goals will be retrospectively published in the Annual Report.

Long-Term Incentives ('LTIs')

Long-Term Incentives are designed to align Executive Directors' interests with those of shareholders. This promotes long-term value generation and responsible management. Summit's LTI plan for Executive Directors represents a significant element of their total remuneration but such gains will only be realised in the event that the Company value increases.

LTIs are granted in the form of share options and have a three year vesting period, subject to the completion of performance conditions. If the performance conditions are not met, the awards lapse at the end of the three year vesting period.

Strategic milestones, such as the reporting of clinical trial data or maintaining the Company's financial strength, have been chosen as performance conditions to align Executive Director remuneration to the Company strategy and ensure that the management team are focussed on significant value generating milestones which will in turn boost Company growth over the long-term.

CHAIRMAN AND NON-EXECUTIVE DIRECTOR FEES

The Chairman and Non-Executive Directors are selected based on the skills and experience they can bring to the Company relative to the stage of the Company's development. To attract suitably qualified and experienced directors, the Company recognises that it must remain competitive on fees. For this reason, Chairman and Non-Executive Director fees are periodically reviewed against the selected comparator group (as described above.)

In addition to cash fees, Non-Executive Directors also receive an annual grant of RSUs. The RSUs have a one-year vesting period and no performance conditions. The RSUs are granted in the form of nominal-cost options. Equity grants for Non-Executive Directors contribute to the holding of shares in the Company, ensuring Directors' interests are aligned with those of shareholders, and conserve cash in the Company whilst permitting the flexibility to ensure that remuneration practices are sufficiently competitive. The RSU award is usually made as early in the year as permitted.

The Remuneration Committee retains the discretion to award share options to Non-Executive Directors, for the purpose of new Non-Executive Director option grants and to remain aligned with US best practice due to Summit's status as a Company with a dual listing. There is currently no ongoing annual share option grant to the Non-Executive Directors.

REMUNERATION POLICY TABLE

The tables below summarise our approved Remuneration Policy for Executive and Non-Executive Directors. The current Policy was approved by shareholders at the 2017 AGM and has been in effect since that date. The Remuneration Policy will remain in effect up until the 2020 AGM, unless or until a new policy is approved by shareholders.

This is the Policy that has been implemented and there have been no changes to the Policy since it was approved by shareholders.

Executive Director(s)		
Salary	**Purpose**	Recognises the skills, experience and expertise of Executive Directors required to deliver the Group's strategy, and provides the basis for a competitive remuneration package.
	Operation	• Position salary levels for Executive Directors at a level calculated to attract and retain experienced, skilled executive talent, with reference to: – relevant experience and time in the role; – compensation of similarly situated executives at companies in an appropriately constituted peer group as reviewed from time to time but not on an annual basis; – individual performance; and – general economic environment. • Salaries normally are reviewed annually. • Any salary increases normally take effect from the start of the following financial year.
	Maximum opportunity	• Whilst there is no salary maximum, salary increases for the Executive Directors normally are expected to be broadly in line with inflation. • The Committee will consider average salary increases for executives in an appropriate peer group and the wider workforce as well as the individual's personal performance and experience in the role. • At the Committee's discretion, higher than normal increases may be awarded to reflect changes in role size or complexity, which have resulted in salary falling below competitive market levels for the enhanced responsibilities of the role.
	Performance	Review takes account of individual performance and contribution to the Company during the year.
Pension	**Purpose**	Recruit and retain executive talent by providing market competitive pension benefits to encourage and enable executives to build savings for their retirement.
	Operation	• There is no separate pension scheme in place that covers only Executive Directors, and all UK employees are eligible to participate in the UK defined contribution scheme operated by the Company. • US employees are eligible to join the Summit 401k Plan. • Company contribution level is regularly reviewed against local market practices. • Executive Directors may choose to receive all or part of the Company contribution in cash. • At present, the level of employer contribution is 7% of base salary. • The actual level of employer contribution may be changed in the future within the stated policy maximum.
	Maximum opportunity	Maximum employer contribution of up to 17.5% of base salary.
	Performance	N/A.

Executive Director(s)		
Other benefits	**Purpose**	Recruit and retain executive talent by providing other benefits in line with market practice.
	Operation	• Benefits are set in line with local market practice and will be reviewed periodically. Currently, benefits include: – life assurance; and – health insurance. • In exceptional circumstances, such as the relocation of an Executive Director, or for a new hire, additional benefits may be provided in the form of relocation allowance and benefits including tax equalisation, reimbursement of expenses for temporary accommodation, transportation, travel and legal/financial assistance, as well as the provision of any health or medical insurance in line with local market norms.
	Maximum opportunity	There is no monetary maximum given that that the cost will depend on individual's circumstances; however, it will not exceed an amount the Committee considers reasonable.
	Performance	N/A.
Annual bonus	**Purpose**	Aligns incentives with the level of achievement of key annual objectives linked to the Group strategy.
	Operation	• The Committee sets objectives at the beginning of each performance year, which is aligned with the calendar year. • Annual performance measures and objectives and their relative weights are determined with reference to the Group's overall strategy and annual business plan and priorities for the year. • The Committee determines the bonus amount at the end of the performance year on the basis of the Company's performance against the pre-established objectives and the individual's performance in the year. • Clawback provisions apply (detail provided below). • At the discretion of the Committee, a portion of the bonus may be settled in the form of nominal cost options ('deferred bonus options') to deliver a balance between long-term and short-term reward. These options will normally be exercisable six months from the date of bonus determination by the Committee. There will be no restrictions on the shares acquired on exercise, although the award will be subject to clawback provisions as applicable to awards under the Company's LTIP.
	Maximum opportunity	• The 'in-line' target performance will result in a payout of 100% of salary (for achievement of 'normal' goals), and the 'maximum' target performance will result in a payout of 150% of salary (for achievement of 'stretch'/exceptional performance goals. • In exceptional circumstances (for example in a recruitment situation) the Committee may determine that the maximum bonus opportunity will be 200% of salary.
	Performance	• Bonus amount is determined on the basis of performance measured at the end of performance year against corporate goals established at the beginning of the year and in consideration of the individual's performance in the year. • The Committee sets corporate objectives at the beginning of each performance year and reviews them at the end of the performance year. These objectives are typically weighted towards progress in our research and development programmes, as well as financial, commercial and operational objectives. • The performance measures are considered commercially sensitive by the Committee given their direct link to the business strategy and so are not disclosed to shareholders in advance. The Committee will review the sensitivity of this information following the end of the performance period with a view to sharing these with shareholders as soon as this information is no longer deemed sensitive. • Deferred bonus options granted under the annual bonus plan will not attract further performance conditions.

Executive Director(s)		
Long-Term Incentive Plan ('LTIP')	**Purpose**	Aligns incentives with shareholder value creation and rewards the achievement of long-term objectives linked to the Group's strategy.
	Operation	• Awards under the LTIP may take the form of performance share awards, nominal cost share options or market value share options. • The Committee will consider awards under the LTIP twice a year. • Awards will be subject to performance conditions. • At the discretion of the Board, awards may be settled either in ordinary shares or converted to a cash equivalent mirroring the value of shares at the date of vesting. • Malus and clawback provisions apply (detail provided in notes).
	Maximum opportunity	Individual grants of market-value share options in respect of any one financial year will have a face value of no more than ten times base salary. Equivalent limits apply for other types of award (reflecting that alternative awards are nil cost/free shares). The Committee anticipates that the usual awards will be lower than this maximum limit.
	Performance	• Awards will vest over a minimum period of three years, such vesting subject to the achievement of performance measures. • Performance measures for performance shares will be set by the Committee, normally on the basis of strategic Company objectives or strategic Company objectives in addition to growth in the Company's share price. Where the Committee determines that the LTIP vesting will be based on strategic objectives, these will typically be the achievement of research and development objectives. As these typically will be commercially sensitive, the Committee is committed to disclosing such objectives once they are no longer considered to be sensitive.
All-employee plans	**Purpose**	Aligns incentives with shareholder value creation and rewards the achievement of long-term objectives linked to the Group's strategy.
	Operation	Executive Directors will be eligible to participate in all-employee plans (such as a Save As You Earn ('SAYE') plan in the UK or an Employee Share Purchase Plan ('ESPP') in the US) on the same basis as other employees of the Group to the extent such plans are offered to employees.
	Maximum opportunity	The maximum level of participation will be as per the relevant tax authorities guidelines.
	Performance	None.

Executive Director(s)	
Notes	(1) Malus and clawback provisions for annual bonus and LTIP Annual bonus, deferred bonus options and LTIP awards granted under the 2016 Long-Term Incentive Plan are subject to malus and/or clawback provisions. These provisions apply to all grants made from 21 January 2016. Under the policy, the Board, in its discretion, may reduce or cancel, or recover all or a portion of, awards granted to Executive Directors in certain circumstances. Under the malus provisions, in the case of unvested LTIP awards, or unvested deferred bonus options, the Company may cancel or reduce an award in circumstances including but not limited to: material misstatement of the Group's audited financial results, material failure of risk management, and serious reputational damage to the Company or material misconduct on the part of the participant. Under the clawback provisions, in relation to vested LTIP awards or deferred bonus options, in circumstances where the Company is required to restate financial statements due to the misconduct of that Director, and that misconduct has contributed significantly to the need for restatement, the Company may require that the participant's award of vested but unexercised options be reduced or cancelled, or that the participant make a cash payment to the Company, or transfers shares to the Company where the award has already been exercised. In the case of bonus awards, the Company may require that the participant make a cash payment to the Company in repayment of some or all of the bonus award where the circumstances outlined in the clawback provisions of the LTIP apply. The clawback must be implemented within 24 months of the payment in respect of bonus awards paid in cash, or within five years of the grant date of LTIP awards, or deferred bonus options. (2) Use of discretion The Committee will operate the annual bonus plan and LTIP according to their respective rules and in accordance with the AIM Rules for Companies and/or the Nasdaq Rules where applicable. The Committee retains discretion, consistent with market practice, in a number of areas with regard to the operation and administration of these plans. These include, but are not limited to, the following in relation to LTIP awards and deferred bonus options: • the participants; • the timing of grant of an award; • the vehicle of award; • the size of an award; • the determination of vesting; • discretion required in respect of assessment of performance conditions and the disapplication of time pro-rating when dealing with a change of control or restructuring of the Group; • determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen; • adjustments required in certain circumstances (eg rights issues, corporate restructuring events and special dividends) or acceleration of vesting as an alternative; and • the annual review of performance measures and weighting, and performance measures for the LTIP from year to year. In relation to the annual bonus plan, the Committee retains discretion over: • the participants; • the timing of grant of a payment; • the determination of the bonus payment; • dealing with a change of control; • determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen; and • the annual review of performance measures and weighting, and performance measures for the annual bonus plan from year to year. In relation to both the Company's LTIP and annual bonus plan, the Committee retains the ability to adjust the performance objectives and/or set different measures if events occur (eg material acquisition and/or divestment of a Group business) which cause the Committee to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy. Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration.

Non-Executive Directors ('NED')		
Fees	**Purpose**	Allows the Company to attract and retain NEDs of a high calibre and with experience in the Company's markets.
	Operation	• NEDs receive basic fees with additional fees paid for Board Committee chairmanships and participation. • Should the Committee so determine, NEDs basic and additional fees may be paid in the form of shares and not cash. • Fee levels take into account market practice, the required time commitment, and expectation of responsibilities for each NED role. • Fees will be reviewed by the Committee periodically and with regard to market comparatives. • NEDs are not eligible to participate in the annual bonus plan and do not receive other benefits or pensions.
	Maximum opportunity	Value of aggregate fees will not exceed £850,000 in any given year.
	Performance	N/A.
Taxable benefits	**Purpose**	To reimburse reasonable travel costs for attendance at Board meetings.
	Operation	NEDs receive all reasonable travel costs in connection with attendance at Board meetings.
	Maximum opportunity	All expenses will be borne where the Committee considers that these are reasonable. In addition, the Company bears the income tax and social security costs in respect of these benefits on behalf of the NEDs.
	Performance	N/A.
Restricted Stock Units ('RSUs')	**Purpose**	Strengthen NEDs' alignment to shareholder interests through ownership of Company shares and align UK and US market practice for NED equity grants.
	Operation	Granted annually, with a one year vesting period, RSUs granted in the form of nominal-cost options.
	Maximum opportunity	N/A.
	Performance	RSU grants are subject to no performance conditions.
Share options	**Purpose**	To reflect US market practice, supporting the recruitment and retention of our NEDs with US market experience and expertise, and strengthen NEDs' alignment to shareholder interests through ownership of Company shares.
	Operation	The Remuneration Committee retains the discretion to award share options to Non-Executive Directors (for example, a one-time award of share options on appointment).
	Maximum opportunity	N/A.
	Performance	Share options awarded to NEDs will not be subject to any performance conditions.

ARRANGEMENTS MADE BEFORE THE POLICY CAME INTO EFFECT

Arrangements that were entered into prior to the date when the Policy came into effect are being allowed to continue. This included arrangements with respect to base salary and benefits, relocation, short-term incentives and long-term incentives. In the event of internal promotion, arrangements entered into prior to promotion will be permitted to continue. This includes arrangements with respect to base salary and benefits, relocation, short-term incentives and long-term incentives that were awarded before the effective date of promotion.

For the avoidance of doubt, Non-Executive Directors are not eligible to participate in the annual bonus plan and do not receive other benefits or pensions but may receive additional remuneration in the form of shares or RSUs (as set out above).

RECRUITMENT POLICY

The remuneration package for any new Executive Director will be set in accordance with the terms of the Policy at the time of appointment (including salary, pension, benefits, annual bonus and long-term incentives). It is recognised that in order to attract and recruit talented individuals, the recruitment remuneration policy needs to maintain sufficient flexibility. The Committee therefore reserves the ability, in recruitment circumstances, to offer an annual bonus equivalent to a maximum of 200% of basic salary. Any award under the LTIP will be limited to a maximum in respect of any financial year of ten times basic salary for a grant of market value options, when calculated at face value on the date of grant, or an equivalent level for other awards.

To facilitate recruitment, the Committee may offer additional cash and/or share-based remuneration to take account of and compensate for remuneration that the Director is required to relinquish when leaving a former employer. Where possible, the Committee would look to award this under the existing LTIP. The Committee will seek to structure any such replacement awards to be no more generous overall in terms of quantum or vesting than the award to be forfeited from the previous employer and will take into account the timing, form and performance requirements of the awards forgone.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms. In addition, any other contractual remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Company will provide reasonable relocation support.

In all cases, the Committee will ensure that decisions made are in the best interests of the Company.

Where it is appropriate to offer a below market salary on the appointment of a new Executive Director, the Committee will have the discretion to award higher percentage salary increases over a period of time in order to transition the Executive Director to a market standard salary.

The remuneration for any Non-Executive Directors appointments will be set in accordance with the prevailing Policy and no additional payments will be made.

POLICY ON PAYMENTS FOR LOSS OF OFFICE

Executive Directors are eligible for up to 12 months' notice, for which the Company retains the option to make payments in lieu of contractual entitlement to salary/fees, benefits and pension contributions.

There is no automatic entitlement to any bonus payment, or proportion thereof, upon loss of office; however, the Remuneration Committee may exercise its discretion to make such a payment, taking into consideration performance to the date of cessation of employment and time in role in that calendar/performance year. Any bonus paid will be time pro-rated unless, at the discretion of the Committee, it is deemed appropriate to award a full bonus (for example in cases of cessation by way of death, illness, injury, disability, or retirement).

Whether any LTIP awards or deferred bonus options would vest and be exercisable upon loss of office would be subject to the Plan Rules under which such award was granted, which allow vesting and exercise of awards in the event of death, retirement, ill-health, injury, redundancy, change of control and any other reason at the discretion of the Committee. The Committee retains discretion to determine the extent to which the award will vest, taking into consideration the circumstances, unless the Committee determines otherwise, whether any performance condition has been met. Awards that have vested will normally be pro-rated for service unless the Committee determines otherwise. In cases of cessation of employment that are not considered to qualify for treatment as a 'good leaver', all unvested awards shall lapse.

The Committee reserves the right to make payments it considers reasonable under a compromise or settlement agreement, including payment or reimbursement of reasonable legal and professional fees, and any payment in respect of statutory rights under employment law in the UK or other jurisdictions. Payment or reimbursement of reasonable outplacement fees may also be provided.

DIRECTORS' SERVICE CONTRACTS

It is Group policy that Executive Directors should have contracts with an indefinite term providing for a maximum of 12 months' notice.

The Non-Executive Directors have contracts which will continue until terminated by mutual agreement of the parties but can be terminated without notice by either party. Their remuneration is reviewed by the Board annually. All Directors are subject to re-election by shareholders in accordance with the Company's articles of association. If a resolution to re-elect a Non-Executive Director is not passed by shareholders, their appointment will be terminated.

There are no other agreements which could give rise to payment in the event of loss of office.

Details of Directors' service contracts or letters of appointment are as follows:

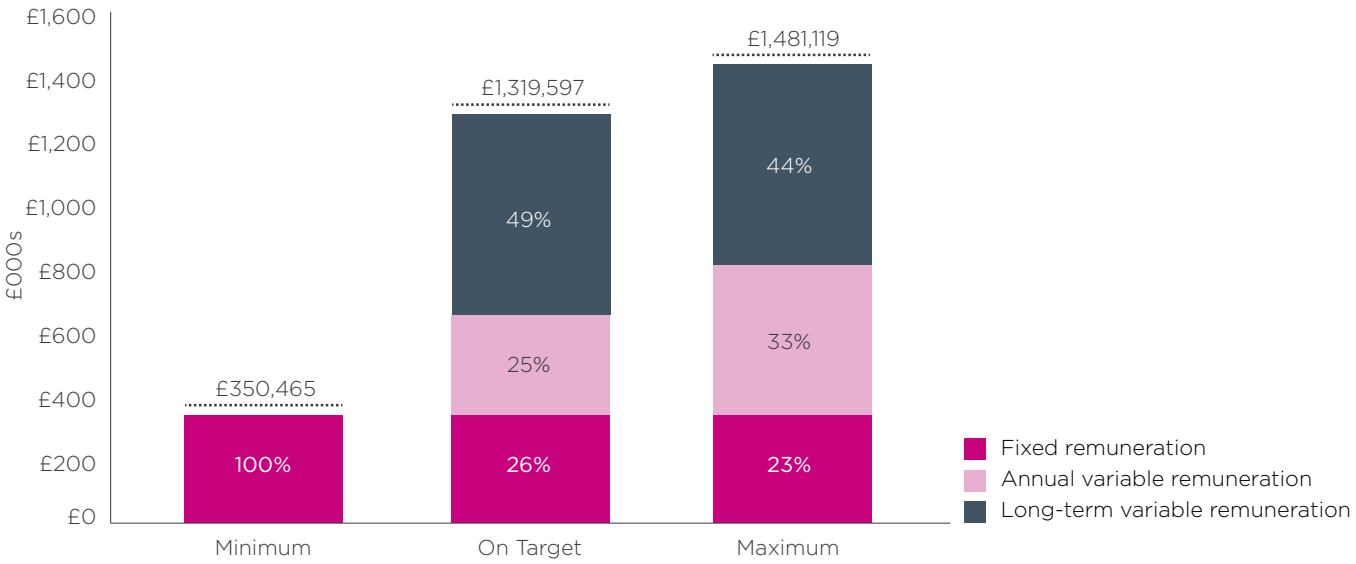
Director	Date of contract
Executive	
Glyn Edwards	4 April 2012
Non-Executive	
Frank Armstrong	6 June 2013
Leopoldo Zambeletti	30 May 2014
Valerie Andrews	18 September 2014
David Wurzer	20 February 2015

ILLUSTRATIONS OF MINIMUM, EXPECTED, AND MAXIMUM REMUNERATION FOR EXECUTIVE DIRECTORS

The following provides an illustration of the potential remuneration for Executive Directors for the year ending 31 January 2020 under the proposed Remuneration Policy outlined above under the following three scenarios:

Minimum: fixed elements of remuneration	This scenario is illustrative only and is not expected to be a prediction of remuneration for Executive Directors for the financial year ending 31 January 2020. This scenario assumes that the latest known current basic salary of £323,044 continues to be earned in the financial year ending 31 January 2020. The value of benefits receivable for the year ended 31 January 2020 is assumed to be equal to the value of benefits received in the year ended 31 January 2019 as set out in the single total figure of remuneration table on page 44. The pension contribution receivable by the Executive Directors for the year ended 31 January 2020 is assumed to be 8% of the latest known basic salary, being £323,044. No short-term incentive payments are assumed. No vesting of long-term equity-based incentives is assumed.
Performance in line with expectations	This scenario is illustrative only and is not expected to be a prediction of remuneration for Executive Directors for the financial year ending 31 January 2020. Fixed elements of remuneration as set out above, plus: Short-term incentive payment is taken to be 100% of basic salary, being the current best estimate of the average bonus likely to be awarded by the Committee in years when performance is in line with expectations. This scenario assumes a normal long-term incentive award with a face value of six times basic salary. For this illustration, we have multiplied the face value by one third to reflect the average fair value, which is in line with the recommendation given by the Financial Reporting Council's Lab project report, dated March 2013.
Maximum remuneration receivable	This scenario is illustrative only and is not expected to be predictive of remuneration for Executive Directors for the financial year ending 31 January 2020. Fixed elements of remuneration as set out above, plus: The maximum level of short-term incentive payment is assumed to be equivalent to 150% of basic salary. This scenario assumes a normal long-term incentive award with a face value of six times basic salary. For this illustration, we have multiplied the face value by one third to reflect the average fair value, which is in line with the recommendation given by the Financial Reporting Council's Lab project report, dated March 2013.

Chief Executive Officer



The long-term remuneration shown in the graph above illustrates the potential 'Face Value' of equity shares that could be granted and not gains made which are or could be realised by the Chief Executive Officer.

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

Whilst the Committee does not consult directly with employees regarding its Policy for Directors, the Committee does consider the policy for remuneration of employees within the Group.

In terms of fixed pay, when determining the Executive Directors' base salary increases, the Committee considers the base salary increases for the wider employee population.

Many employees are eligible to receive a bonus and may also be granted options under the LTIP (higher bonus percentage and LTIP opportunities are available for Executive Directors).

The Committee can confirm that the Policy has been designed with due regard to the policy for remuneration of employees within the Group.

STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

The Committee takes an active interest in shareholders' views and voting on the Directors' Remuneration Report. The Committee has consulted with shareholders to understand any concerns to allow these to be addressed if these arise.

This report was approved by the Board of Directors on 27 March 2019 and signed on its behalf by

Valerie Andrews
Chair of the Remuneration Committee

27 March 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JANUARY 2019

The Directors present their report and the audited financial statements for Summit Therapeutics plc ('Summit') and its subsidiaries (the 'Group') for the year ended 31 January 2019. The Company has chosen to set out some of the matters otherwise required by regulations made under section 416(4) of the Companies Act 2006 to be disclosed in the Strategic Report as the Directors consider they are of strategic importance to the Company.

DIRECTORS

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

Executive

Glyn Edwards, MBE	Chief Executive Officer

Non-Executive

Frank Armstrong, FRCPE, FFPM	Chairman
Leopoldo Zambeletti	Non-Executive Director
Valerie Andrews	Non-Executive Director
David Wurzer	Non-Executive Director
Barry Price, PhD	Non-Executive Director (resigned 20 September 2018)
Professor Stephen Davies	Non-Executive Director (resigned 20 September 2018)

Details of the Directors' interests, share options, service contracts and letters of appointment are shown in the Directors' Remuneration Report (pages 42 to 64).

The Company maintained Directors' and Officers' liability insurance cover throughout the year and has entered into a deed of indemnity with each of the Directors and Executive Officers.

Biographical details of the Directors are available on pages 34 and 35.

PRINCIPAL RISKS AND UNCERTAINTIES

For a discussion of the principal risks and uncertainties which face Summit, please see pages 26 to 29.

RESULTS AND DIVIDENDS

The Consolidated Statement of Comprehensive Income for the year is set out on page 77.

The Group's comprehensive profit for the financial year after taxation was £7,546,000 (2017/18: comprehensive loss £20,203,000 adjusted). The profit recorded for the financial year ended 31 January 2019 was primarily due to the recognition of all remaining deferred revenue related to the licence and collaboration agreement with Sarepta Therapeutics Inc., following the Group's decision to discontinue the development of ezutromid in June 2018. This recognition of deferred revenues did not impact the Group's cash flows.

The Directors do not recommend the payment of a dividend (2017/18: nil).

FINANCIAL INFORMATION

The Group produces a detailed budget and cash flow projections on an annual basis for approval by the Board. These are updated during the year as appropriate to meet the changing needs of the business. Detailed management accounts are produced on a monthly basis, with all significant variances investigated promptly. The management accounts are reviewed and commented on by the Board at the bi-monthly Board meetings and are reviewed on a monthly basis by the management team.

FINANCIAL KEY PERFORMANCE INDICATORS ('KPIS')

For a review of the Group's KPIs please see page 25.

RESEARCH AND DEVELOPMENT

Details of the Group's key research and development programmes can be found in the Strategic Report and the programme overview sections on pages 10 to 29. Further information is also available on the Company's website, www.summitplc.com.

FINANCIAL INSTRUMENTS AND MANAGEMENT OF LIQUID RESOURCES

The Group's principal financial instrument comprises cash, and this is used to finance the Group's operations. The Group has various other financial instruments such as trade credit facilities that arise directly from its operations. The Group has a policy, which has been consistently followed, of not trading in financial instruments. The Group aims to place deposits surplus to short-term working capital requirements with a range of reputable UK-based and US-based banks and building societies. These balances are placed at fixed rates of deposit with maturities between one month and three months. The Group's treasury policy is reviewed annually. See Note 22 'Financial instruments' in the Notes to the Consolidated Financial Statements for IFRS 7 disclosure regarding financial instruments.

POLITICAL AND CHARITABLE DONATIONS

The Group makes no political donations however the Group continues to support charitable causes.

SUBSTANTIAL SHAREHOLDINGS

As of 1 March 2019, the Company was aware of or had been notified of the following holdings of more than 3% or more of the issued share capital of the Company.

As at 1 March 2019	Holding	%
Robert W. Duggan	78,288,205	48.81%
Lansdowne Partners Limited	21,143,500	13.18%
Polar Capital LLP	5,322,946	3.31%

ANNUAL GENERAL MEETING ('AGM')

The date for the 2019 AGM will be announced shortly with further details to be provided to shareholders in advance of the meeting.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors for the year. A resolution to reappoint them will be proposed at the forthcoming AGM.

On behalf of the Board

Glyn Edwards
Chief Executive Officer

27 March 2019

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 Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the 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 Group and Company and of the profit or loss of the Group and 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, 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 Group and Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors of the ultimate parent company are responsible for the maintenance and integrity of the Group and Company's website, www.summitplc.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS

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

- so far as the Director is aware, there is no relevant audit information of which the Group and 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 Group and Company's auditors are aware of that information.

On behalf of the Board

Glyn Edwards
Chief Executive Officer

27 March 2019

FINANCIAL STATEMENTS

With a singular focus on antibiotic innovation, we are investing our resources on developing new mechanism antibiotics.

Glyn Edwards
Chief Executive Officer

FINANCIAL STATEMENTS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- Summit Therapeutics plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 January 2019 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 January 2019; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements 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 Group 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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN – GROUP AND COMPANY

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the uncertainty around the Group and Company's ability to raise funds as required to continue with their clinical trial. If the Group and Company were unable to raise additional funding, this could negatively impact the Group's and Company's ability to operate. This condition, along with the other matters explained in Note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Explanation of material uncertainty

At the balance sheet date, the Group held cash that the Directors believe is sufficient to support the Group's and Company's operating expenses and capital expenditure requirements for its major programmes up until 31 January 2020. The Directors have concluded that they will be able to secure sufficient financing for the Group and Company however, this financing is not committed at the date of approval of these financial statements. Management have an ability to restrict costs under a cash pressured scenario to continue their activities, although as disclosed in Note 1 this would only be for the foreseeable future, being not less than 12 months from the date of approval of these financial statements, and have therefore prepared the financial statements on a going concern basis. As disclosed in Note 1, this would only be for a short period beyond 12 months from the date of approval of these financial statements. These circumstances represent a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as a going concern.

The Directors believe that they are able to carry out the necessary additional measures and that the Group and Company can continue as a going concern for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis for accounting in preparing these financial statements. However, given the risks associated with the matters outlined above, the Directors have drawn attention to this in disclosing a material uncertainty relating to going concern in the basis of preparation to the financial statements.

THE AUDIT PROCEDURES WE PERFORMED

In concluding there is a material uncertainty, our audit procedures assessed the impact of the Group's and Company's ability to raise funds on the future cash flows of the business, in particular the impact on the ability to fund clinical trial activity. We therefore performed the following procedures:

- agreed the underlying cash flow projections to management approved forecasts, assessed how these forecasts compiled, and assessed the accuracy of management's forecasts by reviewing management's historic data and the contractual arrangements in place;
- assessed the reasonableness of the sensitivities applied to the forecasts including downside scenarios;
- discussed with management their ability and willingness to restrict cost as required;
- critically assessed the adequacy of the disclosures related to the application of the going concern assumption; and
- checked the mathematical accuracy of the spreadsheet used to model future financial performance and determined whether the minimum cash balance requirements will be met.

OUR AUDIT APPROACH

Overview

Materiality	• Overall Group materiality: £1,445,000 (2018: £995,000), based on 5% of adjusted loss before tax. • Overall Company materiality: £1,121,000 (2018: £805,000), based on 1% of total assets.
Audit scope	• We identified two significant components: Summit (Oxford) Limited and Summit Therapeutics Inc., both of which required a full scope audit because of their contribution to loss before tax. • No component auditors supported the Group audit team which conducted all necessary audit procedures. • These two significant components, together with other reporting components within the scope of our audit, amount to 97% of Group loss before tax and 99% of Group total assets.
Key audit matters	• Impairment of assets (Group and Company). • Revenue and other operating income recognition (Group). • Financial liabilities arising on funding arrangements (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment of assets In June 2018, the Group announced that the PhaseOut DMD trial failed to meet its primary or secondary endpoints, leading to a decline in the Group's share price. This is considered a key audit matter as it is an indicator of impairment for the Group and Company's assets, notably goodwill and intangible assets held at a Group level, and investments and intercompany balances held at the Company level. Management have therefore performed an impairment assessment on all material goodwill, intangible assets, investments and intercompany balances in accordance with IAS 36 and IFRS 9. Management have assessed the goodwill and intangible assets related to MuOx Limited for impairment using a value in use model. The Group held a licence to exploit next generation utrophin modulation research which, due to the Group's decision to discontinue its research in this space, is fully impaired as the probability of success factor applied to the model was substantially reduced. With regard to the investments and intercompany receivable balances held by the Company which relate to Summit (Oxford) Limited, management have assessed that given the stage of progression of research into ridinilazole, a reliable estimate of future cash flows can be formed based on potential market size, penetration and drug pricing. Management have therefore prepared a value in use discounted cash flow model to estimate the recoverable value of ridinilazole as this is indicative of the value of Summit (Oxford) Limited. Management however have assessed that the use of a milestone approach is more appropriate for the Discuva technology platform intangible and goodwill arising on the acquisition in prior year as, due to the early stage of R&D activities, management cannot reasonably estimate the expected future cash flows from the underlying assets. This approach has also been used with regards to the recoverability of the investments and intercompany receivables balances held by the Company in respect of Discuva Limited. The significant judgement within this model relates to whether key development milestones have been achieved during the period and, therefore, initial recoverable value recognised on acquisition requires impairment. The key judgements identified were: • whether an indicator of impairment exists; and • the appropriateness of the model used and assumptions applied as described above. This is a key audit matter relevant to the Group and Company.	We have performed the following procedures: • we have assessed the business processes and controls related to impairment of assets; • we have critically assessed management's assessment of whether an indication of impairment exists; • we have evaluated the methodology applied by management for each impairment review and assessed whether this is in line with IAS 36 or IFRS 9; • we have critically assessed management's valuation models associated with each impairment review and raised questions of management on the robustness of the assumptions applied within the model; for example the discount rate and probabilities of success and progression of current; • we have used PwC valuation specialists to review significant assumptions and third-party reports; • we have performed sensitivity analysis based on reasonably possible outcomes; and • we have checked the mathematical accuracy of the calculations. We concluded that management's approach to the impairment reviews and accounting treatment is in line with IFRS standards and that the impairment of goodwill, intangible asset and investment associated with MuOx Limited alone was required. We have reviewed the appropriateness of the disclosures within the financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue and other operating income recognition The Group recognised revenue in the period in relation to: • milestone and cost sharing income received from Sarepta Therapeutics Inc.; • rateable spreading of the upfront payment received for entering the licence and collaboration agreement with Eurofarma Laboratorios S.A.; and • the research collaboration agreement between F. Hoffmann-La Roche Limited and Discuva Limited. The Group recognised other operating income in the period in relation to: • funding from the US Biomedical Advanced Research and Development Authority (BARDA); • funding from CARB-X, a US-based not for profit organisation funded through a variety of public and private initiatives; and • funding from Innovate UK, Technology Strategy Board, the United Kingdom's innovation agency. Revenue and other operating income recognition is considered a key audit matter due to the material and judgemental nature of the accounting for the Group's research, licence and collaboration agreements under IFRS 15 and IAS 20. Management have assessed the requirements of both standards in order to determine whether they can recognise revenue and other operating income in respect of the above agreements. The key judgements identified: • the determination of whether revenue recognition should be made at a point in time, or spread under the terms of the contract; • the determination of the performance obligations requiring individual accounting for the associated revenue; • the determination of the fair value of each performance obligation; • the assessment of whether spending qualifies for reimbursement for other operating income; and • the estimation of the time period over which revenue and other operating income has been spread. This is a key audit matter relevant to the Group.	We have performed the following procedures related to the agreements and the related recognition of revenue and other operating income: • inspected the contractual terms which give Summit the right to recognise revenue and other operating income; • tested the fair value allocation of the contract price to the different elements; • inspected external support to validate the revenue and other operating income recognised in the period; and • inspected cost invoices where cost share revenue is recognised to validate the revenue recognised in the period. We concluded that management's revenue recognition was supported and consistent with IFRS 15 and IAS 20.

Key audit matter	How our audit addressed the key audit matter
Financial liabilities arising on funding arrangements Historically, management have entered into contracts with both public and private bodies who have provided the Group with funding for research and development. In return, the Group have agreed to pay royalties to these bodies, or to surrender the associated intellectual property if the research fails to obtain regulatory approval. Where both items exist within the same contract, this gives rise to a financial liability. During the year, management have entered into a new funding arrangement with CARB-X and therefore are required to consider whether the arrangement gives rise to a financial liability. Management have concluded that the clauses within the contract do not give rise to such a liability. This is considered a key audit matter due to the material nature of the contracts entered into by the Group for funding, and the potentially judgmental nature of the clauses within those contracts. As a result of the failure of the PhaseOut DMD trial to meet its primary or secondary endpoints, during the year the historical liability which existed with DMD partners was remeasured to nil, as management now do not expect a successful outcome from this research. Our consideration of the treatment of the financial liabilities focuses on the following key judgements made by management: • the nature of the new funding arrangement and whether this gives rise to a financial liability; and • whether the probability-of-success factor should be remeasured to nil. This is a key audit matter relevant to the Group.	We have performed the following procedures: • evaluated whether any of the historical agreements have changed during the period; • critically assessed management's judgement on the probability-of-success factor in relation to DMD program; and • reviewed the CARB-X contract terms against the requirements to recognise a financial liability. We concluded that management's assessments of the contracts are in line with the applicable accounting standards and do not give rise to a financial liability. We further conclude that the remeasurement of the financial liability related to the PhaseOut DMD trial to nil was appropriate.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group comprises 11 entities, of which seven are dormant. Of the four trading entities, we determined two to be in scope. This was determined based on each entity's contribution to consolidated loss before tax. The in-scope components and reporting components amounted to 97% of Group loss before tax.

We noted no significant balances meriting specific inclusion other than those held by these in-scope components.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£1,445,000 (2018: £995,000).	£1,121,000 (2018: £805,000).
How we determined it	5% of adjusted loss before tax.	1% of total assets.
Rationale for benchmark applied	As a research and development focussed Group, loss before tax is considered the appropriate benchmark for calculating materiality. Given the one off items recognised in the Consolidated Statement of Comprehensive Income during the year, namely the release of Sarepta deferred revenue, impairment of goodwill and intangibles related to MuOx Limited and the remeasurement of a financial liability, we believe it to be appropriate to remove these items from loss before tax for our Group materiality calculation on the basis that the current year profit is distorted by these one off events.	The Company is a holding company and therefore an assets based benchmark is considered appropriate.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1,373,000 and £1,121,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £72,250 (Group audit) (2018: £49,750) and £56,000 (Company audit) (2018: £40,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 and ISAs (UK) require us also to report certain opinions and matters as described below.

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

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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 set out on page 67, 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 Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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

27 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2019

	Note	**Year ended 31 January 2019 £000**	Year ended 31 January 2018 (Adjusted*) £000
Revenue	5	**43,012**	12,360
Other operating income	6	**15,156**	2,725
Operating expenses			
Research and development	8	**(39,174)**	(28,970)
General and administration	8	**(12,342)**	(11,999)
Impairment of goodwill and intangible assets	9	**(3,985)**	–
Total operating expenses		**(55,501)**	(40,969)
Operating profit/(loss)		**2,667**	(25,884)
Finance income	11	**2,788**	3,096
Finance costs	11	**(424)**	(1,164)
Profit/(loss) before income tax		**5,031**	(23,952)
Income tax	12	**2,496**	3,762
Profit/(loss) for the year		**7,527**	(20,190)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**19**	(13)
Total comprehensive profit/(loss)		**7,546**	(20,203)
Basic and diluted earnings/(loss) per ordinary share from operations	13	**9p**	(31)p

* See Note 3 – 'Changes to accounting policies – Adoption of IFRS 15 *'Revenue from contracts with customers'*.

The accompanying notes form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 JANUARY 2019

	Note	31 January 2019 £000	31 January 2018 (Adjusted*) £000
ASSETS			
Non-current assets			
Goodwill	14	**1,814**	2,478
Intangible assets	15	**10,604**	14,785
Property, plant and equipment	16	**616**	809
		13,034	18,072
Current assets			
Trade and other receivables	17	**13,547**	11,134
Current tax receivable		**6,328**	4,654
Cash and cash equivalents		**26,858**	20,102
		46,733	35,890
Total assets		**59,767**	53,962
LIABILITIES			
Non-current liabilities			
Deferred revenue	19	**(831)**	(27,270)
Financial liabilities on funding arrangements	21	**–**	(3,090)
Provisions for other liabilities and charges	23	**(1,851)**	(1,641)
Deferred tax liability	24	**(1,675)**	(2,379)
		(4,357)	(34,380)
Current liabilities			
Trade and other payables	18	**(8,865)**	(8,932)
Deferred revenue and income	19	**(3,374)**	(13,834)
Contingent consideration	20	**(629)**	–
		(12,868)	(22,766)
Total liabilities		**(17,225)**	(57,146)
Net assets/(liabilities)		**42,542**	(3,184)
EQUITY			
Share capital	25	**1,604**	736
Share premium account		**92,806**	60,237
Share-based payment reserve		**1,148**	6,743
Merger reserve		**3,027**	3,027
Special reserve		**19,993**	19,993
Currency translation reserve		**56**	37
Accumulated losses reserve		**(76,092)**	(93,957)
Total equity/(deficit)		**42,542**	(3,184)

* See Note 3 – 'Changes to accounting policies – Adoption of IFRS 15 *'Revenue from contracts with customers'*.

The accompanying notes form an integral part of these Consolidated Financial Statements.

The financial statements on pages 77 to 109 were approved by the Board of Directors and signed on its behalf by

Glyn Edwards
Chief Executive Officer

27 March 2019

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JANUARY 2019

	Note	Year ended 31 January 2019 £000	Year ended 31 January 2018 (Adjusted*) £000
Cash flows from operating activities			
Profit/(loss) before income tax		**5,031**	(23,952)
		5,031	(23,952)
Adjusted for:			
Gain on remeasurement or derecognition of financial liabilities on funding arrangements	6,21	**(539)**	(908)
Loss on recognition of contingent consideration payable	20	**754**	–
Finance income	11	**(2,788)**	(3,096)
Finance costs	11	**424**	1,164
Unrealised foreign exchange (gain)/loss		**(408)**	1,960
Depreciation	16	**309**	140
Amortisation of intangible fixed assets	15	**829**	106
Loss on disposal of assets	8	**43**	40
Increase/(decrease) in provisions	23	**19**	(60)
Research and development expenditure credit	6	**(333)**	(23)
Impairment of goodwill and intangible assets	14,15	**3,985**	–
Share-based payment	7	**4,743**	1,607
Adjusted profit/(loss) from operations before changes in working capital		**12,069**	(23,022)
Increase in trade and other receivables		**(2,218)**	(8,993)
(Decrease)/increase in deferred revenue		**(36,898)**	10,577
Increase in trade and other payables		**93**	3,375
Cash used by operations		**(26,954)**	(18,063)
Taxation received		**159**	3,374
Net cash used by operating activities		**(26,795)**	(14,689)
Investing activities			
Acquisition of subsidiaries net of cash acquired		**–**	(4,775)
Contingent consideration paid	20	**(192)**	–
Purchase of property, plant and equipment	16	**(119)**	(360)
Purchase of intangible assets	15	**(6)**	(119)
Interest received		**4**	12
Net cash used in investing activities		**(313)**	(5,242)
Financing activities			
Proceeds from issue of share capital		**34,648**	14,931
Transaction costs on share capital issued		**(1,313)**	(1,428)
Proceeds from exercise of warrants		**–**	10
Proceeds from exercise of share options		**102**	392
Net cash generated from financing activities		**33,437**	13,905
Increase/(decrease) in cash and cash equivalents		**6,329**	(6,026)
Effect of exchange rates on cash and cash equivalents		**427**	(1,934)
Cash and cash equivalents at beginning of the year		**20,102**	28,062
Cash and cash equivalents at end of the year		**26,858**	20,102

* See Note 3 – 'Changes to accounting policies – Adoption of IFRS 15 *'Revenue from contracts with customers'*.

The accompanying notes form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 January 2019

	Share capital £000	Share premium account £000	Share-based payment reserve £000	Merger reserve £000	Special reserve £000	Currency translation reserve £000	Accumulated losses reserve £000	Total equity £000
At 1 February 2018 (as previously reported)	736	60,237	6,743	3,027	19,993	37	(80,898)	9,875
Change in accounting policy (full restrospective application (IFRS 15))	–	–	–	–	–	–	(13,059)	(13,059)
At 1 February 2018 (Adjusted*)	**736**	**60,237**	**6,743**	**3,027**	**19,993**	**37**	**(93,957)**	**(3,184)**
Profit for the year	–	–	–	–	–	–	7,527	7,527
Currency translation adjustment	–	–	–	–	–	19	–	19
Total comprehensive profit for the year	**–**	**–**	**–**	**–**	**–**	**19**	**7,527**	**7,546**
New share capital issued	864	33,784	–	–	–	–	–	34,648
Transaction costs on share capital issued	–	(1,313)	–	–	–	–	–	(1,313)
Share options exercised	4	98	–	–	–	–	–	102
Share-based payment	–	–	4,743	–	–	–	–	4,743
Transfer	–	–	(10,338)	–	–	–	10,338	–
At 31 January 2019	**1,604**	**92,806**	**1,148**	**3,027**	**19,993**	**56**	**(76,092)**	**42,542**

Year ended 31 January 2018

	Share capital £000	Share premium account £000	Share-based payment reserve £000	Merger reserve £000	Special reserve £000	Currency translation reserve £000	Accumulated losses reserve £000	Total equity £000
At 1 February 2017	618	46,420	5,136	(1,943)	19,993	50	(73,767)	(3,493)
Loss for the year (Adjusted*)	–	–	–	–	–	–	(20,190)	(20,190)
Currency translation adjustment	–	–	–	–	–	(13)	–	(13)
Total comprehensive loss for the year (Adjusted*)	**–**	**–**	**–**	**–**	**–**	**(13)**	**(20,190)**	**(20,203)**
New share capital issued	84	14,847	–	–	–	–	–	14,931
Transaction costs on share capital	–	(1,428)	–	–	–	–	–	(1,428)
Issue of ordinary shares as consideration for a business combination	30	–	–	4,970	–	–	–	5,000
New share capital issued from exercise of warrants	1	9	–	–	–	–	–	10
Share options exercised	3	389	–	–	–	–	–	392
Share-based payment	–	–	1,607	–	–	–	–	1,607
At 31 January 2018 (Adjusted*)	**736**	**60,237**	**6,743**	**3,027**	**19,993**	**37**	**(93,957)**	**(3,184)**

* See Note 3 – 'Changes to accounting policies – Adoption of IFRS 15 *'Revenue from contracts with customers'.*

The accompanying notes form an integral part of these Consolidated Financial Statements.

Share capital and premium
When shares are issued, the nominal value of the shares is credited to the share capital reserve. Any premium paid above the nominal value is credited to the share premium reserve. Ordinary shares of Summit Therapeutics plc have a nominal value of one penny per share.

Share-based payment reserve
The share-based payment reserve arises as the expense of issuing share-based payments is recognised over time (share option grants). The 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. The reserve may equally rise or might see any reduction offset, as new potentially dilutive share options are issued.

Merger reserve
A merger reserve arises as a result of the application of S612 CA2006 relating to business combination accounting. The merger reserve relates to the difference between the nominal value of Summit (Oxford) Limited and fair value of shares issued in business combinations using the acquisition method of accounting arising from the Group reconstruction in 2004 and the difference between the nominal value of Discuva Limited and fair value of shares issued in business combinations using the acquisition method of accounting arising from the acquisition in 2017.

Accumulated losses reserve
The accumulated losses reserve records the accumulated profits and losses, less any subsequent elimination of losses, of the Group since inception of the business. Where businesses or companies are acquired, only the profits or losses arising from the date of acquisition are included. When share options are exercised, lapsed or surrendered, the share-based payment reserve relating to those options is transferred to the accumulated losses reserve.

Special reserve
The special reserve was created during the consolidation and subdivision of the Company's share capital as part of a capital reorganisation completed in September 2014. It represents the net balance of the cancellation of the deferred shares, the reduction of the share premium account and elimination of current losses from the accumulated deficit.

Currency translation reserve
The currency translation reserve records the foreign exchange difference that arises on the translation of the US subsidiary, Summit Therapeutics Inc.

1. BASIS OF ACCOUNTING

The principal accounting policies adopted by Summit Therapeutics plc and its subsidiaries in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards and IFRS Interpretations Committee interpretations ('IFRS') as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared on a going concern basis and under the historical cost convention modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss.

Going concern

The financial information in these financial statements has been prepared assuming the Group will continue on a going concern basis. Based on management's forecasts, the Group's existing cash and cash equivalents, anticipated payments from BARDA under its contract for the development of ridinilazole, anticipated payments from CARB-X under its contract for the development of its gonorrhoea antibiotic candidate, and anticipated payments from the cost-sharing arrangement under its licence and collaboration agreement with Sarepta are expected to be sufficient to enable the Group to fund its operating expenses and capital expenditure requirements through 31 January 2020. The Group will need to raise additional funding in order to support, beyond this date, its planned research and development efforts, potential commercialisation related activities, if any of its product candidates receive marketing approval, as well as to support activities associated with operating as a public company in the United States and the United Kingdom. Should the Group be unable to raise additional funding, management has the ability to take mitigating action to fund its operating expenses and capital expenditure requirements in relation to its clinical development activities for only a short period beyond 12 months from the date of issuance of these financial statements. These circumstances represent a material uncertainty which may cast and raise significant doubt on the Group's ability to continue as a going concern. These financial statements do not contain any adjustments that might result if the Group was unable to continue as a going concern.

The Group is evaluating various options to finance its cash needs, through a combination of some, or all, of the following: equity offerings, collaborations, strategic alliances, grants and clinical trial support from government entities, philanthropic, non-government and not-for-profit organisations and patient advocacy groups, debt financings, and marketing, distribution or licensing arrangements. Whilst the Group believes that funds would be available in this manner before the end of January 2020, there can be no assurance that the Group will be able to generate funds, on terms acceptable to the Group, on a timely basis or at all, which would impact the Group's ability to continue as a going concern. The failure of the Group to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on the Group's business, results of operations and financial condition.

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 Consolidated Financial Statements are disclosed in Note 2 'Critical accounting judgements and key sources of estimation uncertainty'.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Group and entities controlled by the Group made up to the reporting date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiary undertakings acquired or disposed of in the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1. BASIS OF ACCOUNTING CONTINUED

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. 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 Consolidated Statement of Financial Position and are recognised as revenue over the development period.

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

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

See Note 3 'Changes to accounting policies – Adoption of IFRS 15 *'Revenue from contracts with customers'* for details of the impact of the initial adoption of IFRS 15.

Business combinations

The cost of an acquisition is measured as the fair value of the assets exchanged, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired together with liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets is recorded as goodwill. Goodwill is not amortised but is reviewed for impairment at least annually and more frequently whenever there is an indication of impairment.

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.

The intangible asset relating to the acquired Discuva Platform capitalised as part of the acquisition of Discuva Limited in December 2017 is available for use. As such, it is subject to amortisation over the period of the relevant associated patents.

Other intangible assets are amortised in equal instalments over their useful estimated lives as follows:

All patents (once filed)	Over the period of the relevant patents (assumed to be 20 years)
Software licences	3-5 years
Option over non-financial assets	Over the period of the relevant agreement

Impairment of assets

At each year end date, the Group reviews the carrying amounts 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 value in use based on an internal discounted cash flow evaluation, where appropriate. Impairment losses recognised for cash-generating units are charged *pro rata* to the other assets in the cash generating unit. All tangible and intangible assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. See Note 15 'Intangible assets' for details.

1. BASIS OF ACCOUNTING CONTINUED

Property, plant and equipment

Property, plant and equipment are stated at cost less 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.

Financial liabilities on funding arrangements

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

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

Provisions

Provisions are recognised when the Group 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 risk-free discount rate.

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 Consolidated Statement of Financial Position and are released to the Consolidated 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 year end date. All differences are taken to the Consolidated Statement of Comprehensive Income.

Assets and liabilities of subsidiaries that have a functional currency different from the presentation currency (Pound Sterling) are translated at the closing rate at the date of the Consolidated Statement of Financial Position presented. Income and expenses are translated at average exchange rates. Any resulting differences are recognised in other comprehensive income/(loss) in the Consolidated Statement of Comprehensive Income.

Employee benefits

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

Operating leases

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

Research and development

All ongoing research expenditure is currently expensed in the period in which it is incurred. Due to the regulatory environment inherent in the development of the Group'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 Group. The Group currently has no qualifying expenditure.

1. BASIS OF ACCOUNTING CONTINUED

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

Share-based payments
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 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 year end 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.

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

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

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Consolidated 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; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference, and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Financial instruments
The Group 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 Group 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 Group assesses at each year end date the expected credit losses of a 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 Group and the cash flows the Group expects to receive.

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

Warrants
Warrants issued by the Group are recognised and classified as equity when upon exercise, the Company would issue a fixed amount of its own equity instruments (ordinary shares) in exchange for a fixed amount of cash or another financial asset.

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.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Consolidated Financial Statements requires the Group 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 Group'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 Group's accounting policies and that have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

Financial liabilities on funding arrangements

Financial liabilities on funding arrangements are remeasured and the Group is required to apply judgement, when there is a specific significant event that provides evidence of a significant change in the probability of successful development such as the completion of a phase of research or changes in use or market for a product. All remaining financial liabilities have been remeasured to £nil during the financial year, see Note 21 'Financial liabilities on funding arrangements' for further details.

Revenue recognition

The Group recognises revenue from licensing fees, collaboration fees, development, regulatory and approval milestone fees, sales milestones and sales-based royalties. Agreements generally include a non-refundable upfront fee, milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones, as well as royalties on product sales of licensed products, if and when such product sales occur. For these agreements, the Group is required to apply judgement as follows: the identification of the number of performance obligations within a contract, the allocation of the transaction price to those performance obligations and the timing of when milestone payments are included in the transaction price.

In relation to the licence and collaboration agreement with Sarepta and the licence and commercialisation agreement with Eurofarma, the Group has assessed that the licence to commercialise the Group's intellectual property is not distinct in the context of the contract and that there is a transformational relationship between the licence and the research and development activities delivered as they are highly interrelated elements of the contract. The Group has therefore determined that there is one single performance obligation under IFRS 15 in relation to the licence granted and research and development activities which is the transfer of a licence for which the associated research and development activities are completed over time. In the case of the Sarepta agreement, management assessed that there were a number of further performance obligations being the research and clinical development activities relating to the future generation small molecule utrophin modulators, the licence granted to commercialise in Latin America at the option of Sarepta, and the wind-down activities of terminated clinical trials. These performance obligations are separate and distinct from the transfer of a licence for which the associated research and development activities are completed over time.

The allocation of the transaction price is 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. Milestone payments and other variable consideration are only included in the transaction price allocated to a performance obligation when it becomes highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The allocated transaction price is recognised over the respective performance period of each performance obligation.

As a result, the upfront payments, development milestones and development cost share income allocated to the licence granted and research and development activities, which is the transfer of a licence for which the associated research and development activities are completed over time, are initially reported as deferred revenue in the Consolidated Statement of Financial Position and are recognised as revenue over the development period.

See Note 3 'Changes to accounting policies – Adoption of IFRS 15 *'Revenue from contracts with customers'* for details of the impact of the initial adoption of IFRS 15 and Note 5 'Revenue' for details of our contracts with customer.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

Indications of asset impairment

The Group is required to exercise judgement as to whether there is any indication that its tangible and intangible assets have suffered an impairment loss when reviewing the carrying value of those assets. See Note 15 'Intangible assets' for details of the impairment reviews performed by the Group relating to this financial year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the year end date that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are noted below.

Recognition of research and development expenditure and associated funding income

The Group recognises expenditure incurred in carrying out its research and development activities and the associated funding income in line with management's best estimation of the work completed on each separately contracted study or activity. This includes the calculation of research and development accruals and prepayments at each period to account for expenditure that has been incurred and the associated funding income. This requires estimations of the expected costs to complete each study or activity and the estimation of the current stage of completion. In all cases, the full cost of each study or activity is expensed by the time the final report or where applicable, product, has been received. See Notes 17 'Trade and other receivables' and 18 'Trade and other payables' for further details of these estimates.

Assumed contingent liability

The Group's assumed contingent liability is recognised in the Consolidated Financial Statements at fair value as required by IFRS 3 *'Business Combinations'*. In determining the fair value of this liability a number of assumptions need to be made by management which include significant estimates. See Note 23 'Provisions for other liabilities and charges and contingent liabilities'.

3. CHANGES TO ACCOUNTING POLICIES

Adoption of IFRS 15 '*Revenue from contracts with customers*'

IFRS 15 establishes comprehensive guidelines for determining when to recognise revenue and how much revenue to recognise. The Group adopted this new standard effective 1 February 2018 as required, using the full retrospective transition method in accordance with IAS 8 *'Accounting Policies, Changes in Accounting Estimates and Errors'*.

The core principle in that framework is that a company should recognise revenue to depict the transfer of control of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. To determine revenue recognition for arrangements that a company determines are within the scope of IFRS 15, a company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognise revenue when (or as) the company satisfies a performance obligation.

The Group assessed the effect of adoption of this standard as it relates to the licence and collaboration agreement with Sarepta (the 'Sarepta Agreement') and the licence and commercialisation agreement with Eurofarma (the 'Eurofarma Agreement').

The Sarepta Agreement and the Eurofarma Agreement grant the rights in specific territories to commercialise products in the Group's utrophin modulator pipeline and ridinilazole, respectively, as well as the provision of the associated research and development activities. Such activities result in a service that is the output of the Group's ordinary activities. The Group assessed that the revenues from these agreements are in the scope of IFRS 15.

3. CHANGES TO ACCOUNTING POLICIES CONTINUED

Adoption of IFRS 15 '*Revenue from contracts with customers*' continued

For both of these agreements, the Group assessed that the licence to commercialise the Group's intellectual property is not distinct in the context of the contract and that there is a transformational relationship between the licence and the research and development activities delivered as they are highly interrelated elements of the contract. The Group therefore determined that there is one single performance obligation under IFRS 15 in relation to the licence granted and the research and development activities, which is the transfer of a licence for which the associated research and development activities are completed over time. The transaction price of these agreements includes upfront payments, development and regulatory milestone payments, development cost share income, sales milestones and sales-based royalties. Milestone payments are included in the transaction price only when it becomes highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The relevant transaction price elements are allocated to the performance obligation identified being the transfer of a licence for which the associated research and development activities are completed over time. The revenues are recognised over the development period using an output method based on time elapsed, reflecting both the increase in value of the licence and the progression of the research and development activities over the development period towards potential commercialisation of the product. Sales milestones and sales-based royalties are not included in the Group's revenues when the associated clinical programme is still in development. The predominant element of the performance obligation that the sales milestones and sales-based royalties relate to is the licence granted and hence the revenues are recognised when the related sales occur.

The Sarepta Agreement also has a number of further performance obligations, including research and clinical development activities relating to the future generation small molecule utrophin modulators and the licence granted to commercialise in Latin America, which is at the option of Sarepta. The development, regulatory and sales milestone payments allocated to the future generation candidate activities and Latin America licence granted are contingent on future activities, and, as a result, would only be included in the transaction price and accounted for as revenue when it would be highly probable that a significant reversal in the amount of cumulative revenue recognised would not occur. The relevant sales-based royalties would be recognised when the related sales occur, as the licence granted is the predominant element of the performance obligation. The development cost share income allocated to clinical trial wind-down activities, which is also a separate performance obligation within the Sarepta Agreement, are recognised using an input method based on costs incurred.

Due to the adoption of IFRS 15, the $22.0 million (£17.2 million) development milestone payment the Group received in May 2017 as part of the Sarepta Agreement, which had previously been recognised in full under IAS 18 during the Group's fiscal year ended 31 January 2018, was recognised as revenue over the development period. Similarly, development cost share income from Sarepta which commenced from 1 January 2018 under the agreement was recognised over the development period. As a result of this change, £13.1 million of income related to the Sarepta Agreement previously recognised as revenue during the year ended 31 January 2018 was classified as deferred revenue in the opening Statement of Financial Position as at 1 February 2018. This adjustment consisted of (i) £12.4 million related to the development milestone payment; and (ii) £0.7 million related to development cost share income related to Sarepta's share of research and development costs incurred in January 2018 (the first month that the cost share component of the agreement was in effect).

In June 2018, the Group announced the discontinuation of the development of ezutromid after its Phase 2 clinical trial, PhaseOut DMD, did not meet its primary or secondary endpoints. As a result, the Group updated the development period over which the Sarepta revenues allocated to the licence and the research and development activities performance obligation were recognised, with the development period deemed to have concluded in June 2018 in line with when development of ezutromid was discontinued. This resulted in all revenues relating to the Sarepta Agreement that were previously deferred in the Statement of Financial Position being released in full during the year ended 31 January 2019. The Group continues to receive cost share income from Sarepta, at 45% of eligible costs, including for wind-down activities for the ezutromid clinical trial. This cost share income is recognised as revenue when such costs are incurred. The Group does not expect to receive any further milestone payments from Sarepta.

The Group's assessment resulted in there being no difference in the accounting treatment of the Eurofarma Agreement under IAS 18 and IFRS 15. Revenues recognised relating to the agreement during the year ended 31 January 2018 under IAS 18 related only to the upfront payment, which was initially reported as deferred revenue in the Statement of Financial Position and is being recognised as revenue over the development period. This is consistent with the accounting treatment under IFRS 15.

This change in accounting policy has been reflected retrospectively in the comparative Statement of Financial Position, the comparative Statement of Comprehensive Income, the comparative Statement of Cash Flows and the comparative Statement of Changes in Equity for the year ended 31 January 2018. The opening Statement of Financial Position as at 1 February 2017 is in line with comparative amounts disclosed in the financial statements for the year ended 31 January 2017, as there was no impact of this change in accounting policy on the Statement of Financial Position as at 31 January 2017.

3. CHANGES TO ACCOUNTING POLICIES CONTINUED

Adoption of IFRS 15 '*Revenue from contracts with customers*' continued

The impact of this change in accounting policy on the comparatives to these financial statements was an increase in non-current and current deferred revenue, an increase in accumulated losses reserve, a reduction in revenue historically recognised, and a presentational change to the Statement of Cash Flows. The increase in non-current and current deferred revenue for the year ended 31 January 2018 and reduction in revenue recognised during the year ended 31 January 2018, relate to the difference between the accounting treatment of the Sarepta development milestone payment and development cost share income under IAS 18 and IFRS 15, as described above, which is recognised as revenue over the remainder of the determined development period.

Impact on Consolidated Statement of Financial Position	Original Year ended 31 January 2018 £000	Adjusted Year ended 31 January 2018 £000	Impact £000
Non-current liabilities			
Deferred revenue	(18,033)	(27,270)	(9,237)
Current liabilities			
Deferred revenue	(10,012)	(13,834)	(3,822)
Equity			
Accumulated losses reserve	(80,898)	(93,957)	(13,059)

Impact on Consolidated Statement of Comprehensive Income	Original Year ended 31 January 2018 £000	Adjusted Year ended 31 January 2018 £000	Impact £000
Revenue	25,419	12,360	(13,059)
Loss for the year	**(7,131)**	**(20,190)**	**(13,059)**

Impact on Consolidated Statement of Cash Flows	Original Year ended 31 January 2018 £000	Adjusted Year ended 31 January 2018 £000	Impact £000
Loss before income tax	(10,893)	(23,952)	(13,059)
Adjusted for:			
(Decrease)/increase in deferred revenue	(2,482)	10,577	13,059
Impact on net cash generated from operating activities	**(13,375)**	**(13,375)**	**–**

The Group will continue to monitor interpretations released by the IFRS Interpretations Committee and amendments to IFRS 15 and, as appropriate, will adopt these from the effective dates.

Adoption of IFRS 9 '*Financial Instruments*'

The Group adopted IFRS 9 '*Financial Instruments*' effective 1 February 2018. There has been no impact on the Group's net results or net assets for the year ended 31 January 2019 and 2018 as a result of adoption.

Impact assessment of IFRS 16 '*Leases*'

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

At inception of a contract a 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. A right-of-use asset and a lease liability are recognised at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if it is reasonably certain to exercise that option and period 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 applicable 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 lease payments or if the assessment of whether a company will exercise a purchase, extension or termination option.

3. CHANGES TO ACCOUNTING POLICIES CONTINUED

Impact assessment of IFRS 16 '*Leases*' continued

The Group has elected to adopt this new standard effective 1 February 2019 as required, using the full retrospective transition method in accordance with IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*'. Under this method, the Group will adjust its results for the year ended 31 January 2019, and applicable interim periods, as if IFRS 16 had been effective for those periods. To date, the Group has assessed the effect of adoption of this standard as it relates to its leased properties in Oxford and Cambridge, UK, and has concluded that any other contracts are not within the scope of IFRS 16 or are of low value, for which the Group has elected not to apply the requirement of IFRS 16. Currently, the Group anticipates the effects of adoption of IFRS 16 to be as described below. Estimated impacts from the adoption could differ upon the final adoption and implementation of the standard.

The adoption of IFRS 16 is not expected to have a significant impact on the Group's net results or net assets. The Group expects the accounting for the right-of-use asset and lease liability to be the most significant change in accounting for leases. The Group will no longer recognise a lease incentive accrual and will be required to reclassify some costs from research and development expenses and general and administration expenses to finance costs, being the interest expense on lease liabilities. In addition, some amounts previously presented as cash flows from operating activities in the Group's Consolidated Statement of Cash Flows will be presented as cash flows from financing activities.

The Group has performed an evaluation of the expected effect of adoption on the accounting for the UK leased properties. The Group currently estimates the effect to the financial statements for the year ended 31 January 2019 after the adoption of IFRS 16 will be an increase in both gross assets and liabilities of £0.9 million.

The quantitative amount provided above is an estimate of the expected effects of the Group's adoption of IFRS 16. This amount represents management's best estimates of the effects of adopting IFRS 16 at the time of the preparation of these financial statements. The actual quantitative effects of the adoption of IFRS 16 are subject to change from these estimates and such change may be significant, pending the completion of the Group's assessment in the first quarter to 30 April 2019.

The Directors do not expect that the adoption of the remaining standards and interpretations in future periods will have a material impact on the financial statements of the Group.

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

International Accounting Standards (IAS/IFRS)	Effective date
IFRS 9 *'Financial Instruments'* (as revised in 2014)	1 January 2018
Amendment to IFRS 2 *'Share-Based Payments'*, *'Classification and Measurement of Share-based Payment Transactions'*	1 January 2018
Amendments resulting from Annual Improvements 2014–2016 Cycle	1 January 2018
IFRIC 22 *'Foreign Currency Transactions and Advance Consideration'*	1 January 2018

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

International Accounting Standards (IAS/IFRS)	Effective date
IFRS 16 *'Leases'*	1 January 2019
Amendments to IFRS 9 *'Financial Instruments'*, *'Prepayment Features with Negative Compensation'*	1 January 2019
Amendments to IAS 19 *'Employee Benefits'*, *'Plan amendments, curtailments or settlements'*	1 January 2019
Amendments resulting from Annual Improvements 2015–2017 Cycle	1 January 2019
IFRIC 23 *'Uncertainty over Income Tax Treatments'*	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 *'Business Combinations'*, *'Definition of a Business'*	1 January 2020

4. SEGMENTAL REPORTING

The Summit Group comprises 11 legal entities, of which four are trading. These include the ten subsidiary companies and the Group holding company, Summit Therapeutics plc. The Group operates in one reportable segment: Drug Development. The chief operating decision-maker has been identified as the Executive Management Team consisting of the Chief Executive Officer, the Chief Financial Officer (prior to his departure in December 2018), the Chief Operating Officer and the Chief Commercial Officer. The Executive Management Team reviews the consolidated operating results regularly to make decisions about the financial and organisational resources and to assess overall performance.

The Drug Development segment covers Summit's research and development activities carried out by the Group, primarily comprising the CDI programme, antibiotic pipeline research activities and the DMD programme.

The corporate and other activities of Summit Therapeutics plc, Summit (Oxford) Limited, Summit Therapeutics Inc and Discuva Limited, which comprise the costs incurred in providing the facilities, finance, human resource and information technology services, are incurred by the main segment of the Group.

Substantially all of the Group's assets are held in the United Kingdom.

5. REVENUE

	Year ended 31 January 2019 £000	Year ended 31 January 2018 (Adjusted*) £000
Analysis of revenue by category:		
Licensing agreements	**42,766**	12,050
Research collaboration agreement	**246**	310
	43,012	12,360

Revenue recognised in the year consists of amounts received from the licence and collaboration agreement with Sarepta Therapeutics, Inc., the licence and commercialisation agreement with Eurofarma Laboratórios S.A., and amounts received from a research collaboration agreement with F. Hoffmann-La Roche Ltd, which ended in February 2018. See Note 19 'Deferred revenue and income' for details of amounts deferred in the Consolidated Statement of Financial Position.

	Year ended 31 January 2019 £000	Year ended 31 January 2018 (Adjusted*) £000
Analysis of revenue by geography:		
United States	**42,267**	12,008
Latin America	**499**	42
Europe	**246**	310
	43,012	12,360

* See Note 3 – 'Changes to accounting policies – Adoption of IFRS 15 *'Revenue from contracts with customers'*.

The analysis of revenue by geography has been identified on the basis of the customer's geographical location.

Sarepta Therapeutics, Inc.

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

Under the Sarepta Agreement, the Group received from Sarepta an upfront payment of $40.0 million (£32.8 million), in October 2016, and a development milestone payment of $22.0 million (£17.2 million), in May 2017, which was payable after the first dosing of the last patient in PhaseOut DMD, the Phase 2 clinical trial of ezutromid. The terms of the contract were assessed under IFRS 15 *'Revenue from contracts with customers'*, and the upfront payment, first development milestone payment and relevant development cost share income are included in the transaction price which was reported as deferred revenue in the Consolidated Statement of Financial Position and recognised as revenue over the development period.

5. REVENUE CONTINUED

Sarepta Therapeutics, Inc. continued

In June 2018, the Group announced the discontinuation of the development of ezutromid after PhaseOut DMD did not meet its primary or secondary endpoints. As a result, the Group has updated the development period over which the revenues are recognised, as described in Note 3 'Changes to accounting policies - Adoption of IFRS 15 *'Revenue from contracts with customers'.* The development period was deemed to have concluded in June 2018 in line with when development of ezutromid was discontinued. This resulted in all revenues relating to the Sarepta Agreement that were previously deferred in the Consolidated Statement of Financial Position being released in full to the Consolidated Statement of Comprehensive Income.

As part of the Sarepta Agreement, the Group agreed to collaborate with Sarepta on the research and development of the licensed products pursuant to a joint development plan through a joint steering committee comprised of an equal number of representatives from each party. The Group had been solely responsible for all research and development costs for the licensed products until 31 December 2017. From 1 January 2018, the Group was responsible for 55% of the budgeted research and development costs related to the licensed products in the licensed territory, and Sarepta was responsible for 45% of such costs. Any costs in excess of 110% of the budgeted amount are borne by the party that incurred such costs. This development cost share income is recognised as part of licensing agreements revenue as the Group is acting as a principal in the scope of the research and development activities of the agreement. The Group continues to receive cost share income for both wind-down activities in relation to the ezutromid clinical trial and next and future generation utrophin modulation development activities. Such income is recognised as revenue using an input method based on costs incurred over the duration of the contract.

Eurofarma Laboratórios S.A.

On 21 December 2017, Summit announced it had entered into an exclusive licence and commercialisation agreement with Eurofarma Laboratórios S.A. ('Eurofarma'), pursuant to which the Group granted Eurofarma the exclusive right to commercialise ridinilazole in specified countries in South America, Central America and the Caribbean (the 'Eurofarma Agreement'). The Group has retained commercialisation rights in the rest of the world.

Under the terms of the Eurofarma Agreement, the Group received an upfront payment of $2.5 million (£1.9 million) from Eurofarma. The terms of the contract have been assessed, and the Group believes the development services to be indistinguishable from the licence and as a result the upfront payment was initially reported as deferred revenue in the Consolidated Statement of Financial Position and is being recognised as revenue over the development period. Accordingly, £0.5 million of revenue will be released during each subsequent financial year until all amounts have been realised in the Consolidated Statement of Comprehensive Income.

In addition, the Group will be entitled to receive an additional $3.75 million in development milestones upon the achievement of staged patient enrolment targets in the licensed territory in one of the Group's two Phase 3 clinical trials of ridinilazole. The Group is eligible to receive up to $21.4 million in development, commercial and sales milestones when cumulative net sales equal or exceed $100.0 million in the Eurofarma licensed territory. Each subsequent achievement of an additional $100.0 million in cumulative net sales will result in the Group receiving additional milestone payments, which, when combined with anticipated product supply transfer payments from Eurofarma paid to the Group in connection with a commercial supply agreement to be entered into between the two parties, will provide payments estimates to range from a mid- to high-teens percentage of cumulative net sales in the Eurofarma licensed territory. The Group estimates such product supply transfer payments from Eurofarma will range from a high single-digit to low double-digit percentage of cumulative net sales in the licensed territory.

6. OTHER OPERATING INCOME

	Year ended 31 January 2019 £000	Year ended 31 January 2018 £000
Analysis of other operating income by category:		
Income recognised in respect of BARDA	**13,091**	1,772
Grant income	**1,187**	13
Income on release or derecognition of financial liabilities on funding arrangements (Note 21)	**539**	908
Research and development credit	**333**	23
Other income	**6**	9
	15,156	2,725

6. OTHER OPERATING INCOME CONTINUED

BARDA

In September 2017, the Group was awarded a funding contract worth up to $62.0 million by 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. The BARDA contract provides for a cost-sharing arrangement under which BARDA funds a specified portion of estimated costs for specified activities related to the continued clinical and regulatory development of ridinilazole for the treatment of *C. difficile* infection ('CDI'). Under the terms of the contract, the Group was initially eligible to receive $32.0 million from BARDA to fund, in part, obtaining regulatory approval for and commencing enrolment and dosing into the Group's two Phase 3 clinical trials of ridinilazole. In August 2018, the Group was awarded an additional $12.0 million upon exercise by BARDA of the first option work segment under the contract, which brought the total committed BARDA funding to $44.0 million. In addition, the Group is eligible for additional funding under the contract pursuant to two further independent option work segments, which may be exercised by BARDA in its sole discretion upon the achievement of certain development and other milestones for ridinilazole. If BARDA exercises its remaining option work segments in full the total funding under the contract would increase up to $62.0 million.

Grant income includes income from funding arrangements with CARB-X and Innovate UK grants for the Group's antibiotic pipeline research and development activities.

CARB-X

In July 2018, the Group was granted a sub-award of up to $4.5 million from the Trustees of Boston University under the Combating Antibiotic Resistant Bacteria Biopharmaceutical Accelerator programme, or CARB-X. Under the CARB-X award, the Group received an initial $2.0 million in funding from CARB-X in July 2018 that, in part, helped fund the selection of a preclinical candidate from the Group's lead gonorrhoea series of clinical candidates. The remaining $2.5 million is split into two option segments, which may be exercised by CARB-X upon the achievement of certain development milestones. If exercised in full, this funding could support the development of the selected gonorrhoea candidate through the end of a Phase 1 clinical trial.

Innovate UK

In January 2017, the Group's wholly owned subsidiary, Discuva Limited, was awarded a grant by Innovate UK worth up to £1.1 million. The grant helped to fund a specified portion of eligible costs incurred between January 2017 and December 2018 for activities related to the exploitation of transporters to develop novel antibiotics against Gram-negative bacteria.

7. DIRECTORS AND EMPLOYEES

The average monthly number of employees of the Group, including Executive Directors, during the year was:

	Year ended 31 January 2019	Year ended 31 January 2018
Technical, research and development	**45**	34
Corporate and administration	**29**	26
	74	60

The average number of employees reflects an increase in the Group's workforce during the second half of the year ended 31 January 2018 and the first half of the year ended 31 January 2019 to support Phase 3 preparatory activities for ridinilazole and the clinical and regulatory development of ezutromid. The number of employees as at 31 January 2019 was 61 (31 January 2018: 76). This decrease reflects the implementation of cost-cutting measures following the decision to discontinue ezutromid development in June 2018.

Their aggregate remuneration comprised:

	Year ended 31 January 2019 £000	Year ended 31 January 2018 £000
Wages and salaries	**8,268**	7,493
Social security costs	**844**	643
Other pension costs	**390**	350
Share-based payment	**4,743**	1,607
	14,245	10,093

Included within wages and salaries are termination benefits of £0.2 million (2018: £nil).

7. DIRECTORS AND EMPLOYEES CONTINUED

Key management of the Group are members of the Executive Management Team. Excluding the Chief Commercial Officer, who joined the Executive Management Team in February 2019, the aggregate amounts of key management compensation are set out below:

	Year ended 31 January 2019 £000	Year ended 31 January 2018 £000
Short-term employee benefits		
Wages and salaries	**1,406**	1,520
Social security costs	**168**	162
	1,574	1,682
Post-employment benefits		
Amounts paid in lieu of employer pension contributions	**43**	32
Other pension costs	**11**	14
	54	46
Share-based payment	**3,177**	705
Total remuneration	**4,805**	2,433

In respect of Directors' remuneration, the Company has taken advantage of the permission in Paragraph 6(2) of Statutory Instrument 2008/410 to omit aggregate information that is capable of being ascertained from the detailed disclosures in the audited section of the Directors' Remuneration Report on pages 42 to 64, which form part of these Consolidated Financial Statements.

8. LOSS BEFORE INCOME TAX

	Year ended 31 January 2019 £000	Year ended 31 January 2018 £000
Research and development		
Employee benefit expense	**6,264**	5,616
Share-based payment expense	**1,091**	327
Programme related costs	**29,868**	21,810
Amortisation of intangible assets	**829**	105
Other research and development costs	**1,122**	1,112
	39,174	28,970
General and administration		
Employee benefit expense	**3,238**	2,870
Share-based payment expense	**3,652**	1,280
Foreign exchange (gain)/loss	**(491)**	1,986
Depreciation of property, plant and equipment	**309**	141
Loss on disposal of assets	**43**	40
Other general and administration costs	**4,818**	5,613
Loss on contingent consideration	**754**	–
Royalty expense	**19**	69
	12,342	11,999

9. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

As a result of the Group's decision in June 2018 to discontinue development of ezutromid, management concluded that this was an indication of impairment and hence reviewed the intangible asset and goodwill associated with the acquisition of MuOx Limited which related to the utrophin programme acquired. Based on this review, an impairment charge of £4.0 million was recognised, representing the full aggregate carrying value of the intangible asset of £3.3 million and goodwill of £0.7 million. See Note 15 'Intangible assets' for details of the valuation model and assumptions used as part of the review.

10. AUDITORS' REMUNERATION

Services provided by the Group's auditors

During the year, the Group obtained the following services from the Group's auditors at the cost detailed below:

	Year ended 31 January 2019 £000	Year ended 31 January 2018 £000
Fees payable to the auditors and its associates for the audit of the Company and Consolidated Financial Statements	**160**	132
Fees payable to the auditors and its associates for other services:		
– Audit of the Company's subsidiaries[1]	**119**	209
– Other assurance services[2]	**115**	118
– Tax compliance and advisory services	**25**	23
Total fees payable	**419**	482

(1) For the year ended 31 January 2018, fees payable for the Consolidated Financial Statements and fees payable for the Company's subsidiaries include audit services relating to the initial audit and business combination accounting for Discuva Limited. These were non-recurring fees.
(2) For the year ended 31 January 2019, other assurance services includes reporting in connection with the Company's registration statement on Form F-3 that was filed with the US Securities and Exchange Commission on 15 May 2018. For the year ended 31 January 2018, other assurance services includes reporting in connection with the Company's underwritten public offering completed on 18 September 2017. These amounts were recognised directly in share premium.

11. FINANCE INCOME AND COSTS

	Note	Year ended 31 January 2019 £000	Year ended 31 January 2018 £000
Finance income			
Remeasurement or derecognition of financial liabilities on funding arrangements	21	**2,784**	3,085
Interest income on deposits		**4**	11
Finance income		**2,788**	3,096
Finance costs			
Unwinding of discount factor	21	**(424)**	(754)
Remeasurement of financial liabilities on funding arrangements	21	**–**	(410)
Finance costs		**(424)**	(1,164)

12. INCOME TAX

	Year ended 31 January 2019 £000	Year ended 31 January 2018 £000
Analysis of credit in the period		
Current tax:		
Current tax income	**1,286**	3,767
Adjustments in respect of prior years	**506**	(5)
Total current tax	**1,792**	3,762
Total deferred tax	**704**	–
Total tax	**2,496**	3,762

12. INCOME TAX CONTINUED

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	Year ended 31 January 2019 £000	Year ended 31 January 2018 (Adjusted*) £000
Profit/(loss) before tax	**5,031**	(23,952)
Profit/(loss) multiplied by the standard rate of corporation tax in the United Kingdom (current tax) 19% (2018: 19.17%)	**956**	(4,592)
Adjustment for IFRS 15 restatement	**(2,481)**	2,504
Change in unrecognised tax losses	**820**	751
Non-deductible expenses	**1,797**	402
Tax relief for qualifying research and development expenditure	**(2,656)**	(3,043)
Prior year adjustments	**(506)**	5
Share options exercised	**(15)**	(40)
Overseas profits taxed at different rates	**292**	251
Change in rate of deferred tax	**(703)**	–
Total tax	**(2,496)**	(3,762)

* See Note 3 – 'Changes to accounting policies – Adoption of IFRS 15 *'Revenue from contracts with customers'*.

There are no current tax liabilities as at 31 January 2019 (2018: nil).

Tax relief for qualifying research and development expenditure relates to UK research and development tax credits claimed through the small or medium-sized enterprise scheme ('SME') under the Finance Act 2015.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the year end date.

The closing deferred tax liability at 31 January 2019 has been calculated at 17% reflecting the tax rate at which the deferred tax liability is expected to be reversed in future periods. Unrecognised deferred tax has been calculated at 17% reflecting the latest enacted rate. In respect of unrecognised deferred tax on losses, the new loss restriction rules effective from 1 April 2017 limit the amount of brought forward losses available to use against future taxable profits on a year by year basis to the extent that taxable profits exceed £5.0 million in year. However, the losses will not lapse and therefore the full amount will be relieved over time provided there are sufficient profits against which the losses can be utilised.

See Note 24 'Deferred tax liability' for information on the unrecognised tax losses carried forward.

13. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the following data:

	Year ended 31 January 2019 £000	Year ended 31 January 2018 (Adjusted*) £000
Profit/(loss) for the year	**£7,527**	£(20,190)
Weighted average number of ordinary shares for basic earnings/(loss) per share	**85,702**	65,434
Effect of dilutive potential ordinary shares (share options and warrants)	**442**	–
Weighted average number of ordinary shares for diluted earnings per share	**86,144**	65,434
Basic earnings/(loss) per ordinary share from operations	**9p**	(31)p
Diluted earnings/(loss) per ordinary share from operations	**9p**	(31)p

* See Note 3 – 'Changes to accounting policies – Adoption of IFRS 15 *'Revenue from contracts with customers'*.

13. EARNINGS/(LOSS) PER SHARE CONTINUED

Basic earnings/(loss) per ordinary share has been calculated by dividing the profit/(loss) for the year ended 31 January 2019 by the weighted average number of shares in issue during the year ended 31 January 2019. Diluted earnings per ordinary share has been calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. Potentially dilutive ordinary shares are the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to share options in-the-money compared with the number of shares that would have been issued assuming the exercise of share options in-the-money.

At 31 January 2019, total outstanding share options were 9,168,396 and total outstanding restricted stock units ('RSUs') were 814,256. Of these equity instruments, 8,094,227 were not included in the calculation of potentially dilutive ordinary shares for the year ended 31 January 2019 as they are not dilutive.

IAS 33 '*Earnings per Share*' requires the presentation of diluted earnings per share where a company could be called upon to issue shares that would decrease net profit or loss per share. As the Group reported net losses for the year ended 31 January 2018, the weighted average number of ordinary shares outstanding used to calculate the diluted earnings/(loss) per ordinary share is the same as that used to calculate the basic earnings/(loss) per ordinary share, as the exercise of share options would have the effect of reducing loss per ordinary share which is not dilutive.

14. GOODWILL

	Discuva Limited £000	MuOx Limited £000	Total £000
Cost			
At 1 February 2018	1,814	664	2,478
At 31 January 2019	**1,814**	**664**	**2,478**
Accumulated impairment			
At 1 February 2018	–	–	–
Impairment	–	(664)	(664)
At 31 January 2019	**–**	**(664)**	**(664)**
Net book amount			
At 1 February 2018	1,814	664	2,478
At 31 January 2019	**1,814**	**–**	**1,814**

	Discuva Limited £000	MuOx Limited £000	Total £000
Cost			
At 1 February 2017	–	664	664
Additions	1,814	–	1,814
At 31 January 2018	**1,814**	**664**	**2,478**
Accumulated impairment			
At 1 February 2017	–	–	–
At 31 January 2018	**–**	**–**	**–**
Net book amount			
At 1 February 2017	–	664	664
At 31 January 2018	**1,814**	**664**	**2,478**

Goodwill represents the difference between the fair value of the identifiable assets acquired and liabilities assumed and the amount paid in consideration. In accordance with IAS 36 *'Impairment of Assets'*, the remaining goodwill has been reviewed for impairment and no further provision is considered necessary. The impairment reviews of goodwill undertaken during the financial year and at the year end are included as part of the intangible assets impairment review in Note 15 'Intangible assets' as goodwill relating to MuOx Limited formed part of the same cash-generating unit as the utrophin programme acquired. Goodwill relating to Discuva Limited forms part of the same cash-generating unit as the Discuva Platform acquired.

On 23 December 2017, the Group acquired 100% of the share capital of Discuva Limited a privately held UK-based company, resulting in the recognition of £1.8 million of goodwill. Goodwill recognised in respect of Discuva Limited is attributable to the synergies expected with the Group's ongoing business as a result of the acquisition and the existing Discuva Limited workforce (which cannot be separately valued under IFRS accounting standards).

15. INTANGIBLE ASSETS

	Utrophin programme acquired £000	Discuva Platform acquired £000	Option over non-financial assets £000	Other patents and licences £000	Total £000
Cost					
At 1 February 2018	3,321	10,670	668	265	14,924
Additions	–	–	–	6	6
Disposals	–	–	–	(49)	(49)
At 31 January 2019	**3,321**	**10,670**	**668**	**222**	**14,881**
Accumulated amortisation					
At 1 February 2018	–	(79)	(4)	(56)	(139)
Charge for the year	–	(739)	(45)	(45)	(829)
Impairment	(3,321)	–	–	–	(3,321)
Disposals	–	–	–	12	12
At 31 January 2019	**(3,321)**	**(818)**	**(49)**	**(89)**	**(4,277)**
Net book amount					
At 1 February 2018	3,321	10,591	664	209	14,785
At 31 January 2019	**–**	**9,852**	**619**	**133**	**10,604**

	Iminosugar related programmes acquired £000	Utrophin programme acquired £000	Discuva Platform acquired £000	Option over non-financial assets £000	Other patents and licences £000	Total £000
Cost						
At 1 February 2017	1,380	3,321	–	–	204	4,905
Acquisition of subsidiary	–	–	10,670	668	–	11,338
Additions	–	–	–	–	119	119
Disposals	(1,380)	–	–	–	(58)	(1,438)
At 31 January 2018	**–**	**3,321**	**10,670**	**668**	**265**	**14,924**
Accumulated amortisation						
At 1 February 2017	(1,380)	–	–	–	(55)	(1,435)
Charge for the year	–	–	(79)	(4)	(23)	(106)
Disposals	1,380	–	–	–	22	1,402
At 31 January 2018	**–**	**–**	**(79)**	**(4)**	**(56)**	**(139)**
Net book amount						
At 1 February 2017	–	3,321	–	–	149	3,470
At 31 January 2018	**–**	**3,321**	**10,591**	**664**	**209**	**14,785**

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

In accordance with IAS 36, intangible assets not subject to amortisation and the associated goodwill are reviewed for impairment annually or whenever there is an indication that the intangible asset may be impaired. The recoverable amount of an asset or a cash-generating unit is defined as the higher of its fair value and its value in use.

MuOx Limited goodwill and utrophin programme acquired cash-generating unit
As discussed in Note 9 '*Impairment of goodwill and intangible assets*', as a result of the Group's decision in June 2018 to discontinue development of ezutromid, an impairment charge of £4.0 million was recognised, representing the full aggregate carrying value of the intangible asset of £3.3 million and goodwill of £0.7 million.

15. INTANGIBLE ASSETS CONTINUED

Discuva Limited goodwill and Discuva Platform acquired cash-generating unit

The Discuva Platform acquired as part of the acquisition of Discuva Limited and the associated goodwill have been reviewed for impairment using a milestone analysis approach, since reliable estimated future cash flows cannot yet be formed to determine the value in use. The milestone analysis approach assesses whether the fair value of these assets, determined upon acquisition of Discuva Limited in December 2017, still remains appropriate. Based on this assessment, the Directors believe that the carrying value of the intangible asset and associated goodwill are supported by the underlying asset.

The key milestone events that were considered as part of the impairment assessment are as follows:

- research and development milestones achieved; and
- external transactions achieved.

The key sensitivity is the ability to meet ongoing milestone events, if these milestone events are not achieved as expected then the related intangible asset would likely be fully impaired.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £000	Laboratory equipment £000	Office and IT equipment £000	Total £000
Cost				
At 1 February 2018	340	299	486	1,125
Additions	–	62	57	119
Disposals	–	(22)	(52)	(74)
Revaluation	–	–	5	5
At 31 January 2019	**340**	**339**	**496**	**1,175**
Accumulated depreciation				
At 1 February 2018	(31)	(36)	(249)	(316)
Charge for the year	(34)	(156)	(119)	(309)
Disposals	–	21	47	68
Revaluation	–	–	(2)	(2)
At 31 January 2019	**(65)**	**(171)**	**(323)**	**(559)**
Net book value				
At 1 February 2018	309	263	237	809
At 31 January 2019	**275**	**168**	**173**	**616**

	Leasehold improvements £000	Laboratory equipment £000	Office and IT equipment £000	Total £000
Cost				
At 1 February 2017	9	19	284	312
Acquisition of subsidiary	–	280	49	329
Additions	340	–	173	513
Disposals	(9)	–	(14)	(23)
Revaluation	–	–	(6)	(6)
At 31 January 2018	**340**	**299**	**486**	**1,125**
Accumulated depreciation				
At 1 February 2017	(9)	(17)	(170)	(196)
Charge for the year	(31)	(19)	(90)	(140)
Disposals	9	–	10	19
Revaluation	–	–	1	1
At 31 January 2018	**(31)**	**(36)**	**(249)**	**(316)**
Net book value				
At 1 February 2017	–	2	114	116
At 31 January 2018	**309**	**263**	**237**	**809**

17. TRADE AND OTHER RECEIVABLES

	31 January 2019 £000	31 January 2018 £000
Trade receivables	**1,656**	–
Other receivables	**3,847**	3,600
Prepayments	**7,433**	6,498
Accrued income	**611**	1,036
	13,547	11,134

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

Included within prepayments is £6.8 million of prepayments relating to research and development expenditure. These amounts are determined based on the estimated 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. If the estimated stage of completion increased by 5%, then the aggregate increase in accruals and decrease in prepayments would result in an overall increase in total research and development expenses of £1.0 million. If the estimated stage of completion decreased by 5%, then the aggregate decrease in accruals and increase in prepayments would result in an overall decrease in total research and development expenses of £1.2 million.

18. TRADE AND OTHER PAYABLES

	31 January 2019 £000	31 January 2018 £000
Trade payables	**4,422**	4,414
Other taxes and social security	**190**	164
Accruals	**4,095**	4,078
Other creditors	**158**	276
	8,865	8,932

Included within accruals is £1.9 million of accruals relating to research and development expenditure. These amounts are determined based on the estimated costs to complete each study or activity, the estimation of the current stage of completion and the invoices received. See Note 17 'Trade and other receivables' for information regarding the sensitivity of this estimate.

19. DEFERRED REVENUE AND INCOME

	31 January 2019 £000	31 January 2018 (Adjusted*) £000
Due within one year		
Deferred revenue	**499**	11,478
Deferred other operating income	**2,875**	2,356
	3,374	13,834
Due more than one year		
Deferred revenue	**831**	27,270
	831	27,270
Total deferred revenue	**1,330**	38,748
Total deferred other operating income	**2,875**	2,356

* See Note 3 – 'Changes to accounting policies – Adoption of IFRS 15 *'Revenue from contracts with customers'*.

The Group adopted IFRS 15 effective 1 February 2018 as required. For details on the performance obligations identified and judgments exercised by management in the application of IFRS 15 see Note 3 'Changes to accounting policies – Adoption of IFRS 15 *'Revenue from contracts with customers'*.

Revenues of £37.4 million included in deferred revenue as at 31 January 2018 (adjusted) were recognised during the year ended 31 January 2019. All revenues recognised during the year ended 31 January 2018 were included in deferred revenue as at 31 January 2017.

See Note 5 'Revenue' for details on the Group's revenue agreements and revenue recognition.

20. CONTINGENT CONSIDERATION

During the financial year, the Group reassessed the contingent consideration in line with the anticipated settlement of consideration liabilities relating to the acquisition of Discuva Limited ('Discuva') in December 2017. The Group estimated the total expected additional cash outflows to be £0.8 million, which is based on the terms of the share purchase agreement. The additional expected payment is primarily due to research and development tax credits received and receivable by Discuva in respect of financial years prior to the Group's acquisition, of which the sellers are due a specified portion of these amounts. During the year ended 31 January 2019, a payment of £0.2 million was made for the research and development tax credits received, leaving an estimated contingent consideration liability of £0.6 million.

21. FINANCIAL LIABILITIES ON FUNDING ARRANGEMENTS

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

Discount factors used in the financial liability models were calculated using appropriate measures and rates which could have been obtained in the period that the funding agreements were entered into and are in the range of 16% to 18% for the financial liabilities of funding arrangements previously recognised.

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

In October 2017, the Group and the Wellcome Trust entered into an equity and revenue sharing agreement under which the Wellcome Trust agreed to terminate all of its rights pertaining to the exploitation of intellectual property related to the CDI programme meaning the arrangement no longer met the definition of a financial liability under IFRS and the financial liability was derecognised.

The value of the estimated financial liabilities for funding arrangements as of 31 January 2019 amounted to £nil (31 January 2018: £3.1 million).

	Year ended 31 January 2019 £000	Year ended 31 January 2018 £000
At 1 February	**3,090**	5,919
Unwinding of discount factor	**233**	754
Derecognition of financial liabilities – finance income	**–**	(3,085)
Remeasurement of financial liabilities on funding arrangements – (finance income)/finance cost	**(2,784)**	410
Net finance income on funding arrangements accounting for as financial liabilities	**(2,551)**	(1,921)
Remeasurement of derecognition of financial liabilities – other operating income	**(539)**	(908)
At 31 January	**–**	3,090

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

22. FINANCIAL INSTRUMENTS

	Note	31 January 2019 £000	31 January 2018 £000
Financial assets at amortised cost			
Trade and other receivables[1]	17	**5,503**	3,600
Cash and cash equivalents		**26,858**	20,102
		32,361	23,702
Financial liabilities measured at amortised cost			
Trade and other payables	18	**8,865**	8,932
Financial liabilities on funding arrangements	21	**–**	3,090
		8,865	12,022
Financial liabilities measured at fair value through profit and loss			
Contingent consideration	20	**629**	–

(1) Prepayments and accrued income have been excluded as they are not considered to be a financial instrument.

The Group's activities expose it to a variety of financial risks: foreign currency risk; interest rate risk; credit risk; and liquidity risk.

The Group's principal financial instrument comprises cash and cash equivalents, and this is used to finance the Group's operations. Other financial instruments include trade and other receivables and trade and other payables that arise directly from its operations. The category of other receivables all mature within one year.

The Group has compared fair value to book value for each class of financial asset and liability and no differences were identified. The Group has a policy, which has been consistently followed, of not trading in financial instruments.

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group's net income and financial position, as expressed in Pounds Sterling, are exposed to movements in foreign exchange rates against the US Dollar and the Euro. The main trading currencies of the Group are Pounds Sterling, the US Dollar, and the Euro. The Group is exposed to foreign currency risk as a result of trading transactions, including the receipt of potential payments related to the Group's agreements with Sarepta, Eurofarma, BARDA and CARB-X, capital raises in the US and the translation of foreign bank accounts.

The exposure to foreign exchange is monitored by the Group's finance function. Exposures are generally managed through natural hedging *via* the currency denomination of cash balances and any realised impact currently is not material to the Group.

Cash at bank and in hand	31 January 2019 £000	31 January 2018 £000
Pounds Sterling	**3,363**	5,535
US Dollar	**23,495**	14,567
	26,858	20,102

Interest rate risk

One of the risks arising from the Group's financial instruments is interest rate risk. The Group holds no derivative instruments to manage interest rate risk; instead, the Group placed deposits surplus to short-term working capital requirements with a variety of reputable UK-based and US-based banks and building societies. These balances are placed at fixed rates of deposit with maturities between one month and three months. There were no amounts on short-term deposits at the year end.

The Group's cash and short-term deposits were as follows:

	31 January 2019 £000	31 January 2018 £000
On current account	**26,858**	20,102
	26,858	20,102

The interest rates for dated deposits were dependent on the rates offered by the Group's borrowers. The interest rate for short-term deposits is variable dependent on the rates offered by the Group's banks. During the year to 31 January 2019, the banking facilities returned an average rate after fees of 0.02% (2018: 0.02%).

22. FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk continued

The Group's exposure to interest rate risk is illustrated with regard to the opening and closing cash balances and the difference that an increase or decrease of 1% in interest rates would have made based on the average cash balance of £23.5 million (2018: £24.1 million) in the year:

Year ended 31 January 2019	**-1%**	**Actual**	**+1%**
Interest rate (%)	**–**	**0.02**	**1.02**
Interest received (£000)	**–**	**4**	**239**

Year ended 31 January 2018	-1%	Actual	+1%
Interest rate (%)	–	0.02	1.02
Interest received (£000)	–	5	246

Credit risk

The credit risk with respect to customers is limited as the Group has only a small number of customers, being Sarepta and Eurofarma. The Group had £1.7 million of trade receivables outstanding at 31 January 2019 from Sarepta.

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of short-term cash deposits and trade accounts receivable. Cash is held at a variety of financial institutions with strong credit ratings; these cash deposits typically bore minimal credit risk in the year.

Cash balances maintained during the year have been principally held with reputable UK-based and US-based banks and building societies. The Group does not believe that this constituted a major credit risk.

As of 31 January 2019 and 31 January 2018, the majority of cash and cash equivalents were placed with HSBC Bank plc.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Group ordinarily finances its activities through cash generated from operating activities, and private and public offerings of equity securities. The Group's operating cash flows together with available cash and cash equivalents are expected to be sufficient to enable the Group to fund its anticipated needs through 31 January 2020. See Note 1 'Going concern'.

All of the financial liability categories at each year end date, excluding the financial liabilities on funding arrangements, have maturity dates of less than 12 months from the year end date. Provisions are amounts contingent upon events taking place and the recognition of deferred taxation is dependent upon future profits arising.

Capital management

The primary aim of the Group's capital management, defined as its share capital and share premium, is to safeguard the Group's ability to continue as a going concern, to support its programmes and maximise shareholder value.

The Group monitors its capital structure and makes adjustments as and when it is deemed necessary and appropriate to do so, using such methods as the issuing of new ordinary shares. The capital structure of the Group has come entirely from equity issues.

23. PROVISIONS FOR OTHER LIABILITIES AND CHARGES AND CONTINGENT LIABILITIES

	Assumed contingent liability £000	Dilapidations £000	Royalties £000	Total £000
At 1 February 2018	1,466	150	25	1,641
Additions	–	–	19	19
Unwinding of the discount factor	191	–	–	191
At 31 January 2019	**1,657**	**150**	**44**	**1,851**

	Assumed contingent liability £000	Dilapidations £000	Royalties £000	Total £000
At 1 February 2017	–	85	–	85
Additions	1,466	150	25	1,641
Used during the year	–	(85)	–	(85)
At 31 January 2018	**1,466**	**150**	**25**	**1,641**

Assumed contingent liability

As part of the acquisition of Discuva Limited ('Discuva') in December 2017, the Group assumed certain contingent liabilities as certain employees, former employees and former directors of Discuva are eligible for payments from Discuva based on specified development and clinical milestones related to proprietary product candidates developed under the Discuva Platform. The timing of these potential payments is uncertain.

On the date of acquisition, the fair value of the assumed contingent liability was estimated using the expected value of the payments. The assumed contingent liabilities are subsequently measured at amortised cost using discounted cash flow models which calculate the risk adjusted net present values of estimated potential future cash flows of the payments. The assumed contingent liabilities are remeasured when there is a specific significant event that provides evidence of a significant change in the probability of successful development and clinical milestones being achieved. The models will be updated for changes in the probability of successful development and clinical milestones being achieved and other associated assumptions with the discount factor to remain unchanged within the model. A discount factor of 13% has been used to discount the contingent liabilities back to net present value. This discount factor has been calculated using appropriate measures and rates which could have been obtained in the period that the contingent liabilities were assumed.

The estimated fair value of the assumed contingent liability as at 31 January 2019 is £1.7 million (31 January 2018: £1.5 million). The contingent liability has not been remeasured during the period. The table below describes the value of the assumed contingent liabilities as at 31 January 2019 of £1.7 million compared to what the total value would be following the presented variations to the underlying assumptions in the model:

	31 January 2019 £000
Estimated assumed contingent liabilities	**1,658**
1% lower discount rate	**1,770**
1% higher discount rate	**1,560**
10% lower probability of success	**1,366**
10% higher probability of success	**1,927**

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.

23. PROVISIONS FOR OTHER LIABILITIES AND CHARGES AND CONTINGENT LIABILITIES CONTINUED

Royalties

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

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

The School of Pharmacy, University of London

The Group 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 Group in respect of ridinilazole up to a maximum of £1.0 million in consideration of their role in the development of the initial compound series from which ridinilazole was later identified. Following the licence and commercialisation agreement entered into with Eurofarma Laboratórios S.A., an initial payment was made to The School of Pharmacy of £0.04 million.

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 Group 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 Group would also be obligated to pay the Wellcome Trust a milestone of a specified amount if cumulative net revenue exceeds a specified amount. Following the licence and commercialisation agreement entered into with Eurofarma, an initial payment became due to the Wellcome Trust upon commercialisation of ridinilazole. The payment has been provided for by the Group as at the year end date and has been discounted back to net present value relative to the expected timing of commercialisation of ridinilazole.

24. DEFERRED TAX LIABILITY

The Group's deferred tax liability includes amounts recognised upon acquisition of Discuva Limited, which took place in the year ended 31 January 2018. During the year ended 31 January 2019, amounts recognised upon acquisition of MuOx Limited of £0.6 million were released to the Consolidated Statement of Comprehensive Income when the related intangible asset was impaired in full, see Note 9 'Impairment of goodwill and intangible assets' for further details.

	Year ended 31 January 2019 £000	Year ended 31 January 2018 £000
Amounts falling due after more than one year		
At 1 February	**2,379**	565
Release of temporary difference relating to the intangible asset	**(704)**	–
Acquisition of subsidiary	**–**	1,814
At 31 January	**1,675**	2,379

There is an unrecognised deferred tax asset in relation to the trading losses carried forward of £12,400,000 (2018: £11,944,000), £26,000 in relation to provisions (2018: £26,000) and £32,000 (2018: £588,000) in relation to future exercisable shares. There is a deferred tax liability of £43,000 (2018: £71,000) in respect of accelerated capital allowances, this has been offset against the deferred tax asset in relation to trading losses carried forward.

The unrecognised deferred tax asset would be recovered against future company taxable profits. In the opinion of the 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.

25. SHARE CAPITAL

	31 January 2019 £000	31 January 2018 £000
Allotted, called up and fully paid		
160,389,881 (2018: 73,563,624) ordinary shares of 1p each	**1,604**	736

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

	Number of shares	Total nominal value £000	Total share premium £000	Total consideration £000
At 1 February 2017	61,841,566	618	46,420	47,038
New share capital issued (net of transaction costs)	8,389,250	84	13,419	13,503
Issue of ordinary shares as consideration for a business combination[1]	2,934,272	30	–	30
New share capital issued from exercise of warrants	50,000	1	9	10
Share options exercised	348,536	3	389	392
At 31 January 2018	**73,563,624**	**736**	**60,237**	**60,973**
At 1 February 2018	73,563,624	736	60,237	60,973
New share capital issued (net of transaction costs)	86,458,333	864	32,471	33,335
Share options exercised	367,924	4	98	102
At 31 January 2019	**160,389,881**	**1,604**	**92,806**	**94,410**

(1) The difference between the nominal value of the share capital acquired in Discuva Limited and fair value of shares issued in the business combination using the acquisition method of accounting was recognised as part of the Group's merger reserve arising as a result of the application of S612 CA2006 relating to business combination accounting.

On 29 March 2018, the Company completed an equity placing on the AIM market of the London Stock Exchange, issuing 8,333,333 new ordinary shares at a price of 180 pence per share. Total gross proceeds of £15.0 million were raised and directly attributable transaction costs of £0.9 million were incurred and accounted for as a deduction from equity.

On 9 January 2019, the Company completed a private placement of 15,625,000 American Depository Shares ('ADS') at a price of $1.60 per ADS. Each ADS represents five ordinary shares of one penny nominal value each in the capital of the Company, meaning 78,125,000 new ordinary shares were issued. Total gross proceeds of $25.0 million (£19.6 million) were raised and directly attributable transaction costs of £0.4 million were incurred.

During the year to 31 January 2019, the following exercises of share options and restricted stock units took place:

Date	Number of options exercised
16 March 2018	4,216
18 April 2018	38,850
23 April 2018	48,981
18 July 2018	136,991
24 October 2018	138,886
	367,924

The total net proceeds from exercised share options during the year was £0.1 million.

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

Following the equity placings and the exercise of the above share options and restricted stock units, the number of ordinary shares in issue was 160,389,881.

Dividends

No dividends were paid or declared in the year ended 31 January 2019 (2018: £nil).

26. SHARE OPTION SCHEME AND RESTRICTED STOCK UNITS

At 31 January 2019, the outstanding share options, which include the share options granted to Directors, are shown below:

	Date of grant	Exercise price (£)	Number of shares	Date from which exercisable	Expiry date
Approved EMI scheme					
	7 April 2011	0.65	5,873	8 April 2014	7 April 2021
	10 May 2012	0.60	150,046	10 May 2014	10 May 2022
	24 December 2012	0.85	21,500	24 December 2015	24 December 2022
	31 January 2013	0.20	72,973	31 July 2013	31 January 2023
	15 July 2014	1.26	100,000	15 July 2016	15 July 2024
	23 June 2016	1.05	58,564	23 June 2017	23 June 2026
			408,956		
Unapproved scheme					
	18 December 2013	0.20	76,364	19 June 2014	18 December 2023
	15 July 2014	1.26	175,000	15 July 2016	15 July 2024
	15 July 2014	0.80	100,000	30 May 2015	30 May 2023
	21 January 2015	1.23	75,000	21 January 2017	21 January 2025
	23 June 2016	0.01	110,576	21 July 2016	23 June 2026
	23 June 2016	1.05	43,740	23 June 2017	23 June 2026
	27 June 2017	1.80	5,989	27 June 2017	27 June 2027
	18 July 2017	1.83	11,825	18 June 2018	18 June 2027
	24 October 2017	1.80	12,264	24 October 2018	24 October 2027
	20 April 2018	2.05	9,514	23 April 2019	23 April 2028
	19 October 2018	0.30	4,324,198	19 October 2019	19 October 2028
	19 October 2018	0.30	3,814,970	19 October 2021	19 October 2028
			8,759,440		
			9,168,396		

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	Weighted average exercise price £	**Year ended 31 January 2019**	Weighted average exercise price £	Year ended 31 January 2018
Outstanding at 1 February	**1.43**	**8,577,236**	1.17	7,383,401
Granted during the year	**0.76**	**13,081,048**	1.83	2,972,903
Lapsed/surrendered during the year	**1.52**	**(12,397,841)**	0.99	(1,430,532)
Exercised during the year	**1.08**	**(92,047)**	1.13	(348,536)
Number of options outstanding at 31 January	**0.35**	**9,168,396**	1.43	8,577,236

As at 31 January 2019, 1,029,228 share options were capable of being exercised with a weighted average exercise price per option of 82 pence (2018: 2,042,546 with a weighted average exercise price per option of 100 pence). The options outstanding at 31 January 2019 had a weighted average exercise price per option of 35 pence (2018: 143 pence), and a weighted average remaining contractual life of 9.2 years (2018: 7.9 years).

During the year ended 31 January 2019, the Executive Director, key management and employees voluntarily surrendered options to subscribe for a total of 7,172,054 ordinary shares. The share-based payment expense for the year ended 31 January 2019 was £4.7 million (2018: £1.6 million). This increase is primarily due to the surrender of share options, resulting in an accelerated share-based payment expense of the remaining fair value of those awards.

26. SHARE OPTION SCHEME AND RESTRICTED STOCK UNITS CONTINUED

The fair value per share option 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 grant date (£)	Fair value per option (£)	Award life (years)	Risk free rate
7 April 2011	EMI	5,873	0.65	0.65	0.47	5.00	2.70%
10 May 2012	EMI	150,046	0.60	0.52	0.24	5.00	1.00%
24 December 2012	EMI	21,500	0.85	0.85	0.59	5.00	0.90%
31 January 2013	EMI	72,973	0.20	0.94	0.74	5.00	1.00%
18 December 2013	Unapproved	76,364	0.20	1.85	1.65	5.00	1.00%
15 July 2014	EMI	100,000	1.26	1.26	0.65	3.00	1.30%
15 July 2014	Unapproved	175,000	1.26	1.26	0.65	3.00	1.30%
15 July 2014	Unapproved	100,000	0.80	0.81	0.65	1.90	0.50%
21 January 2015	Unapproved	75,000	1.23	1.22	0.64	3.00	0.60%
23 June 2016	EMI	58,564	1.05	1.05	0.25	3.00	0.30%
23 June 2016	Unapproved	110,576	0.01	1.05	1.04	0.50	0.30%
23 June 2016	Unapproved	43,740	1.05	1.05	0.25	3.00	0.30%
27 June 2017	Unapproved	5,989	1.80	1.78	0.64	3.00	0.23%
18 July 2017	Unapproved	11,825	1.83	1.83	0.66	3.00	0.26%
24 October 2017	Unapproved	12,264	1.80	1.70	0.57	3.00	0.46%
20 April 2018	Unapproved	9,514	2.05	2.05	0.69	3.00	0.79%
19 October 2018	Unapproved	4,324,198	0.30	0.30	0.09	3.00	0.81%
19 October 2018	Unapproved	3,814,970	0.30	0.30	0.12	3.00	0.90%
		9,168,396					

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

a. Black-Scholes valuation methodology was used for all share options issued since 2016. These options do not have market-based performance related conditions.
b. The majority of share option awards made before 2016 had market-based performance related conditions and have been modelled using the Monte-Carlo methodology. The options granted on 31 January 2013 and 18 December 2013 do not have market-based performance related conditions.
c. Figures in the range of 0.39-1.34% have been used for expected volatility. This has been derived from historic share price performance, weighted to exclude periods of unusually high volatility.
d. Expected dividend yield is nil, consistent with the Directors' view that the Group's business model is to generate value through capital growth rather than the payment of dividends.
e. The risk-free rate is equal to the prevailing UK Gilts rate at grant date that most closely matches the expected term of the grant.
f. Share options are assumed to be exercised immediately on vesting.
g. The fair value of share options awarded where there are different vesting instalments is the average of the fair values calculated per instalment.

At 31 January 2019, the outstanding restricted stock units ('RSUs') in the form of nominal-cost options, which have been granted to Non-Executive Directors, are shown below:

Date of grant	Exercise price (£)	Number of shares	Date from which exercisable	Expiry date
20 April 2018	0.01	121,950	20 April 2019	31 December 2019
11 January 2019	0.01	692,306	11 January 2020	31 December 2020
		814,256		

The movement in the number of RSUs is set out below:

	Weighted average exercise price £	**Year ended 31 January 2019**	Weighted average exercise price £	Year ended 31 January 2018
Outstanding at 1 February	**0.01**	**275,877**	–	–
Granted during the year	**0.01**	**814,256**	0.01	275,877
Exercised during the year	**0.01**	**(275,877)**	–	–
Number of RSUs outstanding at 31 January	**0.01**	**814,256**	0.01	275,877

As at 31 January 2019, nil RSUs were capable of being exercised (2018: nil). The RSUs outstanding at 31 January 2019 had a weighted average exercise price per RSU of 1 penny (2018: 1 penny), and a weighted average remaining contractual life of 1.8 years (2018: 0.9).

26. SHARE OPTION SCHEME AND RESTRICTED STOCK UNITS CONTINUED

The fair value per RSU award granted and the assumptions used in the calculations are as follows:

Date of grant	Number of shares	Exercise price (£)	Share price at grant date (£)	Fair value per RSU (£)	Award life (years)	Risk free rate
20 April 2018	121,950	0.01	2.05	2.04	1.00	0.70%
11 January 2019	692,306	0.01	0.26	0.25	1.00	0.79%
	814,256					

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

a. Black-Scholes valuation methodology was used for all RSUs.
b. Figures in the range of 0.50%-0.57% have been used for expected volatility. This has been derived from historic share price performance, weighted to exclude periods of unusually high volatility.
c. 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.
d. 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.
e. RSUs are assumed to be exercised immediately on vesting.

27. FIXED ASSETS PURCHASE COMMITMENTS

At 31 January 2019, the Group had no capital commitments (31 January 2018: nil).

28. LEASING AND OTHER COMMITMENTS

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

	Land & Buildings	
Leases which expire	**31 January 2019 £000**	31 January 2018 £000
Not later than one year	**357**	337
Later than one year and not later than five years	**723**	1,143
	1,080	1,480

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

29. RELATED PARTY TRANSACTIONS

Professor Stephen Davies, a Non-Executive Director who resigned in September 2018, is a member of the board of directors of Oxford University Innovation Limited. During the year, £nil (2018: £24,000) was charged by Oxford University Innovation Limited in connection with payments due in respect of the strategic alliance between the Group and Oxford University that was entered into in November 2013. Of this amount, £nil was outstanding at the year end (2018: £12,000).

COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 JANUARY 2019

SUMMIT THERAPEUTICS PLC INDIVIDUAL FINANCIAL STATEMENTS (COMPANY NUMBER 5197494)

	Note	**31 January 2019 £000**	31 January 2018 £000
Non-current assets			
Investments	3	**24,013**	22,236
Current assets			
Prepayments and other receivables	4	**63,689**	51,596
Cash and cash equivalents		**24,074**	7,816
		87,763	59,412
Total assets		**111,776**	81,648
Creditors: amounts falling due within one year	5	**(654)**	(815)
Contingent consideration	6	**(629)**	–
Total assets less current liabilities		**110,493**	80,833
Net assets		**110,493**	80,833
Equity			
Share capital	7	**1,604**	736
Share premium account		**92,806**	60,237
Share-based payment reserve		**11,486**	6,743
Merger reserve		**4,970**	4,970
Special reserve		**19,993**	19,993
Accumulated losses reserve		**(20,366)**	(11,846)
Total equity		**110,493**	80,833

The Company's loss for the year was £8,520,000 (2018: £4,871,000).

The notes on pages 112 to 116 form part of these financial statements.

The Individual Financial Statements on pages 110 to 116 were approved by the Board of Directors and signed on its behalf by

Glyn Edwards
Chief Executive Officer

27 March 2019

COMPANY STATEMENT OF CHANGES IN EQUITY

SUMMIT THERAPEUTICS PLC INDIVIDUAL FINANCIAL STATEMENTS (COMPANY NUMBER 5197494)

Year ended 31 January 2019

	Share capital £000	Share premium account £000	Share-based payment reserve £000	Merger reserve £000	Special reserve £000	Profit and loss account £000	Total equity £000
At 1 February 2018	736	60,237	6,743	4,970	19,993	(11,846)	80,833
Loss for the year	–	–	–	–	–	(8,520)	(8,520)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(8,520)**	**(8,520)**
New share capital issued	864	33,784	–	–	–	–	34,648
Transaction costs on share capital issued	–	(1,313)	–	–	–	–	(1,313)
Share options exercised	4	98	–	–	–	–	102
Share-based payment	–	–	4,743	–	–	–	4,743
At 31 January 2019	**1,604**	**92,806**	**11,486**	**4,970**	**19,993**	**(20,366)**	**110,493**

Year ended 31 January 2018

	Share capital £000	Share premium account £000	Share-based payment reserve £000	Merger reserve £000	Special reserve £000	Profit and loss account £000	Total equity £000
At 1 February 2017	618	46,420	5,136	–	19,993	(6,975)	65,192
Loss for the year	–	–	–	–	–	(4,871)	(4,871)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(4,871)**	**(4,871)**
New share capital issued	84	14,847	–	–	–	–	14,931
Transaction costs on share capital issued	–	(1,428)	–	–	–	–	(1,428)
Issue of ordinary shares as consideration for a business combination	30	–	–	4,970	–	–	5,000
New share capital issued from exercise of warrants	1	9	–	–	–	–	10
Share options exercised	3	389	–	–	–	–	392
Share-based payment	–	–	1,607	–	–	–	1,607
At 31 January 2018	**736**	**60,237**	**6,743**	**4,970**	**19,993**	**(11,846)**	**80,833**

The accompanying notes form an integral part of these Individual Financial Statements.

Information pertaining to the share options issued in the year are analysed in Note 26 'Share option scheme and restricted stock units'. The share-based payment reserve is borne on behalf of the underlying subsidiaries.

1. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below:

Basis of preparation

The Individual Financial Statements of the Company, Summit Therapeutics plc, have been prepared in accordance with FRS 100 *'Application of Financial Reporting Requirements'* and FRS 101 *'Reduced Disclosure Framework'* and the Companies Act 2006 applicable to companies reporting under FRS 101. The principal accounting policies adopted in the preparation of the Summit Therapeutics plc Individual Financial Statements (Company Number 5197494) are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The Individual Financial Statements have been prepared on a historical cost basis.

The Individual Financial Statements are presented in Pound Sterling (£) and have been presented in round thousands (£000).

Going concern

These individual financial statements have been prepared assuming the Company will continue on a going concern basis. The Company is committed to providing support to the Group, however the Group has incurred significant losses and negative cash flows from operations since inception. Based on management's forecasts, the Company's existing cash and cash equivalents as well as its subsidiaries' anticipated payments from BARDA under its contract for the development of ridinilazole, anticipated payments from CARB-X under its contract for the development of its gonorrhoea antibiotic candidate, and anticipated payments from the cost-sharing arrangement under its licence and collaboration agreement with Sarepta are expected to be sufficient to enable the Group to fund its operating expenses and capital expenditure requirements through 31 January 2020. The Company will need to raise additional funding in order to support, beyond this date, the Group's planned research and development efforts, potential commercialisation related activities, if any of its product candidates receive marketing approval, as well as to support activities associated with operating as a public company in the United States and the United Kingdom. Should the Company be unable to raise additional funding, management has the ability to take mitigating action to fund the Group's operating expenses and capital expenditure requirements in relation to its clinical development activities for only a short period beyond 12 months from the date of issuance of these financial statements. These circumstances represent a material uncertainty which may cast and raise significant doubt on the Company's ability to continue as a going concern. These financial statements do not contain any adjustments that might result if the Company was unable to continue as a going concern.

The Company is evaluating various options to finance these cash needs, through a combination of some, or all, of the following: equity offerings, collaborations, strategic alliances, grants and clinical trial support from government entities, philanthropic, non-government and not-for-profit organisations and patient advocacy groups, debt financings, and marketing, distribution or licensing arrangements. Whilst the Company believes that funds would be available in this manner before the end of January 2020, there can be no assurance that the Company will be able to generate funds, on terms acceptable to the Company, on a timely basis or at all, which would impact both the Company's and the Group's ability to continue as a going concern. The failure of the Company to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on both the Companys' and the Group's business, results of operations, financial condition and the recoverability of investments and amounts owed by Group undertakings.

Disclosure exemptions adopted

In preparing these financial statements, the Company has taken advantage of the following disclosure exemptions conferred by FRS 101:

1. A statement of cash flows and related notes.
2. The requirement of IAS 24 *'Related Party Disclosures'* to disclose related party transactions entered into between two or more members of the Group as they are wholly owned within the Group.
3. Disclosure of key management personnel compensation.
4. The effect of future accounting standards not adopted.
5. Certain share-based payment disclosures (as these are publicly available in the consolidated financial statements).
6. Disclosures in relation to impairment of assets.
7. Disclosures in respect of financial instruments.
8. Fair value measurement disclosures (other than disclosures required as a result of recording financial instruments at fair value).

Investments

The Company holds 100% ownership of the subsidiaries detailed in Note 8 '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.

Share-based payments

In accordance with IFRS 2 *'Share-based payment'*, share options are measured at fair value at their grant date. The fair value for the majority of the options is calculated using the Black-Scholes formula and charged to the 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 year end 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. A capital contribution is created over time as the Company bears the cost of issuing Summit Therapeutics plc share options to the employees of each subsidiary. See Note 26 'Share option scheme and restricted stock units' of the Group Consolidated Financial Statements for further information.

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

Critical accounting estimates and judgements

The preparation of the Individual Financial Statements requires the Company to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. There are not any critical accounting estimates or judgements to be disclosed in addition to the critical accounting estimates and judgements already disclosed in Note 2 'Critical accounting judgements and key sources of estimation uncertainty' to the Consolidated Financial Statements, except for the judgement in relation to the recoverability of investments and amounts owed by Group undertakings discussed below.

The Company is required to exercise judgement as to whether there is any indication that its assets, including investments and amounts owed by Group undertakings, have suffered an impairment loss when reviewing the carrying value of those assets. As a result of this review, no provision or impairment is considered necessary for the year ended 31 January 2019. See Note 3 'Investments' of these Individual Financial Statements.

Changes to accounting policies

Adoption of IFRS 9 *'Financial Instruments'*

The Company adopted IFRS 9 *'Financial Instruments'* effective 1 February 2018. There has been no impact on the Company's net results or net assets for the year ended 31 January 2019 and 2018 as a result of adoption.

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

International Accounting Standards (IAS/IFRS)	Effective date
IFRS 9 *'Financial Instruments'* (as revised in 2014)	1 January 2018
IFRS 15, *'Revenue from Contracts with Customers'*	1 January 2018
Amendment to IFRS 2 *'Share Based Payments', 'Classification and Measurement of Share-based Payment Transactions'*	1 January 2018
Amendments resulting from Annual Improvements 2014–2016 Cycle	1 January 2018
IFRIC 22 *'Foreign Currency Transactions and Advance Consideration'*	1 January 2018

2. LOSS OF THE COMPANY

Loss in the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year.

Directors' remuneration

The remuneration of the Directors is disclosed in the Directors' Remuneration Report on pages 42 to 64.

Auditors' remuneration

Audit remuneration is disclosed in Note 10 'Auditors' remuneration' of the Group Consolidated Financial Statements.

Employees

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

3. INVESTMENTS

	Investment in subsidiaries £000	Capital contributions for share options recharge £000	Total £000
Cost			
At 1 February 2018	31,018	6,207	37,225
Additions	777	4,321	5,098
At 31 January 2019	**31,795**	**10,528**	**42,323**
Accumulated impairment			
At 1 February 2018	(14,859)	(130)	(14,989)
Impairment	(3,321)	–	(3,321)
At 31 January 2019	**(18,180)**	**(130)**	**(18,310)**
Net book value			
At 1 February 2018	16,159	6,077	22,236
At 31 January 2019	**13,615**	**10,398**	**24,013**

3. INVESTMENTS CONTINUED

Discuva Limited
During the year, the Company capitalised accrued interest receivable of £0.8 million on preference shares held in the Company's wholly owned subsidiary Discuva Limited ('Discuva'). The Company subscribed for 776,713,120 new ordinary shares in Discuva of 1 penny nominal value and entered into a net settlement agreement to offset these amounts with accrued interest receivable. In addition, the preference shares held were subdivided and re-designated as ordinary shares, leaving only ordinary shares and a Z ordinary share in the capital of Discuva.

MuOx Limited
As a result of the Group's decision in June 2018 to discontinue development of ezutromid, management reviewed the carrying value of the investment in MuOx Limited. Based on this review, a full impairment charge of £3.3 million was recognised. See Note 15 'Intangible assets' of the Group Consolidated Financial Statements for details of the valuation model and assumptions used as part of the review.

Capital contributions for share options recharge
The charge for the share-based payment was financed by the Company in the form of a capital contribution in the accounts of the underlying subsidiaries.

Impairment assessment of investments and amounts owed by Group undertakings
During the year ended 31 January 2019, management identified an indication of impairment of the carrying amounts of its investments and amounts owed by Group undertakings, being the reduction of the Group's market capitalisation to below the carrying amount of those assets following the announcement in June 2018 that the Phase 2 clinical trial of ezutromid failed to meet its primary and secondary endpoints. Accordingly, management performed an impairment review including a value in use model for assets relating to Summit (Oxford) Limited and a milestone analysis approach for assets relating to Discuva Limited.

The key assumptions used in the value in use model are as follows:

- expected research and development costs based on management's past experience and knowledge;
- probabilities of achieving development milestones based on industry standards;
- reported disease prevalence;
- expected market share based on management's estimates;
- drug reimbursement, costs of goods and marketing estimates; and
- expected patent life.

The value in use model covers a period significantly longer than five years, which is based on expected patent life, once filed, due to the length of the development cycle for assets of this nature and a discount factor of 13% has been used over the forecast period. Based on sensitivity analysis, the failure of the Company to obtain sufficient funds on acceptable terms when needed could have an adverse effect on the recoverability of the Company's investments and amounts owed by Group undertakings.

The Discuva Platform acquired as part of the acquisition of Discuva Limited and the associated goodwill have been reviewed for impairment using a milestone analysis approach, since reliable estimated future cash flows cannot yet be formed to determine the value in use. The milestone analysis approach assesses whether the fair value of these assets, determined upon acquisition of Discuva Limited in December 2017, still remains appropriate. Based on this assessment, the Directors believe that the carrying value of the intangible asset and associated goodwill are supported by the underlying asset.

The key milestone events that were considered as part of the milestone analysis approach are as follows:

- research and development milestones achieved; and
- external transactions achieved.

The key sensitivity is our ability to meet ongoing milestone events; if these milestone events are not achieved as expected, then the related intangible asset would likely be fully impaired.

See Note 8 'Subsidiaries' for a listing of the interests the Company had in subsidiaries at 31 January 2019.

4. PREPAYMENTS AND OTHER RECEIVABLES

	31 January 2019 £000	31 January 2018 £000
Prepayments and other receivables	**237**	223
Amounts owed by Group undertakings	**63,452**	51,373
	63,689	51,596

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

The impairment review of amounts owed to the Company by Group undertakings performed at the year end are included as part of the investments impairment review in Note 3 'Investments', as investments and amounts owed by Group undertakings form part of the same cash-generating unit for Summit (Oxford) Limited and Discuva Limited respectively.

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 January 2019 £000	31 January 2018 £000
Other creditors	**601**	619
Amounts owed to Group undertakings	**53**	195
	654	815

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

6. CONTINGENT CONSIDERATION

During the financial year, the Company reassessed the contingent consideration in line with the anticipated settlement of consideration liabilities relating to the acquisition of Discuva Limited ('Discuva') in December 2017. The Company estimated the total expected additional cash outflows to be £0.8 million, which is based on the terms of the share purchase agreement. The additional expected payment is primarily due to research and development tax credits received and receivable by Discuva in respect of financial years prior to the Company's acquisition, of which the sellers are due a specified portion of these amounts. During the year ended 31 January 2019, a payment of £0.2 million was made for the research and development tax credits received, leaving an estimated contingent consideration liability of £0.6 million.

7. SHARE CAPITAL

	31 January 2019 £000	31 January 2018 £000
Allotted, called up and fully paid		
160,389,881 (2018: 73,563,624) ordinary shares of 1p each	**1,604**	736

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

	Number of shares	Total nominal value £000	Total share premium £000	Total consideration £000
At 1 February 2017	61,841,566	618	46,420	47,038
New share capital issued (net of transaction costs)	8,389,250	84	13,419	13,503
Issue of ordinary shares as consideration for a business combination[1]	2,934,272	30	–	30
New share capital issued from exercise of warrants	50,000	1	9	10
Share options exercised	348,536	3	389	392
At 31 January 2018	**73,563,624**	**736**	**60,237**	**60,973**
At 1 February 2018	73,563,624	736	60,237	60,973
New share capital issued (net of transaction costs)	86,458,333	864	32,417	33,335
Share options exercised	367,924	4	98	102
At 31 January 2019	**160,389,881**	**1,604**	**92,806**	**94,410**

(1) The difference between the nominal value of the share capital acquired in Discuva Limited and fair value of shares issued in the business combination using the acquisition method of accounting was recognised as part of the Group's merger reserve arising as a result of the application of S612 CA2006 relating to business combination accounting.

On 29 March 2018, the Company completed an equity placing on the AIM market of the London Stock Exchange, issuing 8,333,333 new ordinary shares at a price of 180 pence per share. Total gross proceeds of £15.0 million were raised and directly attributable transaction costs of £0.9 million were incurred and accounted for as a deduction from equity.

On 9 January 2019, the Company completed a private placement of 15,625,000 American Depository Shares ('ADS') at a price of $1.60 per ADS. Each ADS represents five ordinary shares of one penny nominal value each in the capital of the Company, meaning 78,125,000 new ordinary shares were issued. Total gross proceeds of $25.0 million (£19.6 million) were raised and directly attributable transaction costs of £0.4 million were incurred.

7. SHARE CAPITAL CONTINUED

During the year to 31 January 2019, the following exercise of share options and restricted stock units took place:

Date	Number of options exercised
16 March 2018	4,216
18 April 2018	38,850
23 April 2018	48,981
18 July 2018	136,991
24 October 2018	138,886
	367,924

The total net proceeds from exercised share options during the year was £0.1 million.

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

Following the equity placings and the exercise of the above share options and restricted stock units, the number of ordinary shares in issue was 160,389,881.

Dividends

No dividends were paid or declared in the year ended 31 January 2019 (2018: £nil).

8. 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%	1,000 £1 ordinary shares
Discuva Limited	England and Wales	136a Eastern Avenue, Milton Park, OX14 4SB	100%	832,244,256 ordinary 0.1p shares 1 Z ordinary 0.1p share
Summit Therapeutics 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.

COMPANY INFORMATION

DIRECTORS

Frank Armstrong, FRCPE, FFPM	Non-Executive Chairman
Glyn Edwards, MBE	Chief Executive Officer
Leopoldo Zambeletti	Non-Executive Director
Valerie Andrews	Non-Executive Director
David Wurzer	Non-Executive Director

COMPANY SECRETARY

Melissa Strange, FCCA

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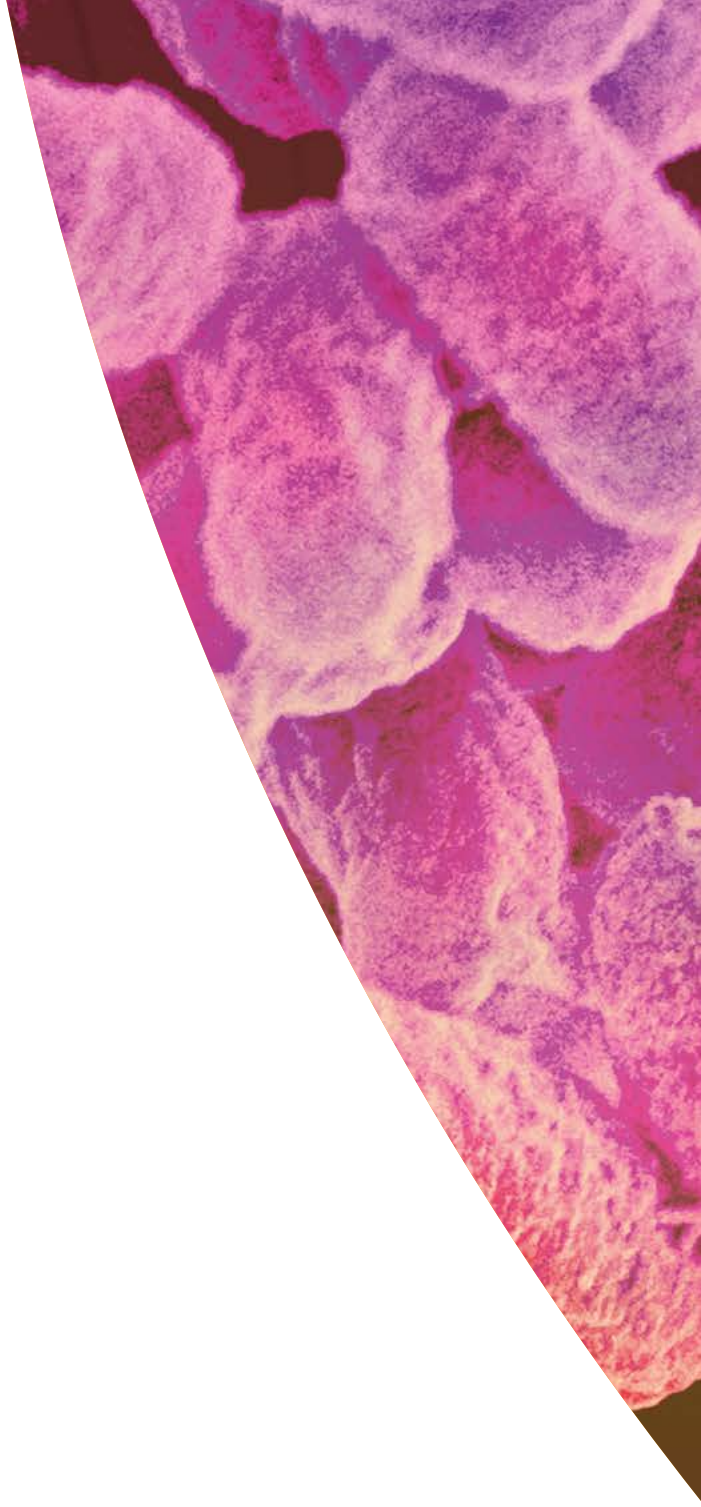

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