summit

Summit Therapeutics plc

Developing Treatments for Rare and Infectious Diseases

Annual Report and Accounts 2017/18

Discovery, Development and Commercialisation

Summit is focused on the discovery, development and commercialisation of novel medicines for diseases for which there are no existing or only inadequate therapies.

Summit is advancing new therapies for the treatment of the rare disease Duchenne muscular dystrophy, and infectious diseases.

Our Purpose

Improving the quality of life of patients and their families whilst building a successful business for shareholders.

Our Vision

To become a fully integrated biopharmaceutical company focused on the discovery, development and commercialisation of novel medicines for indications for which there are no existing or only inadequate therapies.

Our Mission

To signficantly advance the standard of care in the rare disease, Duchenne muscular dystrophy, and anti-bacterial therapies.

Rare Diseases

Our goal is to stop Duchenne muscular dystrophy ('DMD') disease progression in all patients with our pioneering utrophin modulation technology.

Pages 06 to 09

Infectious Diseases

We aim to address the global antibiotic crisis with the development of new mechanism antibiotics for serious pathogens.

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Chairman's Statement

Strong Progress

Having two clinical stage assets with compelling patient data is a tremendous achievement and one that would not have happened without the continued support from our shareholders.

Frank Armstrong
Non-Executive Chairman

Our Focus

Our current focus is on rare diseases and infectious diseases

Rare Diseases

Summit is pioneering utrophin modulation for all patients living with Duchenne muscular dystrophy

Our most advanced utrophin modulator is called ezutromid and is being evaluated in a Phase 2 proof of concept clinical trial.

Pages 06 to 09

Infectious Diseases

Summit is developing new mechanism antibiotics against serious bacterial threats.

Ridinilazole is our Phase 3-ready precision antibiotic in development to treat *C. difficile* infection, and we are using our bacterial genetics-based platform to develop a pipeline of additional new mechanism antibiotics.

Pages 10 to 13

This past year has been marked by success and progress across the business. Summit now has two clinical programmes with positive clinical data in patients, external validation for both our *C. difficile* infection ('CDI') and Duchenne muscular dystrophy ('DMD') programmes, a strengthened pipeline for a sustainable future and a strengthened team to guide the development of novel drugs for serious illnesses.

Clinical Success

We delivered the first clinical evidence of ezutromid activity in patients with DMD. Ezutromid has the potential to profoundly improve the lives of all patients living with DMD. The evidence we have seen after just 24 weeks of treatment indicates ezutromid is potentially reducing the severity of the disease. To put the typical severity of the disease in perspective, patients with DMD progressively lose muscle function throughout their lives, ultimately resulting in premature death in their late twenties. Changes to the inexorable disease progression could provide meaningful benefit for patients. We anticipate that the 48-week data has the potential to provide continued evidence of improved disease progression through measurements of muscle health, and we expect to report those data in the third quarter of 2018.

The 24-week data have bolstered our confidence that ezutromid could become the standard of care for all patients with DMD. We are preparing ourselves to rapidly advance ezutromid towards the market after receipt of the 48-week data. We see two potential paths to get to market with positive 48-week data. In one scenario, we could potentially pursue accelerated approval in the US based on the 48-week data. In another scenario, we conduct a pivotal, placebo controlled trial that would be the basis of regulatory filings for approvals in the US and EU. Our recent fundraise in Europe allows us to maintain clinical and regulatory flexibility for both of these options. We remain committed to independently commercialising ezutromid in the United States, one the world's most important pharmaceutical markets, while our partner, Sarepta Therapeutics, has commercialisation rights in Europe.

External Validation

Our precision antibiotic for CDI garnered third-party US Government support with a $62 million BARDA award. This is a major endorsement for ridinilazole. These funds are helping to support the Phase 3 clinical and regulatory development of ridinilazole.

Ridinilazole's potential to treat CDI and reduce recurrent disease make it an attractive potential option for front-line treatment. To support this positioning, we carefully designed our Phase 3 programme to provide evidence of value for patients, payors and healthcare providers. There is an urgent need for new treatment options in CDI with over one million cases a year in the US and Europe and we believe ridinilazole is the answer.

The external validation our CDI programme received this year from BARDA complements the validation we received of our DMD programme through our strategic partnership with Sarepta. This partnership continues to provide us with intangible benefits, such as access to Sarepta's knowledge and expertise in DMD drug development, as well as financial support. This past year, we received a $22 million milestone payment from Sarepta upon the completion of enrolment in our PhaseOut DMD clinical trial, and as of January 2018, Sarepta is contributing a 45% share of our global DMD programme development costs.

A Sustainable Pipeline

Antibiotic resistance is an emerging global health and political issue. We believe that our investments in antibiotic research and development provide an opportunity for Summit to assume a leadership role in this field. Our strategy is to develop new mechanism antibiotics designed to treat specific diseases where we can demonstrate clear advantages over existing standards of care and have clear commercial value. We will pursue this strategy with our recently acquired discovery and development platform.

Separately, we continue to secure our leadership in utrophin modulation through our ongoing collaboration with the University of Oxford. We intend to have the first- and best-in-class molecules with the goal of one day being able to stop DMD disease progression for all patients living with this disorder.

A Bright Future

We enter this next year in a position of strength with great opportunities for our products. Our progress brought us one step closer to realising the significant value of ezutromid and ridinilazole for the Company, shareholders and most importantly, patients. Our growth over the past year ensures we have a strong team and a pipeline for the future. We now look to an exciting year ahead with the full results from PhaseOut DMD expected in the third quarter of this year.

Having two clinical stage assets with compelling patient data is a tremendous achievement and one that would not have happened without the continued support from our shareholders and dedication and professionalism from our employees. Finally, I'd like to thank the patients, families and clinical sites involved in our clinical trials. Without them, we would not be able to make such progress in advancing our promising product candidates.

Frank Armstrong, FRCPE, FFPM
Non-Executive Chairman

11 April 2018

Highlights

Programme Highlights

- Announced positive 24-week interim data from PhaseOut DMD, a Phase 2 proof of concept trial of ezutromid in patients with DMD.
- Received a $22 million milestone payment from our strategic partner, Sarepta Therapeutics, for the completion of enrolment in PhaseOut DMD.
- Awarded BARDA contract of up to $62 million to support the clinical and regulatory development of ridinilazole for the treatment of CDI.
- Positioned as leader in R&D of new mechanism antibiotics following acquisition of genetics-based platform.

Financial Highlights

- Cash and cash equivalents at 31 January 2018 of £20.1 million compared to £28.1 million at 31 January 2017.
- In March 2018 raised gross proceeds of £15.0 million ($21.2 million) through a placing of new Ordinary Shares.

Pages 14 to 19

Creating Value

Our Strategic Vision

Business Model

Summit Therapeutics has a clear strategy.

We are developing medicines with new mechanisms that are designed to treat specific diseases with unmet needs.

These medicines are designed to have clear advantages over existing standard of care treatments.

Our strategy seeks to provide value for patients, payors and healthcare providers.

Our current focus is on rare diseases and infectious diseases

Rare Diseases

Summit's utrophin modulation approach has the potential to treat all patients living with Duchenne muscular dystrophy.

Our most advanced utrophin modulator is called ezutromid and is being evaluated in a Phase 2 proof of concept clinical trial.

Infectious Diseases

Summit is looking to generate new mechanism antibiotics to treat serious bacterial threats.

Ridinilazole is our late-stage precision antibiotic in development to treat *C. difficile* infection and we are using our genetics-based technology platform to develop a pipeline of additional new mechanism antibiotics.

Our Values

Everyone within Summit has a role to play in achieving our strategic vision. Underpinning our efforts are our five core values. These have been developed by people at Summit. They describe who we are, how we work together and what we want to achieve. 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.

Strategy

1

Rapidly advance the development of our lead product candidates, ezutromid for DMD and ridinilazole for CDI.

Summit is rapidly advancing the development of its clinical programmes targeting DMD and CDI. In DMD, ezutromid is in a Phase 2 clinical trial in patients which recently reported positive 24-week interim results. Ridinilazole is a new mechanism, precision antibiotic that has the potential to not only treat the initial CDI, but importantly reduce rates of recurrent disease. Ridinilazole is Phase 3-ready, and has reported positive results from two Phase 2 clinical trials in patients with CDI.

4

Commercialise ezutromid for DMD in the United States with our own speciality commercial team.

Summit holds exclusive commercialisation rights for ezutromid in the United States and other territories that are not covered by the collaboration agreement with Sarepta.

Summit's intention is to advance ezutromid through clinical trials, and if the drug receives marketing approval, to commercialise ezutromid initially in the United States by establishing a focused, specialised sales force. In other territories where Summit retains rights, the Company plans to evaluate the potential of commercialising ezutromid independently or entering into collaboration, distribution and other marketing arrangements with third parties.

2

Maintain and expand the Company's leadership in the field of utrophin modulation and in the research and development of new mechanism antibiotics.

Summit's DMD programme is based on utrophin modulation, a potential disease-modifying approach that has the potential to treat all patients with DMD. Summit is building on its existing knowledge, experience and intellectual property rights in this area, including via a strategic alliance with the University of Oxford, as the Company seeks to maintain and expand its leadership in utrophin modulation.

Summit is applying its existing knowledge and experience in infectious diseases to position itself as a leader in antibiotic research and development by advancing new mechanism antibiotics that show advantages over current treatments. In addition to progressing ridinilazole into Phase 3 clinical trials, the Company is also seeking to discover and develop new antibiotics focused on treating pathogens that are urgent or serious healthcare threats.

5

Maximise the commercial potential of ridinilazole for CDI.

Summit plans to maximise the commercial opportunity for its CDI antibiotic ridinilazole. Summit holds exclusive commercialisation rights for ridinilazole in the United States and Europe. In December 2017 Summit entered into an exclusive licence and commercialisation agreement with Eurofarma granting exclusive rights to commercialise ridinilazole in certain countries in South America, Central America and the Caribbean. Summit has also been awarded a contract from the US government agency, BARDA, worth up to $62 million to support the clinical and regulatory development of ridinilazole.

Summit continues to evaluate our options to maximise the commercial opportunity for ridinilazole.

3

Collaborate with Sarepta on the advancement of the utrophin modulator pipeline.

Summit signed an exclusive licence and collaboration agreement with Sarepta Therapeutics Inc in October 2016. This granted Sarepta exclusive rights to commercialise products in Summit's utrophin modulator pipeline, including ezutromid, in selected territories including the European Union, with an option over specified countries in Central and South America.

Summit and Sarepta have agreed to collaborate on the research and development of utrophin modulator products under a joint, global development plan.

6

Seek additional governmental and other third-party grants and support.

Summit has obtained development funding and other assistance from government entities, philanthropic, non-government and not for profit organisations and patient advocacy groups for our product candidates. For example, Summit has received grant funding and clinical trial support from Innovate UK and several DMD organisations, including groups based in the United States and United Kingdom. The Wellcome Trust has provided funding for ridinilazole up until the completion of the Phase 2 proof of concept clinical trial and BARDA is providing funding that, in part, will support the Company's planned Phase 3 clinical trials of ridinilazole.

Summit aims to continue to seek additional funding from these types of organisations to support its development programmes.

We're in it together

By collaborating effectively we become a cohesive group that recognise and respect 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.

Our Focus on Rare Diseases

Duchenne Muscular Dystrophy

Duchenne muscular dystrophy ('DMD') is a progressive and fatal muscle wasting disease.

~50,000

~50,000 patients with DMD in North America, Europe and Japan.

X-linked genetic disease meaning DMD predominantly affects boys and young men.

Characterised by loss of functional ability over time leading to premature death on average in the late-twenties.

Summit's focus is on utrophin modulation, a potential disease-modifying treatment.

This approach is independent of the underlying genetic cause of DMD.

100%

Potential to treat all patients with DMD.

Utrophin modulation

Our Focus on Rare Diseases continued

DMD: Focused on Ezutromid

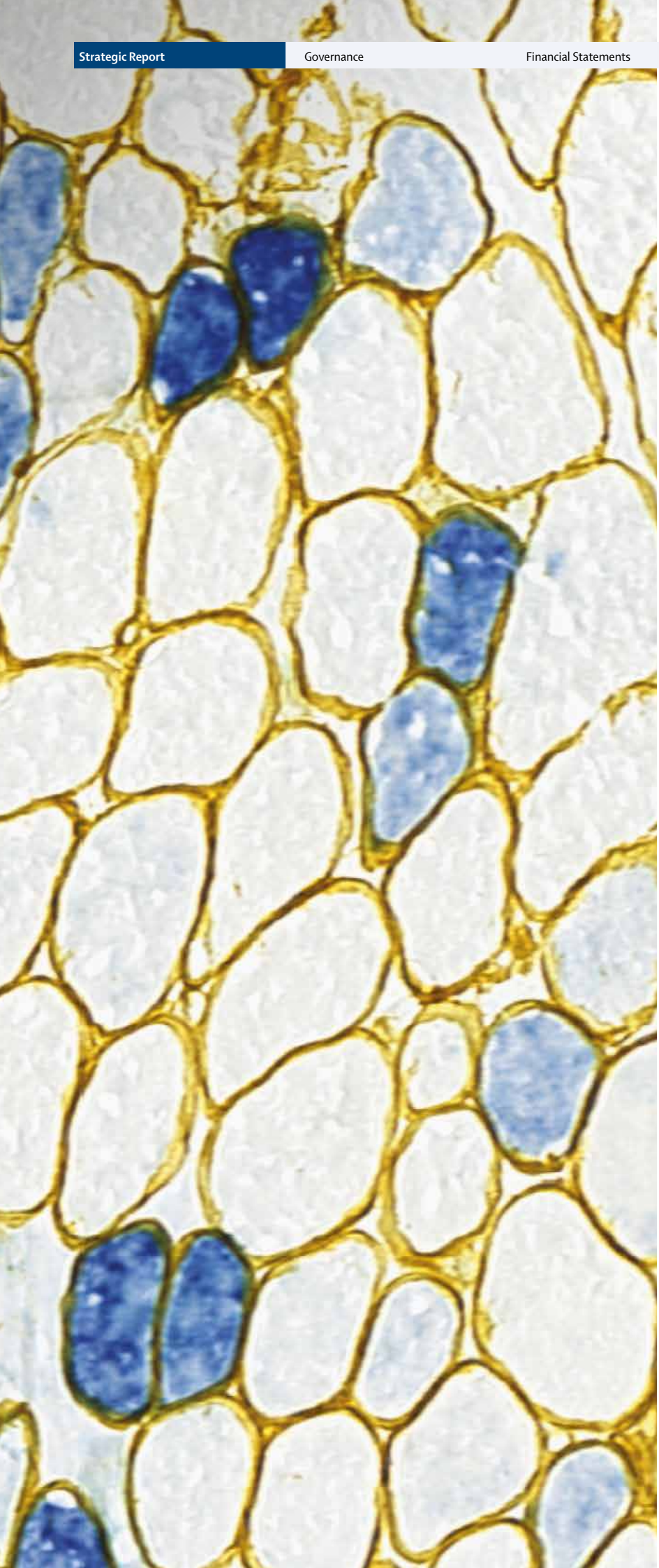
Summit's Approach

Ezutromid is an investigational utrophin modulator therapy in development as a potential disease-modifying treatment for all patients with DMD.

Early evidence from Phase 2 clinical trial suggests ezutromid may reduce DMD disease severity.

Orally administered small molecule therapy designed to modulate production of utrophin protein.

Ezutromid targets all DMD patients regardless of their underlying genetic cause of the disease.



Summit is developing drugs to treat DMD using a potentially disease-modifying approach called utrophin modulation. Our most advanced utrophin modulator is called ezutromid which is currently being tested in patient clinical trials.

DMD is caused by the lack of the protein dystrophin, which helps maintain the strength of muscle fibres when they contract and expand. Without dystrophin, muscle fibre damage occurs, triggering muscle inflammation, loss of ambulation and upper limb function, and premature death. Ezutromid aims to maintain the expression of utrophin, a protein that is functionally and structurally similar to dystrophin, to substitute for the missing dystrophin and in turn maintain healthy muscle function.

Utrophin modulation has the potential to treat all patients with DMD. Since this approach focuses on modulating utrophin to substitute for missing dystrophin, it works independently of the patient's underlying dystrophin gene mutation, which contrasts with approaches that focus on specific dystrophin gene mutations that can only treat small subsets of patients.

Ezutromid is currently being tested in a Phase 2 clinical trial in patients with DMD. Positive interim 24-week data from the trial were reported in early 2018 which showed ezutromid treatment maintained utrophin production which led to improvements in downstream muscle health, as measured by a significant decrease in muscle damage and inflammation. Top-line data from the full trial are expected to be reported in the third quarter of 2018.

Ezutromid has been granted orphan drug status in the United States and Europe, and Fast Track designation and Rare Pediatric Disease designation from the United States Food and Drug Administration.

In 2016, Summit licensed European commercial rights for its utrophin modulation pipeline to Sarepta Therapeutics in exchange for an upfront payment and future development, regulatory and sales milestones, and sales royalties. From the start of 2018, Sarepta is sharing in the global research and development costs associated with Summit's utrophin modulation programme.

Our Focus on Infectious Diseases

Infectious Diseases

Summit is developing new mechanism antibiotics for the treatment of bacterial infections that are serious healthcare threats.

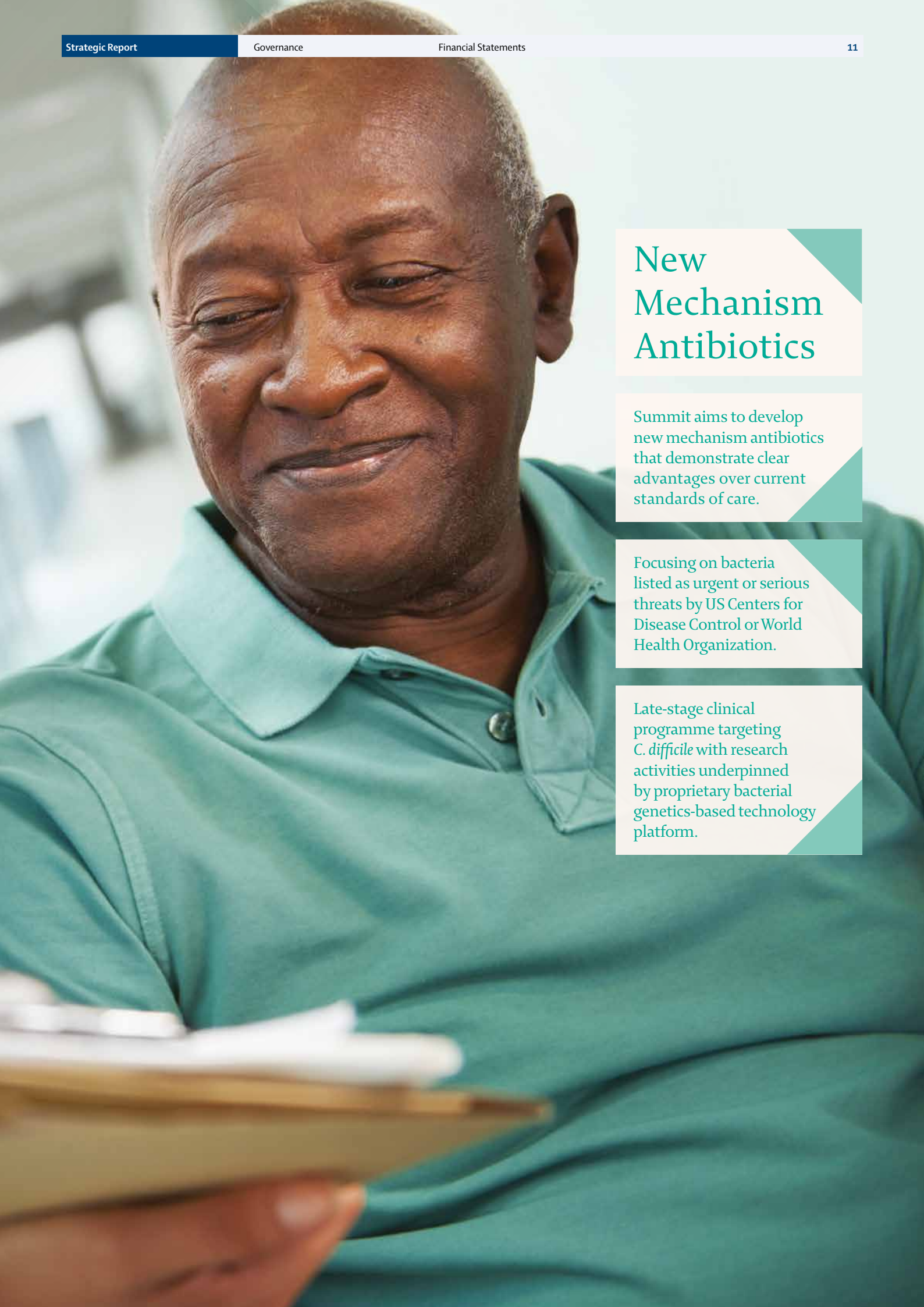
Antibiotics are becoming less effective due in part to over-prescription and inappropriate use.

~$34bn

Antibiotic resistant infections cost up to $34 billion each year in the US.

~2m

Approximately 2 million infections in the US each year are resistant to antibiotics.



New Mechanism Antibiotics

Summit aims to develop new mechanism antibiotics that demonstrate clear advantages over current standards of care.

Focusing on bacteria listed as urgent or serious threats by US Centers for Disease Control or World Health Organization.

Late-stage clinical programme targeting *C. difficile* with research activities underpinned by proprietary bacterial genetics-based technology platform.

Our Focus on Infectious Diseases continued

CDI: Focus on Ridinilazole

Summit's Approach

Ridinilazole is a potential front-line agent for the treatment of *C. difficile* infection ('CDI'). It is a precision antibiotic that has the potential to treat the initial infection and prevent disease recurrence, the key clinical issue in CDI.

>1m

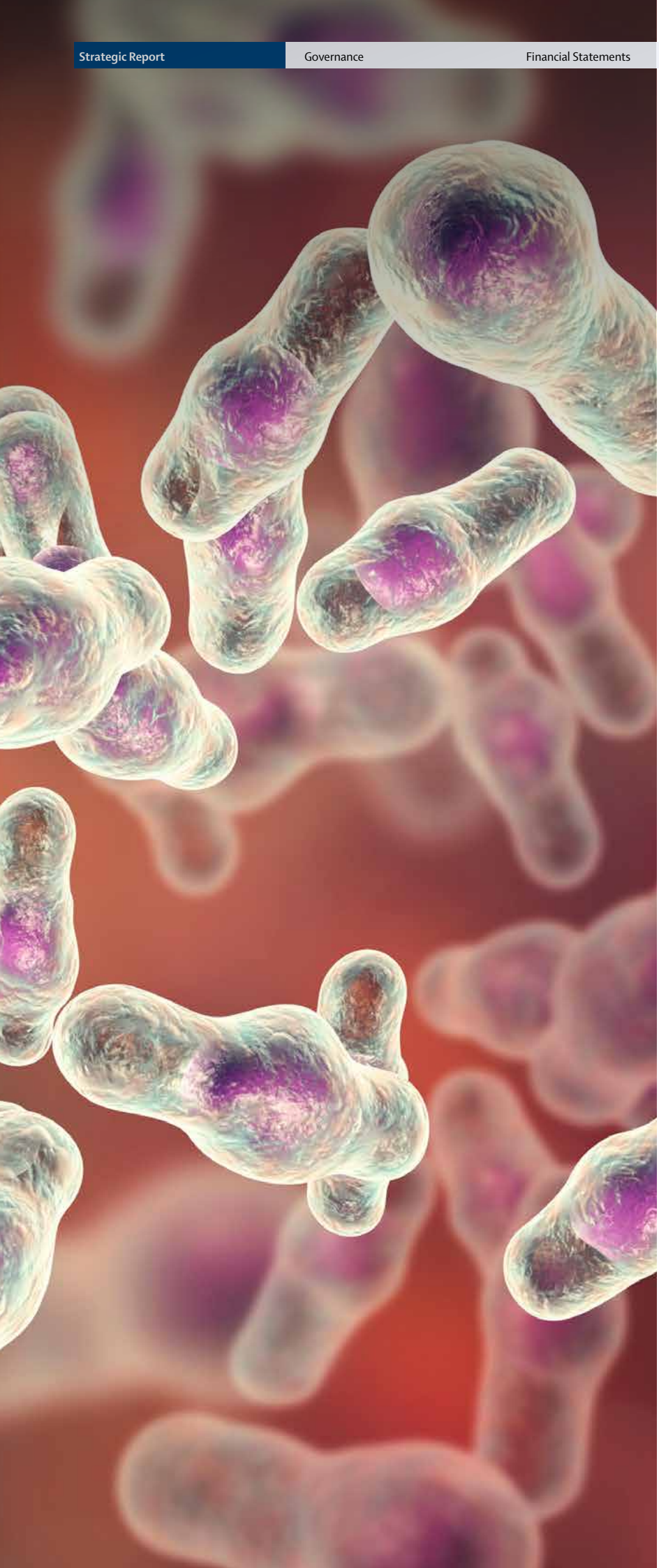
Cases per year in the US and Europe.

~$4.8bn

Annual acute care costs with ~29,000 deaths per year in the US.

~25%

Recurrence is the primary clinical issue in CDI as up to 25% of CDI patients have a second episode; the risk of recurrence rises to 65% after a third episode.



Summit is developing ridinilazole as a front-line agent for the treatment of CDI. Ridinilazole is a precision antibiotic designed to selectively target *C. difficile* bacteria without causing collateral damage to the microbiome, which means it has potential to both treat the initial infection, but importantly reduce the high rates of recurrent disease.

Ridinilazole achieved clinical proof of concept in a Phase 2 clinical trial called CoDIFy. In the trial, ridinilazole outperformed vancomycin, the current standard of care antibiotic for treating CDI.

Patients who contract CDI typically have damaged microbiomes due to prior broad spectrum antibiotic treatments for unrelated infections. The Phase 2 clinical trial showed that ridinilazole-treated patients exhibited no further damage to their microbiome during treatment, with a proportion of patients showing initial evidence of recovery of key bacterial groups of the microbiome which play a role in protecting against CDI. In contrast, it was observed that patients treated with vancomycin suffered substantial damage to their microbiomes during treatment, which in many patients persisted during the post treatment period.

With these positive clinical results, ridinilazole is advancing to the next stage of development: a global Phase 3 clinical trial programme. The programme is expected to include two clinical trials evaluating ridinilazole against vancomycin, with each trial expected to enrol approximately 700 patients. The primary endpoint is expected to be superiority in sustained clinical response ('SCR') which evaluates successful treatment of the initial infection and whether or not the patient experienced recurrent CDI.

The clinical and regulatory development of ridinilazole is supported in part by a contract worth up to $62 million from the US government agency, BARDA, which was awarded in September 2017. Summit has also signed a regional licensing deal that granted Eurofarma exclusive rights to ridinilazole in South and Central America and the Caribbean.

The United States Food and Drug Administration ('FDA') has designated ridinilazole as a qualified infectious disease product ('QIDP') and has granted it Fast Track designation.

Operational Review

Positive Momentum

Glyn Edwards
Chief Executive Officer

David Roblin
Chief Operating Officer,
Chief Medical Officer,
President of R&D

Erik Ostrowski
Chief Financial Officer

With two lead clinical programmes in DMD and CDI, and a growing pipeline of early stage compounds, we are building a fully-integrated company focused on advancing novel mechanism drugs as new standards of care.

Summit is a biopharmaceutical company focused on the discovery, development and commercialisation of novel medicines for indications in rare diseases and infectious diseases for which there are no existing or only inadequate therapies. In rare diseases, Summit is pioneering utrophin modulation as a potential disease modifying treatment for all patients affected by the fatal disorder DMD. In infectious diseases, Summit's clinical focus is on advancing the development of the precision antibiotic ridinilazole that has the potential to not only treat the initial CDI, but importantly to reduce rates of recurrent disease. In the broader infectious disease area, Summit is developing new mechanism antibiotics against pathogens where an urgent unmet need exists, and where the Company can demonstrate advantages over current treatments.

Duchenne Muscular Dystrophy

Utrophin Modulation Programme

DMD is the most common and severe form of muscular dystrophy, impacting 50,000 patients in the developed world alone. DMD is caused by the lack of dystrophin, a protein that maintains healthy muscle function. The absence of dystrophin results in a catastrophic cycle of muscle damage and repair that leads to progressive loss of functional ability and ultimately in premature death.

Utrophin and dystrophin play a similar role in maintaining muscle function, but do so at different times. Utrophin plays this role when new muscle fibres are being formed, or when damaged fibres are being repaired, but then switches off to make way for dystrophin to perform this role in mature muscle fibres. Since patients with DMD are not able to produce dystrophin, a cycle of muscle damage and repair occurs, which eventually leads to muscle fibre failure. Utrophin modulation aims to address the root cause of DMD by maintaining the production of utrophin to substitute for the missing dystrophin. The presence of utrophin in mature muscle fibres could break the cycle or damage and repair and ultimately slow, or even stop, disease progression. Importantly, this approach has the potential to treat all patients with DMD regardless of their underlying dystrophin gene mutation.

Summit has established a leadership position in the field of utrophin modulation with a pipeline of small molecule utrophin modulator therapies. The Company's lead utrophin modulator, ezutromid, has shown evidence of reducing DMD disease severity in patients in a Phase 2 clinical trial.

Ezutromid Clinical Development

Ezutromid: Phase 2 Proof of Concept Trial

PhaseOut DMD is a 48-week, open-label Phase 2 clinical trial evaluating ezutromid in patients with DMD. The clinical trial completed enrolment of 40 patients aged between their fifth and tenth birthdays at multiple sites in the US and UK in May 2017. At the end of 48 weeks of dosing, patients have the option of continuing to be dosed with ezutromid in an extension phase. Results from a planned 24-week interim analysis were announced in January and February 2018. Top-line results from the full 48-week trial are expected in the third quarter of 2018.

PhaseOut DMD aims to establish proof of concept for ezutromid through the evaluation of muscle health and function. Primary and secondary endpoints are focused on muscle health and exploratory measures assess muscle function. With respect to muscle health, PhaseOut DMD measures the change from baseline in magnetic resonance parameters of the leg after 48 weeks of treatment as the primary endpoint. Biopsy measures evaluating utrophin and muscle damage are assessed as secondary muscle health endpoints. For muscle function, PhaseOut DMD measures the North Star Ambulatory Assessment and six-minute walk distance.

DMD progresses over many years, beginning with instability of the muscle membrane that leads to a relentless cycle of muscle damage and repair. The first anticipated evidence of drug effect of ezutromid would therefore be related to utrophin protein expression and reduced muscle fibre damage and inflammation. Further downstream effects related to muscle health and function are expected to be seen with longer dosing.

The PhaseOut DMD 24-week interim data show ezutromid stabilised muscle fibre membranes as measured by a mean increase in levels of utrophin protein. This led to a statistically significant and meaningful decrease in muscle damage, as measured by levels of the biomarker developmental myosin in muscle biopsies, and a significant decrease in muscle inflammation as measured by magnetic resonance spectroscopy.

The combination of these findings supports ezutromid target engagement, and provides evidence of ezutromid's early impact on downstream muscle health. Importantly, ezutromid was shown to be well tolerated.

Future Clinical and Regulatory Development Plans

The Company's objective is to rapidly advance ezutromid's development. Summit will evaluate its clinical and regulatory options after receipt of the PhaseOut DMD 48-week top-line data. To maintain clinical and regulatory flexibility, the Company is accelerating plans for a randomised, placebo-controlled clinical trial for ezutromid alongside preparatory activities to support a potential regulatory filing of ezutromid based on the 48-week PhaseOut DMD clinical trial results if they are positive.

Pipeline Activities

As part of the Company's strategy to maintain its leadership position in the field of utrophin modulation, Summit is developing a pipeline of future generation utrophin modulators. This research, conducted as part of the strategic alliance with the University of Oxford, is building on the promise of ezutromid to identify new, structurally distinct molecules.

Sarepta Therapeutics Licence and Collaboration Agreement

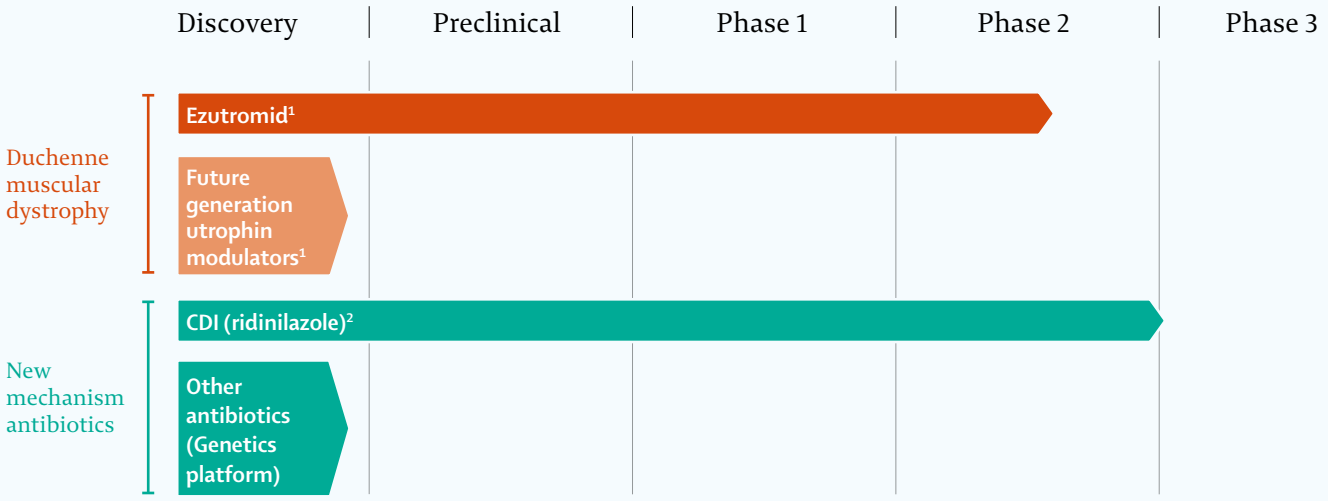
The clinical progress made with ezutromid triggered a $22 million milestone payment from Sarepta as part of the exclusive European licence and collaboration agreement that was signed in October 2016. Starting 1 January 2018, Summit and Sarepta share specified global research and development costs related to Summit's utrophin modulator pipeline at a 55%/45% split, respectively.

Summit retains commercialisation rights in all other countries, including the United States and Japan.

Other Activities

In September 2017, Summit joined the Collaborative Trajectory Analysis Project ('cTAP') to support cTAP's mission of accelerating the development of drugs to treat DMD through a coalition of Duchenne clinical experts, patient advocates and biopharmaceutical companies. Summit believes cTAP's predictive models of disease progression could benefit the development of its utrophin modulator pipeline.

Our Development Pipeline



[1] Sarepta holds an exclusive licence to the commercial rights for our utrophin modulator pipeline in the European Union, Iceland, Norway, Switzerland, Turkey and the Commonwealth of Independent States, with an option to expand its commercial rights to include specified countries in Central and South America. Summit retains commercialisation rights in the rest of the world.

[2] Eurofarma holds an exclusive licence to the commercial rights for ridinilazole in Latin America. Summit retains commercialisation rights in the rest of the world.

Ezutromid significantly reduced muscle damage and inflammation in DMD patients in 24-week interim data in Phase 2 clinical trial

We were pleased to recently announce positive interim results from the open label Phase 2 proof of concept clinical trial, PhaseOut DMD. PhaseOut DMD is evaluating the utrophin modulator ezutromid in patients with Duchenne muscular dystrophy ('DMD'). The data showed the following after 24 weeks of ezutromid treatment:

- Stabilised muscle membranes: Ezutromid maintained utrophin expression in patients.
- Decreased muscle damage: A statistical and meaningful decrease of developmental myosin, a biomarker of muscle damage, was observed in muscle biopsies as compared to baseline.
- Decreased muscle inflammation: A decrease in inflammation was measured by MRS-T2 in the soleus (calf) and vastus lateralis (thigh) muscles. The decrease achieved statistical significance in the soleus.

"Achieving this reduction in muscle damage and inflammation after only 24 weeks of ezutromid treatment is a potential landmark moment for our utrophin modulation programme."

Glyn Edwards
Chief Executive Officer

www.utrophintrials.com

Infectious Diseases

C. difficile Infection

CDI is a major healthcare threat. There are over one million estimated cases of CDI annually between the United States and Europe alone. Mainstay CDI treatments are dominated by broad spectrum antibiotics that cause substantial disruption to the collection of bacteria in the gut flora, which leads to high rates of recurrent disease. Each recurrent episode of CDI is typically more severe than the prior episode, and carries an increased risk of mortality. As such, disease recurrence is the key clinical issue facing CDI.

Ridinilazole is a novel class, precision antibiotic designed to selectively target *C. difficile* bacteria without causing collateral damage to the gut flora. Therefore, it 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. Ridinilazole has received Qualified Infectious Disease Product designation and has been granted Fast Track designation in the US.

Phase 2 Clinical Programme

Summit has generated a comprehensive preclinical and clinical data package supporting ridinilazole as a potential new front-line treatment for CDI. In a Phase 2 proof of concept clinical trial called CoDIFy, ridinilazole was shown to be highly preserving of the microbiome of patients compared with the standard of care, vancomycin, and achieved a substantial reduction in rates of recurrent disease. Ridinilazole notably demonstrated statistical superiority over vancomycin in the primary endpoint of the trial called sustained clinical response ('SCR'), an endpoint that combines cure at the end of treatment and the number of recurrences in the subsequent 30-days. Results from this 100-patient, double-blind clinical trial were published in The Lancet Infectious Diseases in April 2017. Building on the CoDIFy data, top-line data were reported from an exploratory Phase 2 clinical trial in September 2017 that showed ridinilazole preserved the gut microbiomes of patients with CDI better than the marketed narrow-spectrum antibiotic fidaxomicin.

Regulatory Update and Planned Phase 3 Clinical Programme

In February 2017, Summit outlined its Phase 3 development programme for ridinilazole following input from the FDA and European Medicines Agency. The Phase 3 programme aims to differentiate this novel antibiotic from the current standard of care treatment for CDI and help position the drug for commercial success.

The two planned Phase 3 clinical trials are expected to enrol approximately 700 patients each. The primary endpoint is expected to be superiority in SCR, which was the primary endpoint used in Summit's Phase 2 proof of concept trial of ridinilazole. Other planned endpoints will include health economic outcome measures to support the commercial positioning of ridinilazole as a front-line treatment for CDI. The Company expects to initiate these clinical trials in the first quarter of 2019.

Funding and Licensing Agreements

In September 2017, Summit was awarded a contract worth up to $62 million from the US Biomedical Advanced Research and Development Authority ('BARDA') to fund, in part, the clinical and regulatory development of ridinilazole.

In December 2017, Summit entered into a licence and commercialisation agreement to grant the Brazilian based company Eurofarma Laboratórios ('Eurofarma') exclusive rights to commercialise ridinilazole for CDI in certain countries in South America, Central America and the Caribbean. Summit retains commercial rights in the rest of the world including the United States and Europe.

The Company believes these agreements are a testament to the strength of ridinilazole's clinical and preclinical data.

Novel Antibiotic Technology Platform

In December 2017, Summit acquired an innovative bacterial genetics-based platform to generate new mechanism antibiotics. Summit intends to use the platform to develop compounds that target pathogens where there is a serious unmet need and where the Company can demonstrate advantages over the current standard of treatment. This platform combines transposon technology with bioinformatics to create a powerful tool to identify new antibacterial drug targets, elucidate antibiotic mechanisms of action and optimise against bacterial resistance.

In March 2018, the Company unveiled a series of new mechanism antibiotics identified using this platform that target gonorrhoea. In early testing, these compounds have been shown to have high potency against strains of gonorrhoea with no development of resistance to date. The Company expects to select a candidate to advance into IND enabling studies in the second half of 2018.

Operational Update

In January 2017, Dr David Roblin was appointed as Chief Operating Officer ('COO') and President of Research & Development and his role was expanded to include Chief Medical Officer in May 2017. Dr Roblin has had a highly successful career in the pharmaceutical industry, including senior leadership roles at Pfizer and Bayer, which involved overseeing the research, development and commercial launch of drugs across several therapy areas including infectious diseases. His depth of knowledge and expertise will help to ensure Summit is at the forefront of utrophin modulation in DMD and innovative antibiotic development.

Financial Review

Revenue

Revenue increased by £23.1 million to £25.4 million for the year ended 31 January 2018 from £2.3 million for the year ended 31 January 2017. The increase was due to income recognised following the exclusive licence and collaboration agreement entered into with Sarepta in October 2016. During the year ended 31 January 2018, £6.9 million relating to the upfront payment of $40.0 million (£32.8 million) received from Sarepta in October 2016 was recognised compared to £2.3 million for the year ended 31 January 2017. To date, an aggregate of £9.2 million of the upfront payment has been recognised while the remaining £23.6 million is classified as deferred revenue and will continue to be recognised as revenue over the development period. Revenue recognised during the year ended 31 January 2018 also reflects the receipt of a development milestone of £17.2 million ($22.0 million) paid by Sarepta which was recognised in full and £0.9 million of revenue in respect of specified research and development costs funded by Sarepta. The Group also recognised £0.1 million of revenue following receipt of a $2.5 million upfront payment in respect of the licence and commercialisation agreement signed with Eurofarma in December 2017 and £0.3 million of revenue pursuant to a research collaboration agreement between the Group's acquired subsidiary Discuva Limited and F.Hoffman-La Roche Limited.
See Note 1 'Revenue recognition'.

Other Operating Income

Other operating income increased by £2.6 million to £2.7 million during the year ended 31 January 2018 from £0.1 million during the year ended 31 January 2017. This increase resulted primarily from the recognition of £1.8 million pursuant to Summit's funding contract with BARDA that was awarded to the Group in September 2017 and £0.9 million resulting from the derecognition of a part of Summit's financial liabilities on funding arrangements, which is further discussed in Note 18 'Financial liabilities on funding arrangements'.

Operating Expenses

Research and Development Expenses

Research and development expenses increased by £10.0 million, or 52.9%, to £29.0 million for the year ended 31 January 2018 from £19.0 million for the year ended 31 January 2017. This was due to increased spending related to both the DMD and CDI programmes. Investment in the DMD programme increased by £6.5 million to £16.0 million from £9.5 million for the year ended 31 January 2017. Costs associated with the CDI programme increased by £1.5 million to £5.6 million for the year ended 31 January 2018 from £4.1 million for the year ended 31 January 2017. Other research and development expenses increased by £2.0 million during the period which was primarily attributable to an increase in headcount within the DMD and CDI project teams.

General and Administration Expenses

General and administration expenses increased by £3.7 million, or 45.0%, to £12.0 million for the year ended 31 January 2018 from £8.3 million for the year ended 31 January 2017. This increase was due to a net negative movement in exchange rate variances of £1.5 million, an increase of £1.3 million in staff related costs, an increase of £0.6 million in overhead and facility related costs and an increase of £0.3 million in share-based payment expense.

Ridinilazole: Partnerships provide external validation

Two new funding agreements signed in 2017 endorse the potential of ridinilazole as a potential front-line antibiotic for C. difficile infection.

BARDA: Contract worth up to $62 million

- Contract awarded by the US Government Agency called Biomedical Advance Research and Development Authority, or BARDA.
- Funds will be used to support clinical and regulatory development of ridinilazole through to submission of applications for marketing approval.
- $32 million of initial funding over 12 months.
- Up to $30 million in additional funding split over three optional work segments.

Eurofarma: Regional territory licensing deal

- Brazilian company Eurofarma was granted commercial rights to ridinilazole in Latin America.
- Summit retains commercial rights in the rest of the world.
- Summit received upfront payment of $2.5 million and is eligible for sales milestones and product supply transfer payments expected to provide return equivalent to a mid-to high-teens percentage of net sales.

Positioned as a leader in the development of new mechanism antibiotics

We obtained an innovative discovery and development technology platform for the generation of new mechanism antibiotics through our acquisition of Discuva Limited ('Discuva'). The acquisition expanded Summit's interests in infectious diseases that are led by our late-stage precision antibiotic ridinilazole for C. difficile infection.

We are now better placed to generate new antibiotic programmes that will target serious bacterial infections where there is substantial unmet need, while in parallel continuing to advance our utrophin modulators for Duchenne muscular dystrophy.

- Summit positioned as a leader in research & development of new mechanism antibiotics.
- Supports our mission to discover and develop therapies for patients in areas of substantial unmet need.

"Our vision is to prioritise the development of new mechanism antibiotics against pathogens where an urgent unmet need exists and we have the ability to show advantages over current treatments."

David Roblin
COO, CMO and President of R&D

Finance Income
Finance income was £3.1 million for the year ended 31 January 2018 and related primarily to the derecognition of part of the Group's financial liabilities on funding arrangements, specifically the remeasurements and discounts associated with those liabilities since initial recognition, which is further discussed in Note 18 'Financial liabilities on funding arrangements'. Finance income recognised in comparative periods relates to interest received.

Finance Costs
Finance costs increased by £0.3 million, or 35.0%, to £1.2 million for the year ended 31 January 2018 from £0.9 million for the year ended 31 January 2017 and related to the unwinding of the discount and remeasurements on financial liabilities on funding arrangements.

Taxation
Our income tax credit decreased by £0.5 million, or 13.2%, to £3.8 million for the year ended 31 January 2018 from £4.3 million for the year ended 31 January 2017. This was driven by our lower level of net loss during the year ended 31 January 2018 as compared to the year ended 31 January 2017, which impacts the level of income tax credit receivable.

Losses
Loss before income tax was £10.9 million for the year ended 31 January 2018 compared to £25.7 million for the year ended 31 January 2017. Net loss for the year ended 31 January 2018 was £7.1 million with a net loss per share of 11 pence compared to a net loss of £21.4 million for the year ended 31 January 2017 and a net loss per share of 35 pence.

Cash Flows
The Group had a net cash outflow of £6.0 million for the year ended 31 January 2018 as compared to a net cash inflow of £12.5 million for the previous year.

For the year ended 31 January 2018 net cash used by operating activities was £14.7 million as compared to net cash generated from operating activities of £12.1 million for the year ended 31 January 2017. This net movement of £26.8 million was driven by an increase in research and development costs during the year ended 31 January 2018, and the receipt, during the year ended 31 January 2017, of a £32.8 million upfront payment as part of the Sarepta agreement entered into in October 2016 which was partially offset by the receipt of the development milestone from Sarepta of £17.2 million during the year ended 31 January 2018, as well as the funding received from BARDA and the upfront payment received from Eurofarma during the year ended 31 January 2018.

Net cash outflows from investing activities for the year ended 31 January 2018 of £5.2 million includes £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 Summit's UK office in Oxford.

Net cash generated from financing activities for the year ended 31 January 2018 of £13.9 million includes £13.5 million of proceeds, net of transaction costs, received following the Company's underwritten public equity offering in September 2017 and £0.4 million received following the exercise of warrants and share options. During the year ended 31 January 2017 the Group received proceeds of £0.4 million following the exercise of warrants and share options.

Financial Position
As at 31 January 2018, total cash and cash equivalents held were £20.1 million (31 January 2017: £28.1 million).

In March 2018, post the period under review, total gross proceeds of £15.0 million ($21.2 million) were raised through a placing of new Ordinary Shares.

Headcount
Average headcount of the Group for the year was 60 (2017: 44).

Share Capital
In September 2017, the Group completed an underwritten public offering on the Nasdaq Global Market issuing 1,677,850 American Depositary Shares ('ADS') at a price of $12.00 per ADS. Each ADS represents five Ordinary Shares of one penny nominal value each in the capital of the Company, meaning 8,389,250 new Ordinary Shares were issued. Total gross proceeds of $20.1 million (£14.9 million) were raised and directly attributable transaction costs of £1.4 million were incurred.

In December 2017, the Group acquired 100% of the share capital of Discuva Limited. As part of the consideration the Group issued £5.0 million in new Ordinary Shares to the former Discuva shareholders at a price of 170.4 pence per share, meaning 2,934,272 ordinary shares were issued.

In February 2017, warrants over 50,000 Ordinary Shares were exercised raising net proceeds of £0.01 million.

During the year 348,536 share options were exercised raising net proceeds of £0.39 million.

In March 2018, post the period under review, the Group completed a 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 proceeds of £15.0 million were raised (before expenses). Following the placing the number of Ordinary Shares in issue was 81,901,173.

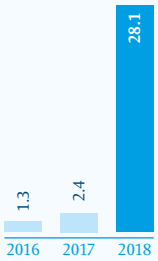
Glyn Edwards
Chief Executive Officer

David Roblin
Chief Operating Officer
Chief Medical Officer
President of R&D

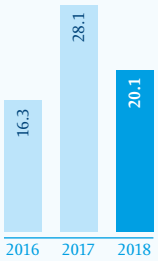
Erik Ostrowski
Chief Financial Officer

11 April 2018

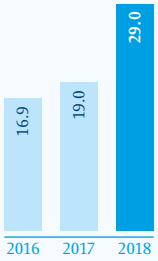
Key Performance Indicators



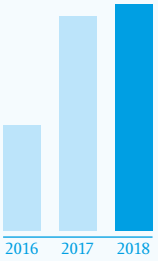
£28.1m
Total revenue and other operating income
1,084.51% since 2017



£20.1m
Year end cash held
-28.37% since 2017



£29.0m
Total research and development expenditure
52.86% since 2017



Increase in total patents granted
1.42% since 2017

Principal Risks and Uncertainties

Management and Monitoring

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

Identified Principal Risks and Uncertainties

Principal risks and uncertainties identified by Summit for the year ended 31 January 2018 are below. Further details of the risks and uncertainties for this period are included on Form 20-F that has been filed with the US Securities and Exchange Commission.

- Research & Development
- Commercial
- Third-party Collaboration
- Regulatory
- Intellectual Property
- Financial
- Operational
- Trading in Our Shares

How We Manage Our Risk

Research and Development

Summit's research and development activities are focused on the progression of ezutromid, its lead utrophin modulator for the treatment of the rare disease DMD, the advancement of an early-stage pipeline of future generation utrophin modulators, the development 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.

The Company's ability to successfully develop its product candidates could be influenced by a number of factors, including 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 experience delays or difficulties in the enrolment of patients into clinical trials. In addition, ezutromid is being developed for the treatment of a disease in which there is limited clinical experience, which increases the risk that the outcome of clinical trials of ezutromid will not be favourable. Summit is also dependent on third parties to manufacture drug product for its clinical trials as well to 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 pipeline of future generation utrophin modulators are in the discovery stage of development. Summit's ability to identify and develop future generation utrophin modulators could be adversely affected by a number of factors. For example, potential development candidates could lack safety and efficacy in preclinical studies, or it may not be possible to maintain the Company's strategic alliance with the University of Oxford. In addition, the focus on utrophin modulation as a potential treatment for DMD is unproven and the Company does not know whether it will be able to develop ezutromid or any other products that safely and effectively treat DMD.

The Company's plans to generate a pipeline of new mechanism antibiotics will rely on its recently acquired bacterial genetics-based discovery and development 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, as well as 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 candidates, ezutromid for DMD and ridinilazole for CDI. Summit intends to advance ezutromid through clinical trials, and if it receives marketing approval, commercialise it independently in the United States. Summit is dependent on Sarepta Therapeutics to successfully commercialise its pipeline of utrophin modulators, including ezutromid, in Europe and other countries where it has granted Sarepta commercial rights following the signing of a licence and collaboration agreement in October 2016.

The failure to fulfil the contractual obligations by either Summit or Sarepta, or the early termination of this collaboration, could have a negative impact on the development and commercialisation of Summit's utrophin modulator pipeline in the selected territories covered by the agreement. Summit will evaluate the options for the commercialisation of its utrophin modulator pipeline outside of the United States and the territories covered by the Sarepta collaboration, including the potential use of third-party collaborators or commercialising independently.

Summit is evaluating various options to develop and commercialise ridinilazole. 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.

Principal Risks and Uncertainties continued

Third-party Collaboration

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

The Company's agreement with Sarepta supports the development of ezutromid and Summit's pipeline of utrophin modulators. Summit is eligible to receive certain development, regulatory and sales milestones and royalty payments from Sarepta. From 1 January 2018, Sarepta is responsible for 45% of the research and development costs for the global utrophin modulator programme. The termination of this agreement or Sarepta failing to meet its contractual obligations could result in additional expense, or a delay to the development of the utrophin modulator programme.

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 three future options that provide additional funding for the programme, both of which could reduce or delay funding, and in turn hamper development activities.

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.

Summit may not obtain, or maintain, orphan drug exclusivity for its product candidates if competitors are able to obtain orphan drug exclusivity for their products that are the same or can be classified as similar products. This would mean Summit, or a third-party collaborator, would be unable to have competing products approved by the applicable regulatory authority for a significant period of time.

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, Priority Review designation and Rare Pediatric Disease 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.

Currently in the United Kingdom the regulatory framework covering the development of pharmaceutical products is derived from the European Union directives and regulations. The vote to leave the European Union by the electorate (commonly referred to as 'Brexit') could materially impact the future regulatory regime which applies to product candidates in the United Kingdom. Current and future legislative and regulatory changes in the United States and other countries 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 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 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 the inability 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 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.

Operational

Summit may seek to enter into partnerships, in-licence 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. In December 2017, Summit acquired a development-stage biopharmaceutical company, including a bacterial genetics-based 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 Financial Officer and Chief Operating Officer, Chief Medical Officer and President of R&D, 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.

Trading in Our Shares

Summit's Ordinary Shares are traded on AIM, a market of the London Stock Exchange, and in the form of American Depositary Shares ('ADSs') on the Nasdaq Global Market. There are a number of risks associated with the ownership of its shares. For example, the market prices of our shares may be volatile and fluctuate substantially. The stock market in general and the market for smaller pharmaceutical and biotechnology companies in particular can experience extreme volatility that has often been unrelated to the operating performance of particular companies. There is the risk of increased market volatility during the period leading up to and during Brexit negotiations between the United Kingdom and European Union that could adversely affect the market price of Summit's securities.

In addition, the dual listing of Summit's securities on AIM and the Nasdaq Global Market may dilute the liquidity of these securities in one or both markets, and the price of the Company's shares in one market could adversely affect the price of the Company's shares in the other market.

Corporate Governance

Introduction to Governance

We look forward to an exciting period ahead as we seek to deliver on our business strategy and bring forward new medicines with the potential to transform the lives of patients and their families living with serious diseases.

Frank Armstrong
Non-Executive Chairman

Key Board Activities

- To set the Company strategy and monitor progress against objectives.
- To set governance and remuneration policies that are aligned with shareholder interests.
- To manage risk and undertake business in a responsible manner.
- To listen and respond to the views of all stakeholders.

It is the Board's belief that good corporate governance is integral to a successful business. This section sets out our philosophy on corporate governance and outlines the principles to which Summit adheres, along with reporting on the remuneration of the Board of Directors. The operational review presented by our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer and President of Research & Development outlines the strong progress made across the Company during the year as we pursue our strategy. The governance structure of the Company is designed to support the Board in fulfilling its responsibilities in setting the strategy, monitoring progress against this and ensuring we manage our risks and undertake business in a responsible manner. Another important aspect of our work is listening and responding to the views of all our stakeholders including medical practitioners, researchers, patients and their carers, and members of the investor and financial communities.

Summit looks to apply the highest standards of corporate governance appropriate to its size and stage of development. Summit is undertaking global clinical trials in our programmes targeting DMD and CDI. We are also undertaking preclinical research activities as we seek to build a strong pipeline of new therapies. To support our clinical and preclinical research activities, we have physical operations in the UK and US. Summit shares are also listed in two distinct markets: the AIM market in London and the Nasdaq Global Market in New York. Summit is pre-commercial stage and accordingly a priority is to invest its cash resources into our core drug development programmes which, if successful, have the potential to substantially increase the value of the business and deliver a return to our shareholders.

Our approach to corporate governance therefore seeks to balance the varying needs of the business. As our Ordinary Shares trade on AIM, Summit is not required to follow the UK Corporate Governance Code. We do however seek to apply the highest standards of governance insofar as practical, while balancing the needs of ensuring the business 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.

It is important that Summit is able to attract and retain high calibre individuals with expertise in running dual listed companies and whom possess experience within the life sciences industry. It is also important that Summit optimises its cash resources to ensure that it is best placed to maintain investment into our core research, development and commercialisation activities that will act as potential catalysts to generate future value for shareholders. These requirements are reflected in our corporate governance and remuneration policies. These policies evolved during the year, as highlighted by the adoption of a restricted stock unit programme for Non-Executive Directors to replace the historical practice of making share option awards. This change was to ensure all Directors are considered independent under both the UK and US governance guidelines.

There may however be aspects of our policies that run against best practice in the UK. 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.

The Board will continually listen and respond to feedback from shareholders. The Board also keeps under review our policies on corporate governance and remuneration as we seek to maintain the highest standards consistent with implementation of our business strategy. We look forward to an exciting period ahead as we seek to deliver on our business strategy and bring forward new medicines with the potential to transform the lives of patients and their families living with serious diseases.

Frank Armstrong, FRCPE, FFPM
Non-Executive Chairman

11 April 2018

Board of Directors

Strong Leadership

Committees

A Audit Committee

R Remuneration Committee

N Nominating and Corporate Governance Committee

○ Member

● Chair

Board Experience

- Science
- Technology
- Research
- Management
- Finance
- Legal

Frank Armstrong, FRCPE, FFPM

Non-Executive Chairman

Appointment

Dr Armstrong (61) has served as a member of the Board of Directors since November 2012 and Non-Executive Chairman since June 2013.

Experience

Prior to joining the Company, 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, CuraGen, which was acquired by Celldex Therapeutics Inc, Bioaccelerate, Provensis and Phoqus.

External appointments

Dr Armstrong is the Non-Executive Chairman of the Boards of Directors of Faron Pharmaceuticals Oy and Caldan Therapeutics Ltd. He is a Non-Executive Director on the Board of Mereo Biopharma 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.

Committees

R N

Glyn Edwards

Chief Executive Officer

Appointment

Mr Edwards (62) 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 OxSonics Limited, a private UK company.

Accreditation

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

Barry Price, PhD

Non-Executive Director

Appointment

Dr Price (74) has served as a member of the Board of Directors since September 2006.

Experience

Dr Price spent 28 years with the Glaxo Group of companies, where he held several executive positions including Managing Director of Glaxochem Ltd from 1993 to 1995 and Research Director of Glaxo Group Research from 1989 to 1993. Dr Price also served as a Non-Executive Director of Shire plc, a biopharmaceutical company that is listed on the London Stock Exchange and Nasdaq, from 1996 to 2009, during which time he was involved in developing the company into one of the UK's largest life sciences companies. Dr Price has previously held directorships at Chiroscience plc, Celltech Group plc, Pharmagene plc, Antisoma plc and BioWisdom Ltd.

Accreditation

Dr Price received a BSc in Chemistry and a PhD in Chemistry from the University of Sheffield. He is a Fellow of the Royal Society of Chemistry.

Committees

N

Professor Stephen Davies
Non-Executive Director

Appointment
Professor Davies (68) has served as a member of the Board of Directors since November 2013 and previously served as a member of our Board of Directors from 2004 to February 2013.

Experience
Professor Davies has been a professor at the University of Oxford since 1996 and was appointed Waynflete Professor of Organic Chemistry and Fellow of Magdalen College in 2006. Professor Davies' areas of expertise include medicinal and asymmetric chemistry and he has published extensively and received numerous awards in his field. Professor Davies co-founded Summit, as well as other University of Oxford spin-out companies. He was the founder and Non-Executive Chairman of MuOx Ltd, OxRay Ltd, and he was Non-Executive Chairman of Scientific Research Capital Ltd.

External appointments
He is a Founder and Non-Executive Director of the OxStem Group of companies and is a Non-Executive Director of Oxford University Innovation Limited.

Accreditation
Professor Davies received a BA in Chemistry from the University of Oxford, a DPhil in Organic Chemistry from the University of Oxford, and a DSc. in Organic Chemistry from the University of Paris.

Committees
R N

Leopoldo Zambeletti
Non-Executive Director

Appointment
Mr Zambeletti (49) has served as a member of our Board of Directors since May 2014.

Experience
Mr Zambeletti has served as an independent strategic advisor to life sciences companies since 2013, focusing 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 Nogra Pharma Ltd, Faron Pharmaceuticals Oy, DS Biopharma Ltd (formely Dignity Limited), services overjoy SRL and Tiziana Life Sciences Plc and an advisor and co-founder to the US medtech company Qardio. Mr Zambeletti began his career as an accountant at KPMG.

Accreditation
He received his degree in Business Administration from Università Bocconi, Milan.

Committees
A N

Valerie Andrews
Non-Executive Director

Appointment
Ms Andrews (58) 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 focused 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.

Accreditation
Ms Andrews received a BA in Chemistry and Psychology from Duke University and a JD from Boston College.

Committees
A R N

David Wurzer
Non-Executive Director

Appointment
Mr Wurzer (59) 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, 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 Opportunities Inc, Thetis Pharmaceuticals LLC, Natural Polymer Devices, Inc., and ReNetX Bio, Inc. (formerly Axerion Therapeutics, Inc); from 2010 to 2012 he was a Non-Executive Director on the board of DUSA Pharmaceuticals.

Accreditation
He received a BBA from the University of Notre Dame.

Committees
A N

Corporate Governance Report

For the year ended 31 January 2018

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 is currently classed as a foreign private issuer ('FPI') in the US 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.

Summit is not required to comply with the UK Corporate Governance Code (the 'Code') by virtue of being an AIM-listed company. The Board therefore seeks to apply the highest corporate governance principles as far as practicable given the Company's size, stage of development, nature of its business and its listing status in two distinct markets. This section provides general information on the Group's adoption of corporate governance.

Our strategy, business model and approach to risk

The focus of the Group's business is on the discovery, development and commercialisation of novel medicines for indications for which there are no existing or only inadequate therapies. The Group's current focus is on indications in the field of rare and infectious diseases.

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 areas 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 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 2 to 23, and the further detailed risk factors included on Form 20-F filed annually 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 2018, the Board comprised six Non-Executive Directors, and one Executive Director.

Directors' biographies are on pages 26 and 27.

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 has determined that all Non-Executive Directors qualify as independent Directors under Rule 5605(a)(2) of the Nasdaq Listing Standards. The Board also believes that all Non-Executive Directors are independent under UK corporate governance standards. The Board considers each Non-Executive Director is of sufficient competence and calibre to add strength and objectivity to the Board, and brings considerable experience in scientific, operational and financial development of biopharmaceutical products and companies.

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 reelection 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.

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 formality and complexity of the process is considered appropriate for a Group of our size and stage of development and the Board will continue to review the process and make any changes as appropriate should this position change.

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 members of the Audit Committee are Mr David Wurzer, Mr Leopoldo Zambeletti and Ms Valerie Andrews. Mr Leopoldo Zambeletti replaced Dr Barry Price on the Audit Committee during the year. Mr David Wurzer is the chair of the Audit Committee. The Audit Committee held six scheduled meetings and an additional two meetings during the 12 month period under review. Attendance of members at these meetings is shown in the table on page 30.

The responsibilities of the 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 Board is satisfied that Mr David Wurzer's experience ensures compliance with provision C.3.1 of the 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.

PricewaterhouseCoopers LLP ('PwC') has been the Group's auditor since 2013. They attend Audit Committee meetings and have the opportunity to meet privately with 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 report 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 8 'Auditors' remuneration' in the Notes to the Financial Statements.

Remuneration Committee

The members of the Remuneration Committee are Ms Valerie Andrews, Dr Frank Armstrong and Professor Stephen Davies. 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 30.

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 is presented on pages 33 to 54.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are Dr Frank Armstrong, Professor Stephen Davies, Dr Barry Price, 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 in the table on page 30.

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.

Corporate Governance Report continued

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	11/12
Glyn Edwards	–	–	–	12/12
Barry Price	4/4	–	1/2	9/12
Stephen Davies	–	6/8	2/2	11/12
Leopoldo Zambeletti	3/4	–	2/2	8/12
Valerie Andrews	7/8	8/8	2/2	11/12
David Wurzer	8/8	–	2/2	12/12

Risk management and internal control

The Board is responsible for the systems of internal control 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 Board 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 control, this is the third 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 year ended 31 January 2021, whichever is the sooner.

The Group does not consider it necessary to have an internal audit function due to the current size of the administrative and finance function. This need is evaluated on an annual basis by the Audit Committee. There is a detailed monthly review of financial results and all large transactions are authorised by the Chief Financial Officer, another senior member of the finance function or the Chief Executive Officer.

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. The management accounts are reviewed and commented on by the Board at the meetings every two months and are reviewed on a monthly basis by the management team and budget holders.

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 on an annual basis.

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.

Whistle-blowing

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 Chair of the Audit Committee is notified promptly of the fact and the content of the call, so that appropriate action can be taken.

Employment

The Group endeavours to appoint employees with appropriate skills, knowledge and experience for the roles they undertake and thereafter to develop and incentivise staff. The Group has introduced core values during the year under review which are illustrated on pages 4 and 5, and 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.

Relations with shareholders

The Board recognises the importance of communication with its shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. Our 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 and statements are made available on the Company's website.

Shareholders are welcome to attend the Group's AGM, where they have the opportunity to meet the Board. All shareholders will have at least 21 days' notice of the AGM at which the Directors will be available to discuss aspects of the Group's performance and question management in more detail.

Directors' Report

For the year ended 31 January 2018

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 2018. 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
Barry Price, PhD	Non-Executive Director
Professor Stephen Davies	Non-Executive Director
Leopoldo Zambeletti	Non-Executive Director
Valerie Andrews	Non-Executive Director
David Wurzer	Non-Executive Director

Details of the Directors' interests, share options, service contracts and letters of appointment are shown in the Directors' Remuneration Report (pages 33 to 54).

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 26 to 27.

Principal risks and uncertainties

For a discussion of the principal risks and uncertainties which face Summit please see pages 20 to 23.

Results and dividends

The Consolidated Statement of Comprehensive Income for the year is set out on page 61.

The Group's comprehensive loss for the financial year after taxation was £7,144,000 (2016/17: £21,342,000).

The Directors do not recommend the payment of a dividend (2016/17: 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 19.

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 6 to 13. Further information is also available on the Company 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- 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 19 'Financial instruments' in the Notes to the 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.

Directors' Report continued

Substantial shareholdings

On 15 March 2018 the Company had been notified of the following holdings of more than 3% or more of the issued share capital of the Company.

As at 15 March 2018	Holding	%
Lansdowne Partners	19,060,550	25.9
Point72 Asset Management	3,928,000	5.3
Robert Keith	4,294,816	5.2
Canaccord Genuity Group Inc	2,921,500	3.6

Annual General Meeting ('AGM')

The date for the 2018 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.

Disclosure of information to auditors

Each of the current Directors hereby confirm that:

(a) so far as he or she is aware, there is no relevant audit information of which the auditors are unaware; and
(b) he or she has taken all reasonable steps to ascertain any relevant audit information and to ensure that the auditors are aware of such information.

On behalf of the Board,

Glyn Edwards
Chief Executive Officer

11 April 2018

Directors' Remuneration Report

For the year ended 31 January 2018

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 2018.

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. I 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

As a dual-listed emerging mid-stage drug development company, Summit faces unique challenges in establishing an effective and appropriate performance-based remuneration programme. We have employees, including senior management and Directors, located in both the United Kingdom and the United States. There are differing, and on occasion conflicting, standards in terms of remuneration practices between the United Kingdom and the United States. Our adopted Remuneration Policy reflects these variations in market practice. Our goal is to achieve a balanced approach, taking account of local market norms, as well as internal relativities, to attract and retain the best talent in each market.

We believe that the Remuneration Policy, overwhelmingly approved by shareholders at the 2017 AGM, allows the Company to take the necessary balanced approach to remuneration decisions within this context. Accordingly, we include two performance-based elements in our Executive Director's remuneration: a short-term annual bonus based on prior year performance of both the Company and the Executive measured against pre-established goals for that year; and a long-term equity incentive (currently share options), vesting of which is based on the achievement of substantial, longer-term strategic objectives.

Drug development takes place over a long time horizon, with clinical trial results providing binary inflection points in value and opportunities to finance future activities, whether through the equity markets or via strategic transactions. This can result in choppiness in our ability to finance the Company over the shorter-term and corresponding volatility in our share price. At the same time, we need our remuneration programme to reward achievement of short-term goals consistent with our longer-term strategic objectives, mindful of the need to retain and motivate our employees. The annual performance objectives that we set for management in both 2017 and 2018 are tailored to long-term strategic objectives, which we believe will increase the Company's value over the longer-term, rather than established as a snapshot of the share price, which frequently does not immediately reflect incremental progress.

In prior years, this letter has included a discussion of the difficulties in resolving the differences between US and UK practices with respect to equity compensation for Non-Executive Directors. In our industry, US companies grant share options as a significant element of the remuneration programme for Non-Executive Directors, to preserve cash and align the interests of Non-Executive Directors and shareholders. UK corporate governance practice takes the opposite view, however, deeming non-executive directors who hold share options in the company to lack the independence to, among other things, properly serve on the Remuneration and Audit committees . For this reason, last year the Board of Directors sought shareholder approval to permit the award of Restricted Stock Units ('RSUs') to our Non-Executive Directors. Upon obtaining such approval at the 2017 AGM, the Company updated its non-executive remuneration programme to include RSUs in the form of nominal cost share options with no performance conditions, rather than share options. We believe that our programme is now fully in line with UK corporate governance best practices.

The Company last made a share option award to its Non-Executive Directors in June 2015. In April 2018, all Non-Executive Directors surrendered those awards. All awards made prior to June 2015 have either lapsed or vested at 31 January 2018. As a result, option awards are only held by three Non-Executive Directors at the date of this report and these are vested and exercisable. These Non-Executive Directors have committed to exercise all remaining share options before the end of this financial year.

Our performance in the year ended 31 January 2018

The past year was another of significant progress for the Company. In January 2018, we reported positive interim 24-week data from our ongoing open label Phase 2 clinical trial, called PhaseOut DMD, which is evaluating our investigational utrophin modulator ezutromid. These data show that 24-weeks of ezutromid treatment resulted in a significant and meaningful reduction in muscle damage, and a significant decrease in muscle inflammation, showing an early effect on downstream muscle health. We are excited that these data support a finding that ezutromid has potential to serve as a disease-modifying treatment for all patients with DMD and look forward to reporting top-line data from PhaseOut DMD later this year.

The Company also made excellent progress in our infectious diseases programmes. Our lead antibiotic ridinilazole for the treatment of *C. difficile* infection ('CDI') received a major financial boost following the award of a contract worth up to $62 million from the US Biomedical Advanced Research and Development Authority ('BARDA'). We believe this award is testament to the strength of the preclinical and clinical data generated to date. Late in 2017, we also completed a regional licensing deal with Eurofarma that granted exclusive commercialisation rights to ridinilazole in South America, Central America and the Caribbean in return for a $2.5 million upfront payment and potential development costs, and milestones of up to $3.75 million through the completion of the Phase 3 clinical trials.

During the period, we also advanced our broader strategy in infectious diseases of developing new mechanism antibiotics that can demonstrate clear advantages over current standards of care for the treatment of bacterial infections that pose a major healthcare threat. In December 2017, Summit acquired the private company Discuva Limited, providing us with an innovative bacterial genetics-based platform. We expect this to be the source of new antibiotic programmes as we seek to build a pipeline to complement our two lead clinical assets in DMD and CDI. It was pleasing in March 2018 to unveil the first programme identified using this platform that is targeting gonorrhoea, a pathogen identified as an urgent threat.

Our licensing activities also supported progress in our DMD programme. We received a $22 million milestone following completion of patient enrolment into PhaseOut DMD under the terms of our licence and collaboration with Sarepta. The Company also now qualifies for payments from Sarepta of its 45% share of global development costs for our utrophin programme.

Remuneration outcomes in respect of the year ended 31 January 2018

Short-term annual bonus

For the year ended 31 January 2018, our annual bonus award for the Chief Executive Officer was based on an assessment of performance against four corporate goals (clinical, research, financial and commercial, totalling 80% of maximum opportunity) and individual achievements (20% of maximum opportunity). Further details of these measures can be found on page 36.

The assessment of the Company's performance against these collective measures resulted in a total annual bonus payment to the Chief Executive Officer of two thirds of the maximum potential opportunity for the year ended 31 January 2018.

Long-term incentives

The share options granted to the Chief Executive Officer on 15 July 2014 were subject to the average closing share price of our Ordinary Shares on AIM being equal to or greater than 189 pence in any period of 30 consecutive days during the performance period.

As this share price performance condition was not met by 15 July 2017, the options lapsed in full.

Remuneration outcomes in respect of the year ended 31 January 2018 continued

Deferred awards to the Chief Executive Officer and Non-Executive Directors in 2017 for awards postponed in 2016

In June 2016, the Committee made an award of share options to all employees, but deferred making the 2016 awards to the Chief Executive Officer and Non-Executive Directors because there was insufficient headroom in the approved dilution cap. In April 2017, sufficient headroom became available to make the deferred award to the Chief Executive Officer, and the Committee made this award with a vesting period ending in June 2019, three years from the date of deferral. It was the Committee's view that this was equitable considering our Chief Executive Officer's insistence that 2016 awards to other employees be made in full, even though it meant deferral of his award. While we were unable in April 2017 to exactly match the value of the award that he otherwise would have been granted in June 2016, we believe that providing a vesting period of a full three years from that date is consistent with our overall programme of including a three-year vesting period in Chief Executive Officer equity awards.

We understand that this decision results in a performance period that is less than three years from the date of grant, and is contrary to UK corporate governance practice. This decision was taken in the best interests of the Company. We trust that our shareholders will appreciate that we considered this a proportionate response to an unusual scenario, and one that does not reflect our typical practice of adhering to three-year vesting and performance conditions for share option awards to the Executive. In addition, the improved share price performance during the period from the date of deferral to the date of grant means any gains on the award will be lower than if the award had been made in June 2016.

Also in 2016, the Committee suspended the practice of awarding share options to Non-Executive Directors while undertaking a review of Non-Executive Director fees. In consultation with an independent remuneration adviser, the Committee adopted the practice of awarding RSUs rather than share options, which required shareholder approval before implementation. Upon obtaining overwhelming shareholder approval of the revised Remuneration Policy at the 2017 AGM, the Committee awarded RSUs to the Non-Executive Directors in July 2017 in connection with the annual Company-wide equity grant, and a grant of RSUs in October 2017 for the deferred 2016 award.

Key decisions and activities in the year ended 31 January 2018

During the year ended 31 January 2018, the Committee undertook the following key decisions and activities:

- Adopted a revised Remuneration Policy that was approved by shareholders at the 2017 AGM which will remain in effect until the 2020 AGM (the full Remuneration Policy can be found on pages 45 to 54).
- In April 2017, granted share options to the Chief Executive Officer in place of the deferred 2016 award (which was granted at the time to all other eligible employees in June 2016).
- During 2017, awarded the annual share option grants to employees, including the Chief Executive Officer. These awards were made in two tranches in June and October 2017.
- In July 2017, in accordance with our approved Remuneration Policy, awarded the 2017 grant of RSUs to the Non-Executive Directors. Furthermore, in October 2017, granted RSUs equivalent to the awards that were postponed for the year ended 31 January 2017 pending approval of the Remuneration Policy.
- In November 2017, on the basis of market competitive data, approved an increase to employer pension contributions for UK employees to 7% from 1 April 2018. This increase applies to the Chief Executive Officer to remain consistent with all UK employees.
- Reviewed and assessed the Company's performance against the corporate goals set for the year ended 31 January 2018 along with individual performance in the year. More details on the corporate goals and annual bonus award are outlined on page 36 of this report.
- Awarded a salary increase of 3% for the Chief Executive Officer, in line with increases awarded to our wider employee population. Also approved the payment of the annual bonus as set out above.
- Postponed establishing annual performance goals for the calendar year 2018 pending an update to and adoption of the Company's business plan for 2018. This decision was made in light of the positive interim 24-week data reported in January 2018 for the PhaseOut DMD clinical trial, to reflect plans towards accelerating development of ezutromid. Performance goals for the calendar year were established in April 2018.

Summary

This has been a year of progress across the business and it leaves your Company well placed to continue advancing its clinical programmes in DMD and CDI. It remains critical to the Company that we are able to attract, retain and appropriately incentivise skilled staff in the United Kingdom and the United States. This will allow us to meet the challenges of developing our innovative clinical programmes as we seek to bring much-needed therapies to patients and their families living with these serious diseases, all while seeking a superior return to our shareholders.

The Annual Report on Remuneration will be subject to an advisory vote at the 2018 Annual General Meeting. I recommend that you vote in favour of the resolution.

Yours sincerely,

Valerie Andrews
Remuneration Committee Chair

11 April 2018

Annual Report on Remuneration

For the year ended 31 January 2018

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

Structure and role of the Remuneration Committee

The Committee is comprised of Ms Valerie Andrews, who chairs the Committee, Dr Frank Armstrong, and Professor Stephen Davies. The members of the Committee are Independent Directors as defined in Rule 10A-3 under the US Securities Exchange Act.

The Company believes that its programme is now fully in line with UK corporate governance best practices. Under UK corporate governance guidance, Non-Executive Directors who hold share options in the Company are deemed to lack the independence to, among other things, properly serve on Remuneration and Audit committees. For this reason, last year the Board of Directors sought shareholder approval to permit the award of restricted stock units ('RSUs') to Non-Executive Directors. Upon obtaining such approval in 2017, the Company revised its Non-Executive Directors' remuneration programme to include RSUs in the form of nominal cost share options with no performance conditions, rather than share options.

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

Following a review of remuneration advisers during 2017, the Committee appointed Pearl Meyer and Partners LLC ('Pearl Meyer') as independent adviser to the Committee with effect from 2 March 2017. Pearl Meyer broadly advised the Committee with respect to the Remuneration Policy that was presented to shareholders at the 2017 AGM, including on matters relating to the overall remuneration for the Chief Executive Officer, in particular with respect to equity compensation, as well as Non-Executive Director remuneration and adoption of the RSU plan to replace the previous practice of awarding share options to Non-Executive Directors.

The Committee is satisfied that Pearl Meyer are, and remain, independent of the Company and that the advice provided is impartial and objective. Their total fees for the provision of remuneration services to the 'Committee' since appointment to 31 January 2018 were £46,689. There is no agreement for retained services in place for the upcoming 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 in the best interests of shareholders when viewed against the priorities of the Company in delivering against its short-term and longer-term goals. The Company routinely and regularly consults with the Company's shareholders to obtain feedback on how to better achieve this objective. As a dual-listed company in the United Kingdom and the United States, the Company is subjected 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 belief of the Committee that this is best achieved through a balanced mix of competitive base salary and benefits, longer-term incentives, along with the flexibility to appropriately reward and incentivise with variable pay as described within the Remuneration Policy.

On 18 July 2017, shareholders voted at the AGM to adopt a revised Remuneration Policy. For ease of reference only, the approved Remuneration Policy can be found on pages 45 to 54 of this Annual Report. This is the Remuneration Policy that has been implemented and there have been no changes since it was approved by shareholders. The Remuneration Policy will remain in effect until the 2020 AGM, or until such time as a new policy is proposed and adopted by shareholders.

Directors' Remuneration Report continued

Single total figure of remuneration of each Director (Audited)

The Directors received the following remuneration for the years ended 31 January 2018 and 31 January 2017. RSUs are awarded annually as a non-cash element of Non-Executive Directors' fees and replace the historical practice of awarding share options to Non-Executive Directors. For the year ended 31 January 2018, two awards of RSUs were made: the first was the annual equity award, with the second being in place of the postponed share option award from 2016. In the future, the Committee expects to make only one award of RSUs per financial year. The RSUs are a non-cash component of the Non-Executive Directors' annual fee.

Year ended 31 January 2018	Salaries and fees £	Taxable benefits[1] £	Short-term incentives[2] £	Restricted stock units[3] £	Share options[4] £	Pension contributions[5] £	Total 2017/18 £
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
Barry Price	38,195	2,793	–	67,670	–	–	108,658
Stephen Davies	40,000	–	–	67,670	–	–	107,670
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
	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 2018 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 2018 amounts to 100% of salary and was due to achievement of clinical, research, financial and commercial goals, and individual performance. Further details of these goals and their respective weightings are set out on pages 36 and 37.

(3) Amounts reflect the value of RSUs in the form of nominal cost options that vest 12 months following the date of grant, granted on 18 July 2017 and 24 October 2017. There are no performance conditions. 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 170.0 pence on 24 October 2017) less the exercise price per share (1p per share for both of the grants). In 2016, the Company postponed the granting of its annual equity award to Non-Executive Directors as it sought shareholder approval at the 2017 AGM to adopt a policy of awarding RSUs instead of share options, to better conform to UK corporate governance practice. Upon obtaining shareholder approval, the Company made an RSU award for 2017 on 18 July 2017, and an award of the postponed 2016 grant on 24 October 2017. The gain has not been realised as the awards have not yet vested. These awards remain unvested at the year end.

(4) No unrealised gains on share options were earned during the year ended 31 January 2018.

(5) Pension contributions are the amount paid to the Director in lieu of employer pension contributions.

Year ended 31 January 2017	Salaries and fees £	Taxable benefits £	Short-term incentives £	Share options[1] £	Pension contributions £	Total 2016/17 £
Executive						
Glyn Edwards	290,000	2,226	319,000	444,000	17,400	1,072,626
Non-Executive						
Frank Armstrong	59,167	904	–	27,750[1]	–	87,821
Barry Price	30,834	446	–	12,950[1]	–	44,230
Stephen Davies	31,667	–	–	12,950[1]	–	44,617
Leopoldo Zambeletti	27,500	302	–	–	–	27,802
Valerie Andrews	50,372	2,584	–	–	–	52,956
David Wurzer	42,954	2,146	–	–	–	45,100
	532,494	8,608	319,000	497,650	17,400	1,375,152

(1) Represents the unrealised gains on legacy share options that were awarded under the historical practice of awarding share options to Non-Executive Directors prior to 2016. The gains have not been realised as the options have not been exercised. Share options are no longer routinely awarded to Non-Executive Directors.

Implementation of Remuneration Policy for the Chief Executive Officer in the current year

Base salary, pension and benefits changes during the financial year

The Remuneration Committee awarded the Chief Executive Officer an increase to base salary of 3%, taking base salary in the financial year ending 31 January 2019 to £313,635 per annum from £304,500 for the financial year ended 31 January 2018. This increase was in line with the wider employee population. There were no other changes to salary, pension or benefits during the year. In November 2017, on the basis of market competitive data, the Committee approved an increase to the employer pension contribution for UK employees to 7% of basic salary, effective 1 April 2018. This increase will also apply to the Chief Executive Officer to remain consistent with all UK employees.

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

For the performance year ended 31 December 2017, the Board of Directors set corporate goals at the beginning of the period after discussions with the senior management team. The 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.

The corporate goals for the performance year ended 31 December 2017 are summarised in the following table. The weighting of each goal, the percentage level of achievement against each goal and the respective contribution to the annual bonus payout are indicated in the table. The Company considers further detail about the objectives to be commercially sensitive and are therefore not disclosing those details at this time.

Performance goal	Weighting	Payouts as % of base salary: On-target performance	Max performance	**Actual payout (based on achievement vs target)**
Clinical development goals related to ezutromid for DMD and ridinilazole for CDI	40%	40%	60%	**40%**
Research goals related to future generation utrophin modulator pipeline	8%	8%	15%	**8%**
Financial and Operational goals including an objective related to the Company's cash position	24%	24%	30%	**14%**
Commercial-related goals	8%	8%	15%	**8%**
Individual performance	20%	20%	30%	**30%**
Total	100%	100%	150%	**100%**

In determining the individual performance of the Executive, the Committee considered the Executive's overall performance, incorporating several important accomplishments over and above achievement of the pre-determined corporate objectives, which included securing non-dilutive funding from BARDA, a regional collaboration agreement for the ridinilazole programme, and the acquisition of Discuva Limited, which strengthened the organisation's discovery pipeline and established a research capacity in new mechanism antibiotics.

The assessment of these collective achievements resulted in a total annual bonus of 100% of base salary for the 2017 performance period ended 31 December 2017, which is equivalent to 67% of maximum opportunity. The annual bonus award was paid in cash in February 2018.

Long-term incentive awards during the financial year (subject to audit)

In 2017, Summit made three equity awards to the Chief Executive Officer; one for 762,764 share options on 11 April 2017 subject to performance conditions and vesting on 23 June 2019, one for 135,478 share options on 18 July 2017 subject to performance conditions and vesting on 18 July 2020, and one for 198,776 share options on 24 October 2017 subject to performance conditions and vesting on 24 October 2020. These amounts total two years' worth of awards: the full share option grants for both 2016 and 2017, due to deferral of the 2016 grant.

The Committee planned to award share options to the Executive Director during the normal all-employee granting cycle in June 2016, but postponed making the award due to a shortfall in available shares. As anticipated in the Directors' Remuneration Report for the year ended 31 January 2017, the Committee made this grant at the earliest opportunity, in April 2017. For the normal all-employee granting cycle in 2017, the Committee determined that the Chief Executive Officer was eligible for a grant of share options and that the face value of the award for the financial year should be two times base salary. In light of the limited number of shares available under the 2016 Long Term Incentive Plan, the Committee awarded a portion of the 2017 grant to the Chief Executive Officer in July 2017, and awarded the balance of the 2017 award when sufficient numbers of shares became available in October 2017.

With the exception of the April 2017 award, the equity awards made to the Chief Executive Officer during the year were subject to a minimum three-year vesting period. The April 2017 award, which was made in respect of the award deferred from the financial year ended 31 January 2017, and subject to performance conditions, is scheduled to vest on 23 June 2019, which is three years from 23 June 2016, the date on which the Committee would have made the award had shares been available at that time. All awards are subject to the achievement of performance conditions based on meeting strategic milestones. The Company considers the details of these performance conditions to be commercially sensitive and therefore is not disclosing them at this time. There were no awards that vested during the year.

Payments to past Directors (subject to audit)

There were no payments to past Directors made during the financial year ending 31 January 2018.

Payments for Loss of Office (subject to audit)

There were no payments made to Directors for loss of office during the financial year ending 31 January 2018.

Statement of Directors' Shareholding and Share Interests (Subject to audit)

The table below details the total number of shares owned (including their beneficial interests), 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.

Directors' Remuneration Report continued

The figures shown under Share Options for Non-Executive Directors represent legacy options awarded under a previous remuneration policy. Share options are no longer routinely awarded to Non-Executive Directors, with the last award having been made in 2015. The current Remuneration Policy, approved by shareholders at the 2017 AGM, permits awards of RSUs to Non-Executive Directors. It is expected that by the end of the financial year ending 31 January 2019, all of these share options will have been exercised, lapsed or be surrendered, and that all Non-Executive Directors will no longer hold share options.

		Options				
As at 31 January 2018	Shares	Unvested with performance conditions	Unvested without performance conditions	Vested not yet exercised	Exercised during the year	Total (shares and options)
Executives						
Glyn Edwards	233,333	1,984,351	–	1,009,959	–	3,227,643
Non-Executives						
Frank Armstrong	14,442	50,000	–	37,500	–	101,942
Barry Price	75,730	25,000	–	31,481	–	132,211
Stephen Davis	584,981	25,000	–	17,500	–	627,481
Leopoldo Zambeletti	–	25,000	–	–	–	25,000
Valerie Andrews	10,500	25,000	–	–	–	35,500
David Wurzer	7,500	25,000	–	–	–	32,500
	926,486	**2,159,351**	**–**	**1,096,440**	**–**	**4,182,277**

The Company last made a share option award to the Non-Executive Directors in June 2015. In April 2018, all Non-Executive Directors surrendered those awards. All awards made prior to June 2015 have either lapsed or vested. As a result, the only option awards held by Non-Executive Directors at the date of this report are vested and exercisable. The Directors have committed to exercise all these remaining share options before the end of this financial year.

	Non-Executive Director Share Options		
Outstanding as at 10 April 2018	Unvested £	Vested not yet exercised £	Fair value £
Non-Executives			
Frank Armstrong	–	22,042	54,542
Barry Price	–	16,857	33,107
Stephen Davis	–	10,286	26,536
Leopoldo Zambeletti	–	–	–
Valerie Andrews	–	–	–
David Wurzer	–	–	–
	–	**49,185**	**114,185**

The table below shows the RSUs granted to Non-Executive Directors during the year in accordance with the approved Remuneration Policy.

	Restricted stock units			
As at 31 January 2018	Unvested without performance conditions	Vested not yet exercised	Exercised during the year	Total (restricted stock units)
Non-Executives				
Frank Armstrong	82,762	–	–	82,762
Barry Price	38,623	–	–	38,623
Stephen Davis	38,623	–	–	38,623
Leopoldo Zambeletti	38,623	–	–	38,623
Valerie Andrews	38,623	–	–	38,623
David Wurzer	38,623	–	–	38,623
	275,877	**–**	**–**	**275,877**

The interests of the Directors in the Company's share options for the period ended 31 January 2018 were as follows:

Director	Date of grant	1 February 2017	Granted during the period	Lapsed during the period	**31 January 2018**	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
	10-May-12	657,500	–	(657,500)	**–**	60.0	Note (ii)	10-May-22
	31-Jan-13	72,973	–	–	**72,973**	20.0	Note (iii)	31-Jan-23
	18-Dec-13	76,364	–	–	**76,364**	20.0	Note (iv)	18-Dec-23
	15-Jul-14	600,000	–	–	**600,000**	126.0	Note (v)	15-Jul-24
	16-Jun-15	887,333	–	–	**887,333**	143.0	Note (ix)	16-Jun-25
	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)	11-Apr-27
	18-Jul-17	–	135,478	–	**135,478**	182.5	Note (xii)	18-Jul-27
	24-Oct-17	–	198,776	–	**198,776**	180.0	Note (xii)	24-Oct-27
		2,554,792	1,097,018	(657,500)	**2,994,310**			
Frank Armstrong	15-Jul-14	37,500	–	–	**37,500**	126.0	Note (v)	15-Jul-24
	16-Jun-15	50,000	–	–	**50,000**	143.0	Note (ix)	16-Jun-25
		87,500	–	–	**87,500**			
Barry Price	07-Apr-11	13,981	–	–	**13,981**	65.0	Note (vi)	07-Apr-21
	15-Jul-14	17,500	–	–	**17,500**	126.0	Note (v)	15-Jul-24
	16-Jun-15	25,000	–	–	**25,000**	143.0	Note (ix)	16-Jun-25
		56,481	–	–	**56,481**			
Stephen Davies	15-Jul-14	17,500	–	–	**17,500**	126.0	Note (v)	15-Jul-24
	16-Jun-15	25,000	–	–	**25,000**	143.0	Note (ix)	16-Jun-25
		42,500	–	–	**42,500**			
Leopoldo Zambeletti	23-Jun-14	25,000	–	(25,000)	**–**	148.0	Note (vii)	23-Jun-24
	16-Jun-15	25,000	–	–	**25,000**	143.0	Note (ix)	16-Jun-25
		50,000	–	(25,000)	**25,000**			
Valerie Andrews	23-Dec-14	25,000	–	(25,000)	**–**	137.0	Note (viii)	23-Dec-24
	16-Jun-15	25,000	–	–	**25,000**	143.0	Note (ix)	16-Jun-25
		50,000	–	(25,000)	**25,000**			
David Wurzer	16-Jun-15	25,000	–	–	**25,000**	143.0	Note (ix)	16-Jun-25
		25,000	–	–	**25,000**			

(i) These options became exercisable on 10 May 2015 due to the satisfaction of the performance conditions relating to the share price. In order to vest in full, the average closing share price needed to be equal to or greater than 220p for the two months preceding the third anniversary of the date of the grant, 25% would vest where the average closing share price was 140p and pro-rated where the average closing share price was between 141p and 219p. The options lapsed if the performance condition relating to our average closing share price was not met by the third anniversary of the date of grant. On measurement, 150,046 options have vested and 77,454 options have lapsed. No options were exercised in the year.

(ii) These options were split into four tranches with varying performance conditions and would only vest if the average closing share price had been equal to or greater than the specified condition in any period of 60 consecutive calendar days, ending on or before the fifth anniversary of the date of grant. Details of the tranches are as follows: 207,500 with a performance condition based on an average closing share price of 400p; 200,000 with a performance condition based on an average closing share price of 600p; 150,000 with a performance condition based on an average closing share price of 800p; and 100,000 with a performance condition based on an average closing share price of 1,000p. The options lapsed as the performance conditions were not met by the fifth anniversary of the date of grant.

(iii) 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.

(iv) 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 representing 70% of Mr Glyn Edwards' gross basic salary for that financial year.

(v) These options vested on 13 March 2017 as the average closing share price was equal to or greater than 189p in a period of 30 consecutive days during the period from the date of the grant to the third anniversary of the date of the grant. One third of the options became exercisable on 13 March 2017, following the second anniversary of the date of grant and the remaining options became exercisable on 15 July 2017, the third anniversary of the date of grant.

(vi) These options were capable of vesting and exercise on or after 8 April 2014 subject to the satisfaction of performance conditions relating to our share price. In order to vest in full, the average closing share price would have had to exceed 300p over the two months ending 7 April 2014. If the performance conditions were not satisfied in full, or in part, the options would lapse in respect of those option shares that did not vest. The performance period has now passed and, accordingly, only 13,981 options have vested and 11,019 options lapsed. These options were awarded to Dr Price whilst he was interim Executive Chairman.

Directors' Remuneration Report continued

(vii) These options failed to meet the performance condition being (i) completion of Phase 2 proof of concept trials in both the Duchenne muscular dystrophy and *Clostridium difficile* infection programmes or the third anniversary of the date of grant, whichever was sooner and (ii) the average closing share price being equal to or greater than 221.3p in any period of 30 consecutive days ending on or before the third anniversary of the date of grant. These options have now lapsed.
(viii) These options failed to meet the performance condition being the average closing share price being equal to or greater than 205.5p in any period of 30 consecutive days during the period from the date of the grant to 18 September 2017. These options have now lapsed as the performance condition was not met by 18 September 2017.
(ix) These options vest if the average closing share price is 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. Once vested, a third of the options can be exercised on or after 16 June 2017 and all of the options, if vested, can be exercised on or after 16 June 2018. These options will lapse if the performance condition is not met by 16 June 2018.
(x) These deferred bonus options vested and became exercisable on 21 July 2016. These options were awarded in part settlement of the bonus for the financial year ended 31 January 2016 representing 50% of Mr Glyn Edwards' gross basic salary for that financial year.
(xi) These options achieved the performance conditions during the financial year pertaining to corporate and programme development milestones. Accordingly, these options will vest in full on 23 June 2019.
(xii) These options are subject to achievement of performance conditions pertaining to corporate and programme development milestones. These options will vest in full on the third anniversary of the date of grant.

The interests of the Directors in the Company's restricted stock units ('RSUs') is as follows:

Director	Date of grant	1 February 2017	Granted during the period	Lapsed during the period	**31 January 2018**	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
		–	82,762	–	**82,762**			
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
		–	38,623	–	**38,623**			
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
		–	38,623	–	**38,623**			
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
		–	38,623	–	**38,623**			
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
		–	38,623	–	**38,623**			
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
		–	38,623	–	**38,623**			

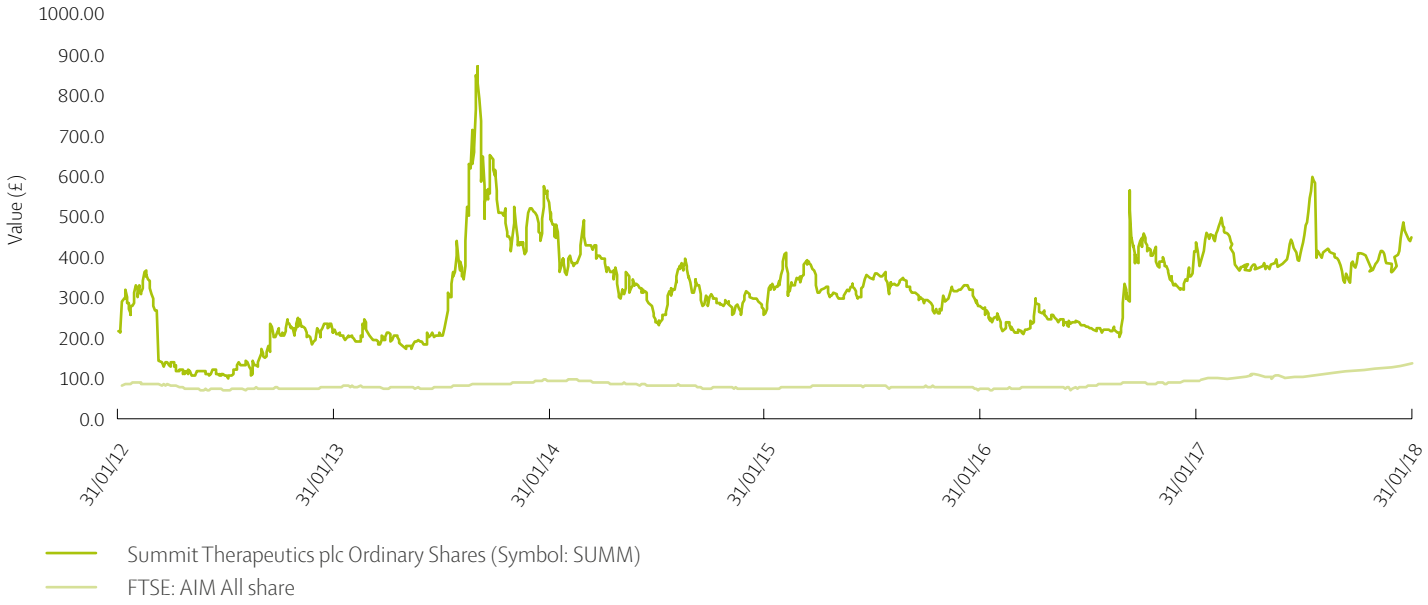
(i) These RSUs are in the form of nominal cost options with no performance conditions and no risk of forfeiture. These RSUs vest and become exercisable on the first anniversary of the date of grant. Amount awarded represents a face value with one times the base fee for Non-Executive Directors (the flat 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 1p per share. Award expires on 31 December 2018, 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 2019.
(ii) 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 1p per share. Award expires on 31 December 2018, 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 2019. This is the 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.

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

Total shareholder return

The graph below shows the daily movements, by 31 January 2018 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 they consider 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 2018, 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.

Directors' Remuneration Report continued

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
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 Mr Glyn Edwards for the years ended 31 January 2016, 2014 and January 2013 were made in part by way of a grant of deferred bonus options.
(2) Dr Price undertook the role of a Chief Executive Officer on an interim basis from November 2010 until April 2012 through his position as Executive Chairman. Mr Edwards joined the Board as Chief Executive Officer on 4 April 2012 and Dr 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 2017 and the year ended 31 January 2018 unless otherwise indicated, All employees includes everyone who was employed on a like for like basis in both of the financial years under comparison.

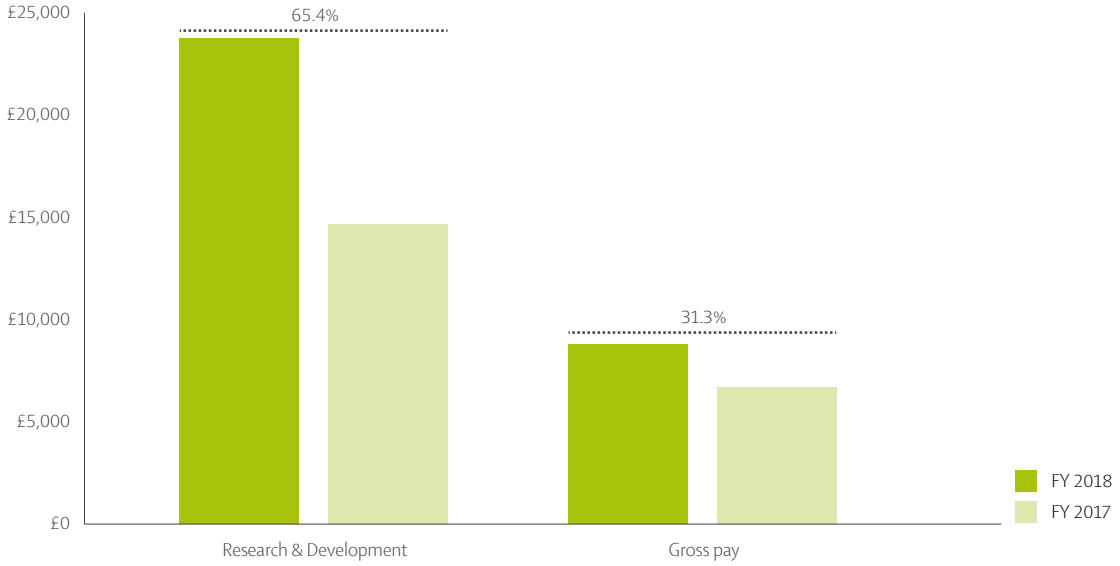
	Percentage increase or decrease in remuneration in the year ended 31 January 2018 compared with remuneration in the year ended 31 January 2017	
	Chief Executive Officer	All employees
Basic salary(1)	5%	8%
Short-term incentives(2)	-5%	8%
Taxable benefits(3)	-39%	3%

(1) In January 2017, the Committee awarded the Chief Executive Officer a cost of living increase to base salary of 5% which took effect from 1 February 2017.
(2) The change in short-term incentives is calculated on a per head basis and includes all employees.
(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 2017 Annual General Meeting

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.

At the Annual General Meeting held on 18 July 2017, votes cast by proxy at the meeting in respect of the Directors' Remuneration Report and the Remuneration Policy were as follows:

	For (including discretionary votes)	Against	Total votes cast (excluding votes withheld)	Votes withheld[1]	Total votes cast (including votes withheld)
To approve the Remuneration Policy	39,428,050	111,321	39,539,371	8,721	39,548,092
% of votes cast	99.72%	0.28%			
To approve the Remuneration Report	39,436,170	91,390	39,539,371	20,532	39,548,697
% of votes cast	99.77%	0.23%			

(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 ended 31 January 2019

The Policy was approved by the Company's shareholders at the 2017 Annual General Meeting and will remain in effect for three years from that date (until the 2020 AGM) or until a revised Remuneration Policy is approved by shareholders. 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 Remuneration Policy.

Fixed elements of remuneration

With effect from 1 February 2018, the base salary of the Executive Director is £313,635. In November 2017, the Committee determined, based on a prior review of market competitive data, that pension contributions for UK employees would increase to 7% of base salary from 1 April 2018. Pension contributions for UK Executive Directors will therefore increase to 7% from 1 April 2018.

Variable elements of remuneration

Short-term incentives

In early 2019, the Remuneration Committee will assess the Executive Director's performance against pre-determined objectives to determine whether any annual bonus is payable.

Goals for the performance year ending 31 December 2018 were established in April 2018. These goals are weighted approximately 35% for the clinical advancement of ezutromid and ridinilazole, 20% for advancement of our research objectives related to our DMD and infectious diseases programmes, 30% for commercial objectives reflecting the advanced stage of development of ezutromid and ridinilazole and 15% 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 pre-clinical assets. The Company expects to disclose both the objectives and performance against those objectives in next year's Directors' Remuneration Report to the extent that the disclosure does not include commercially sensitive information.

Long-term incentives

The Company anticipates that long-term incentives for 2018 will be awarded at the earliest opportunity.

The Company has historically awarded share options to all employees in order to align long-term employee interests with those of shareholders. Awards made to the Chief Executive Officer will be within the framework of the approved Remuneration Policy.

Details of the awards to Executive Directors will be disclosed in the necessary Regulatory Information Service announcement, and in the Annual Report on Remuneration for the year ended 31 January 2019.

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 Remuneration Policy. Any increases to fees are effective from the date of approval by the Board. The last such review took place in 2016.

Chairman fees

The Chairman is paid a flat fee to include attendance at meetings, Committee memberships, and all other related activities. The current chairman fees were reviewed in 2016 relative to chairman fees in similarly situated organisations.

The Nominating and Corporate Governance Committee has the responsibility of ensuring that the Chairman has adequate time to devote to his duties for the organisation in addition to any other commitments he may have. The Nominating and Corporate Governance Committee has determined that the Chairman's aggregate time commitments do not exceed the recommended limits. Further details are included in the Corporate Governance Report on pages 28 to 30.

Non-Executive Director cash fees

Non-Executive Directors are paid a basic fee. In addition to the basic fee, Committee fees are paid for chairmanship or membership of a Board Committee. Non-Executive Director fees were reviewed in 2016 relative to Non-Executive Director fees in similarly situated organisations. Fees for US-based Non-Executive Directors are denominated in US Dollars.

The table below shows the annual 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 Pounds 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.

In 2016, the Committee determined to adopt a practice of awarding RSUs to Non-Executive Directors to replace the former practice of awarding share options. This change was made to better conform to UK corporate governance principles. The Remuneration Policy was duly revised to include the provision of awarding RSUs, and this was subsequently approved by shareholders at the 2017 AGM.

In 2016, the Company postponed the granting of its annual share option award to Non-Executive Directors, with the intention of replacing this with an award of RSUs. Upon approval by shareholders of the revised Remuneration Policy, the Company made two awards of RSUs: one on 18 July 2017 for 2017, and a second award on 24 October 2017 to replace the postponed 2016 share option grant. In the financial year ending 31 January 2019, the Committee expects that the Board will make a single award of RSUs to the Non-Executive Directors for 2018.

Remuneration Policy

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

The Remuneration Policy ('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 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 our remuneration programme to accommodate potential growth in both the size and complexity of our business as the Company seeks to become a fully integrated biopharmaceutical company and advance its product candidates in DMD and CDI to commercialisation if it obtains clinical data supporting such advancement and advance its early-stage research pipeline.

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.

Directors' Remuneration Report continued

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 research and development related to 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 LTIP 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 remuneration to Company strategy and ensure that the management team is focused 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 restricted stock units ('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 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 held on 18 July 2017 and has been in effect since that date. The Remuneration Policy will remain in effect 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; – general economic environment; and – individual performance. • 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. • The level of employer contribution will increase to 7% effective 1 April 2018. • 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

Directors' Remuneration Report continued

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 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); 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.
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 based 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.

Executive Director(s)		
All-employee plans	Purpose	Align 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.

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 (e.g. 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 (e.g. 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.

Directors' Remuneration Report continued

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 included 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 Remuneration 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, we would look to award this under our 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.

Directors' Remuneration Report continued

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 that 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
Barry Price	8 August 2013
Stephen Davies	19 December 2013
Leopoldo Zambeletti	30 May 2014
Valerie Andrews	18 September 2014
David Wurzer	20 February 2015

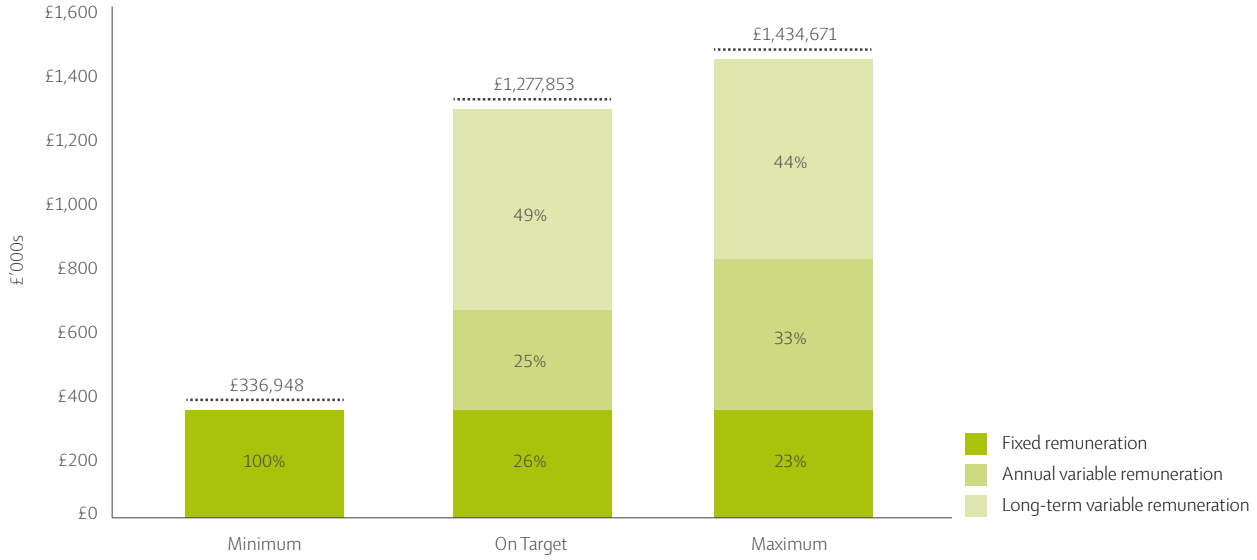
Illustrations of minimum, expected, and maximum remuneration for Executive Directors

The following provides an illustration of the potential remuneration for Executive Directors for the year ending 31 January 2019 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 2019. This scenario assumes that the latest known current basic salary of £313,635 continues to be earned in the financial year ending 31 January 2019. The value of benefits receivable for the year ended 31 January 2019 is assumed to be equal to the value of benefits received in the year ended 31 January 2018 as set out in the single total figure of remuneration table on page 35. The pension contribution receivable by the Executive Directors for the year ended 31 January 2018 is assumed to be 7% of the latest known basic salary, being £313,635. 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 2019. 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 2019. 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.

Directors' Remuneration Report continued

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 Remuneration Policy outlined above 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 11 April 2018 and signed on its behalf by,

Valerie Andrews
Chair of the Remuneration Committee

11 April 2018

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company, Summit Therapeutics plc, financial statements in accordance with applicable law and regulations.

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 issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union, and the Parent 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 Parent Company and of the profit or loss of the Group and Parent 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 issued by the IASB and 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 Parent 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 Group and Parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

The Directors are responsible for the maintenance and integrity of the Group and Parent 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.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Directors' Report confirm that, to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

Glyn Edwards
Chief Executive Officer

11 April 2018

Independent Auditors' Report

to the members of Summit Therapeutics plc

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 2018 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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 2018; 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.

Our audit approach

Overview

Materiality	• Overall Group materiality: £995,000 (2017: £1,270,000), based on 5% of 3 year average loss before tax. • Overall Company materiality: £805,000 (2017: £654,000), based on 1% of total assets.
Audit Scope	• We identified three significant components: Summit Therapeutics plc, Summit (Oxford) Limited and Summit Therapeutics Inc, all 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 components amount to 99% of group loss before tax and 93% of group total assets.
Key Audit matters	• Going concern (Group and Parent). • Business combination accounting (Group). • Revenue recognition (Group). • Financial liabilities 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Going concern Refer to Note 1 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates. The directors have concluded that the Group has sufficient cash resources and cash inflows to continue its activities for not less than 12 months from the date of these financial statements and have therefore prepared the financial statements on a going concern basis. This is considered a key audit matter as the Group's ability to continue as a going concern is fundamental to the basis of preparation of the accounts. Management prepared a set of cash flow forecasts from Board approved plans as well as downside cases including potential mitigating action to demonstrate that the Group is a going concern. The key judgements within the cash flow projections that we particularly focused on are: • Cash outflows from research and development activities. • Cash inflows expected from other sources. • The continued availability of funding. • Sensitivities, and the status of alternative potential sources of revenue and cash, and mitigating cost actions. The Group Directors have confirmed that the Group and company have sufficient funds to operate for the foreseeable future. *This is a key audit matter relevant to the Group and Company.*	We have performed the following procedures: • inspected the Group's financial forecasts and linkage of the forecast to the business model and principal risks; • assessed the historical accuracy of forecasts prepared by management and the review and challenge by management and the Board on the current forecasts; • challenged the reasonableness of the sensitivities applied to the forecasts including downside scenarios; • discussed with management their ability and willingness to take mitigating actions in the downside scenarios and assessed the reasonableness and impact of these mitigations; and • critically assessed the adequacy of the disclosures related to the application of the going concern assumption. Our conclusion on management's use of the going concern basis of preparation is included in the 'conclusions relating to going concern' section below.
Business Combination Accounting On 23 December 2017 the Group acquired 100% of the issued share capital of Discuva Limited. This is considered a key audit matter due to the material and judgemental nature of the valuations made as part of the acquisition. Management, in accordance with IFRS 3, have assessed the consideration paid against the fair value of identifiable net assets at the acquisition date to determine the goodwill attributable to Discuva. Management performed an assessment of all the net assets of Discuva to determine their fair value for the purposes of carrying out the purchase price allocation in accordance with IFRS. The key judgements identified were: • the valuation of the acquired genetic-based technology platform; and • the valuation of the assumed contingent liabilities to certain current employees, former employees and former directors of Discuva. *This is a key audit matter relevant to the Group and Company.*	We have performed the following procedures: • We have audited Discuva Limited's 23 December 2017 trial balance to ensure that the identifiable net assets are recorded at fair value appropriately, including the detection of potential unrecorded liabilities. • We have agreed the consideration paid to supporting evidence to validate the accuracy of the price paid. • We have read management's accounting paper and understood whether this is in accordance with the requirements of IFRS 3. • We have critically assessed the methodology applied to the valuation of the technology platform. • We have critically assessed management's valuation model associated with the recognition of the assumed contingent liability and challenged management on the robustness of the assumptions applied with the model, for example the discount rate and probabilities of success. We concluded that management's accounting for the business combination is in accordance with IFRS 3 and consistent with the Group's policy and existing practice.

Independent Auditors' Report continued

to the members of Summit Therapeutics plc

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group recognised revenues in the period in relation to: • milestone and cost sharing income received from Sarepta Therapeutics Inc.; • the upfront payment received for entering into a licence and collaboration agreement with Eurofarma Laboratorios SA; and • the research collaboration agreement between F. Hoffmann-La Roche Ltd and Discuva Limited. In addition, other income was recognised in relation to funding received from the Biomedical Advanced Research and Development Authority in the US ('BARDA'). Revenue recognition is considered a key audit matter due to the material and judgemental nature of the accounting for the Groups research, licence and collaboration agreements under IAS 18 and IAS 20. Management have assessed the requirements of both standards in order to determine whether they can recognise revenue and other income in respect of the above agreements. The key judgements identified were: • the determination of whether revenue recognition should be made at a point in time, or spread under the terms of the contract; • the determination that the contractual elements of new collaboration agreements are separable, requiring individual accounting for the associated revenue; • the determination of the fair value of each contractual element; • the assessment of whether spending qualifies for reimbursement; and • the estimate of the time period over which revenue has been spread. *This is a key audit matter relevant to the Group.*	We have performed the following procedures related to the agreement: • Inspected the contractual terms which give Summit the right to recognise revenue. • Tested the fair value allocation of the contract price to the different elements. • Inspected external support to validate the revenue recognised in the period. We concluded that management's revenue recognition was supported and consistent with applicable accounting standards.
Financial liabilities arising on funding arrangements Summit's arrangements with both the Wellcome Trust and U.S. Not for Profit organisations resulted in significant financial liabilities being recognised in during the year ended 31 January 2017. During the year ended 31 January 2018, management renegotiated the underlying terms of the agreement with the Wellcome Trust, leading to management concluding that the liability should be derecognised. Furthermore, due to positive data results received on clinical trial data, management have increased the probability of success assumption in the underlying valuation model related to the DMD portion of the liability. This is considered a key audit matter due to the material underlying changes to contracts made in the year, and the estimates required to perform the valuation. Our consideration of the treatment of the financial liabilities focusses on the following key judgements made by management: • The nature of the renegotiated contractual terms with funding parties and the impact on the requirement to recognise a liability. • The measurement of the financial liability arising on funding arrangements including certain key assumptions: revenue assumptions and probability of success. • The timing of the recognition of liabilities. *This is a key audit matter relevant to the Group.*	We have performed the following procedures: • Inspected the renegotiated contractual terms with the Wellcome Trust to ensure the corresponding liability has been correctly released. • Audited management's updated probability figure to assess if this reliably reflects the progress of trials during the year ended 31 January 2018. • Compared the model to previous models to ensure no other assumptions have been adjusted. We concluded that management's de-recognition of the Wellcome Trust liability is correct and in accordance with IAS 39 and that the increase in probability of success applied to the model is reasonable.

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 eleven entities, of which seven are dormant. Of the four trading entities, we determined three to be in scope. This was determined based on each entity's contribution to consolidated loss before tax. The in-scope components amounted to 99% of group loss before tax, with the impact of the newly acquired Discuva Limited entity being only immaterial. The Discuva entity will be considered separately for its own statutory reporting purposes.

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	• £995,000 (2017: £1,270,000).	• £805,000 (2017: £654,000).
How we determined it	• 5% of 3 year average loss before tax.	• 1% of total assets.
Rationale for benchmark applied	• Given the recognition in revenue of the $22 million milestone receipt from Sarepta during the year, we believe it to be more appropriate to adopt the 3 year average loss before tax for our group materiality calculation on the basis that the current year loss will be distorted by the one-off milestone receipt.	• 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 £945,250 and £746,250.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £49,750 (Group audit) (2017: £63,500) and £40,000 (Company audit) (2017: £32,700) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The 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.

Independent Auditors' Report continued

to the members of Summit Therapeutics plc

Reporting on other information (continued)

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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the 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 55, 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

11 April 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2018

	Note	Year ended 31 January 2018 £000	Year ended 31 January 2017 £000
Revenue	5	**25,419**	2,304
Other operating income	7	**2,725**	72
Operating expenses			
Research and development	7	**(28,970)**	(18,952)
General and administration	7	**(11,999)**	(8,277)
Total operating expenses		**(40,969)**	(27,229)
Operating loss		**(12,825)**	(24,853)
Finance income	9	**3,096**	8
Finance cost	9	**(1,164)**	(862)
Loss before income tax		**(10,893)**	(25,707)
Income tax	10	**3,762**	4,336
Loss for the year		**(7,131)**	(21,371)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(13)**	29
Total comprehensive loss		**(7,144)**	(21,342)
Basic and diluted earnings per Ordinary Share from operations	11	**(11)p**	(35)p

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

Consolidated Statement of Financial Position

At 31 January 2018

	Note	31 January 2018 £000	31 January 2017 £000
ASSETS			
Non-current assets			
Goodwill	12	**2,478**	664
Intangible assets	13	**14,785**	3,470
Property, plant and equipment	14	**809**	116
		18,072	4,250
Current assets			
Prepayments and other receivables	15	**11,134**	1,027
Current tax receivable		**4,654**	4,248
Cash and cash equivalents		**20,102**	28,062
		35,890	33,337
Total assets		**53,962**	37,587
LIABILITIES			
Non-current liabilities			
Deferred revenue	17	**(18,033)**	(23,615)
Financial liabilities on funding arrangements	18	**(3,090)**	(5,919)
Provisions for other liabilities and charges	20	**(1,641)**	(85)
Deferred tax liability	21	**(2,379)**	(565)
		(25,143)	(30,184)
Current liabilities			
Trade and other payables	16	**(8,932)**	(3,984)
Deferred revenue	17	**(10,012)**	(6,912)
		(18,944)	(10,896)
Total liabilities		**(44,087)**	(41,080)
Net assets/(liabilities)		**9,875**	(3,493)
EQUITY			
Share capital	22	**736**	618
Share premium account		**60,237**	46,420
Share-based payment reserve		**6,743**	5,136
Merger reserve		**3,027**	(1,943)
Special reserve		**19,993**	19,993
Currency translation reserve		**37**	50
Accumulated losses reserve		**(80,898)**	(73,767)
Total equity/(deficit)		**9,875**	(3,493)

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

The financial statements on pages 61 to 88 were approved by the Board of Directors and signed on its behalf by,

Glyn Edwards
Chief Executive Officer

11 April 2018

Consolidated Statement of Cash Flows

For the year ended 31 January 2018

	Note	Year ended 31 January 2018 £000s	Year ended 31 January 2017 £000s
Cash flows from operating activities			
Loss before income tax		**(10,893)**	(25,707)
		(10,893)	(25,707)
Adjusted for:			
Other operating income on derecognition of financial liabilities on funding arrangements	18	**(908)**	–
Finance income	9	**(3,096)**	(8)
Finance cost	9	**1,164**	862
Foreign exchange loss		**1,960**	711
Depreciation	14	**140**	48
Amortisation of intangible fixed assets	13	**106**	10
Loss on disposal of assets	13,14	**40**	–
Movement in provisions	20	**(60)**	12
Research and development expenditure credit	7	**(23)**	(3)
Share-based payment	6	**1,607**	1,379
Adjusted loss from operations before changes in working capital		**(9,963)**	(22,696)
(Increase)/decrease in prepayments and other receivables		**(8,993)**	492
(Decrease)/increase in deferred revenue		**(2,482)**	30,527
Increase in trade and other payables		**3,375**	813
Cash (used by)/generated from operations		**(18,063)**	9,136
Taxation received		**3,374**	3,005
Net cash (used by)/generated from operating activities		**(14,689)**	12,141
Investing activities			
Acquisition of subsidiaries net of cash acquired	27	**(4,775)**	–
Purchase of property, plant and equipment		**(360)**	(81)
Purchase of intangible assets		**(119)**	(7)
Interest received		**12**	8
Net cash used in investing activities		**(5,242)**	(80)
Financing activities			
Proceeds from issue of share capital		**14,931**	–
Transaction costs on share capital issued		**(1,428)**	–
Proceeds from exercise of warrants		**10**	107
Proceeds from exercise of share options		**392**	283
Cash received from funding arrangements accounted for as financial liabilities	18	**–**	23
Net cash generated from financing activities		**13,905**	413
(Decrease)/increase in cash and cash equivalents		**(6,026)**	12,474
Effect of exchange rates on cash and cash equivalents		**(1,934)**	(716)
Cash and cash equivalents at beginning of the year		**28,062**	16,304
Cash and cash equivalents at end of the year		**20,102**	28,062

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

Consolidated Statement of Changes in Equity

Year ended 31 January 2018

Year ended 31 January 2018

Group	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	–	–	–	–	–	–	(7,131)	(7,131)
Currency translation adjustment	–	–	–	–	–	(13)	–	(13)
Total comprehensive loss for the year	–	–	–	–	–	(13)	(7,131)	(7,144)
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**	**3,027**	**19,993**	**37**	**(80,898)**	**9,875**

Year ended 31 January 2017

Group	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 2016	613	46,035	3,757	(1,943)	19,993	21	(52,396)	16,080
Loss for the year	–	–	–	–	–	–	(21,371)	(21,371)
Currency translation adjustment	–	–	–	–	–	29	–	29
Total comprehensive loss for the year	–	–	–	–	–	29	(21,371)	(21,342)
New share capital issued from exercise of warrants	2	105	–	–	–	–	–	107
Share options exercised	3	280	–	–	–	–	–	283
Share-based payment	–	–	1,379	–	–	–	–	1,379
At 31 January 2017	**618**	**46,420**	**5,136**	**(1,943)**	**19,993**	**50**	**(73,767)**	**(3,493)**

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 will fall as share options vest and are exercised, and the impact of the subsequent dilution of earnings crystallises, but 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 S131 CA 85 relating to business combination accounting. The merger reserve brought forward 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. The merger reserve arising during the financial year relates to 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.

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.

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.

Notes to the Financial Statements

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.

Going concern

The financial information in these financial statements has been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

The Group expects it will need to raise additional funding in the future in order to support research and development efforts, potential commercialisation-related activities if any of its product candidates receive marketing approval, as well as to support activities associated with operating as a public company in both the United States and the United Kingdom. Management expects 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.

After review of the future operating costs of the business in conjunction with the cash held at 31 January 2018 management are confident about the Group's ability to continue as a going concern.

Use of estimates

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

Revenue recognition

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

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

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

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

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

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

Notes to the Financial Statements continued

1. Basis of accounting (continued)

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. See Note 27 'Business combinations' for details.

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.

The intangible asset relating to intellectual property rights for the utrophin programme capitalised as part of the acquisition of MuOx Limited in November 2013 is considered to be not yet available for use. As such, it will not be subject to amortisation and will be tested for impairment at least annually or whenever there is an indicator of impairment. Amortisation will commence when either products underpinned by the intellectual property rights or the rights themselves become available for use.

The intangible asset relating to the acquired discovery and development platform capitalised as part of the acquisition of Discuva Limited in December 2017 is considered to be available for use. As such, it will be 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)
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. Impairment losses recognised for cash-generating units is 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 13 'Intangible assets' for details.

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	3-10 years
Office and IT equipment	3-5 years

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

Provisions

Provisions are recognised when the 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 discount rate, adjusted for risk where it is inherent in a specific liability.

Other operating income

Other operating income includes income received and recognised from government agencies, philanthropic, non-government, not for profit organisations and patient advocacy groups which are accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'. Monies received through these means are held as deferred revenue 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 (Pounds Sterling), are translated at the closing rate at the date of each statement of financial position presented. Income and expenses are translated at average exchange rates. Any resulting differences are recognised in other comprehensive (loss)/income in the Consolidated Statement of Comprehensive Income.

1. Basis of accounting (continued)

Employee benefits
All employee benefit costs, notably holiday pay, bonuses and contributions to Company 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 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.

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) either a Monte-Carlo model or a Hull White trinomial lattice model have 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 the Group receives income, may be reimbursed under the UK Research and Development Expenditure Credit ('RDEC') scheme. Receipts under the RDEC scheme are presented within other operating income as they are similar in nature to grant income.

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 holds financial assets and liabilities in the respective categories 'Loans and receivables' and 'Financial liabilities measured at amortised cost'. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the 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. Loans and receivables, and other liabilities are initially recorded at fair value, and thereafter at amortised cost, if the timing difference is deemed to impact the fair value of the asset or liability.

The Group assesses at each year end date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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 re-measured 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

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. An example of this would be the obligation to transfer the rights to the research to a funding provider. In the circumstances where the Group cannot avoid the obligation, all or part of the funding agreement should be accounted for as a financial liability rather than as a charitable grant. The financial liabilities are re-measured, and the 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. See Note 18 'Financial liabilities on funding arrangements'.

Revenue recognition

The Group recognises revenue from licensing fees, collaboration fees, development, regulatory and approval milestone fees, sales milestones and royalties. Agreements generally include a non-refundable up-front fee, milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones, as well as royalties on product sales of licensed products, if and when such product sales occur. For these agreements, the Group is required to apply judgement in the allocation of total agreement consideration to the separately identifiable components on a reliable basis that reasonably reflects the selling prices that might be expected to be achieved in stand-alone transactions. The Group is required to make a judgement on those components which can be recognised immediately and those to which it applies the percentage of completion revenue recognition method. In relation to the licence and collaboration agreement with Sarepta and the licence and commercialisation agreement with Eurofarma, management has assessed that the development services to be indistinguishable from the licence. As a result the upfront payment has been initially reported as deferred revenue in the Consolidated Statement of Financial Position and is being recognised as revenue over the development period. Development and regulatory approval milestone payments associated with these contracts will be recognised to the extent that the milestone event has been completed successfully. See Note 17 'Deferred revenue'.

Key sources of estimation uncertainty

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

Recognition of research expenditure

The Group recognises expenditure incurred in carrying out its research and development activities in line with management's best estimation of the stage of completion of each separately contracted study or activity. This includes the calculation of research and development accruals at each period to account for expenditure that has been incurred. This requires estimations of the full costs to complete each study or activity and also estimation of the current stage of completion. In all cases, the full cost of each study or activity is expensed by the time the final report or where applicable, product, has been received.

Acquired intangible assets and assumed contingent liabilities valuations

When the Group executes an acquisition resulting in a business combination as accounted under IFRS 3 'Business Combinations', identifiable intangible assets and assumed contingent liabilities are required to be recognised in the Consolidated Financial Statements at fair value. In determining the fair value of such assets and liabilities a number of assumptions need to be made by management which include significant estimates. See Note 27 'Business combinations'.

Financial liabilities on funding arrangements

In calculating the financial liability, both at inception and when it is subsequently re-measured, a number of assumptions need to be made by management which include significant estimates. Assumptions included in the model include the following: reported disease prevalence; expected market share based on management's estimates; drug reimbursement pricing in different territories, potential licensing terms which may be offered to the Group (for relevant products); expected patent life; the timing and probabilities of achieving clinical development milestones which are based on industry standards and adjusted for therapy area and; the appropriate discount rate to be used. See Note 18 'Financial liabilities on funding arrangements'.

Share-based payment

The Group measures share options at fair value at their grant date in accordance with IFRS 2 'Share-based Payment'. The Group calculates the fair value of the share option using either the Black-Scholes model, or for options with performance conditions, a simulation model. The Group charges the fair value to the Consolidated Income Statement over the expected vesting period. See Note 22 'Share option scheme'.

3. Changes to accounting policies

During the year ended 31 January 2018 the following new standards, amendments to standards or interpretations became effective for the first time. The adoption of these interpretations, standards or amendment to standards were either not relevant for the Group or have not led to any significant impact on the Group's financial statements.

International Accounting Standards ('IAS/IFRS')	Effective date
Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying scope)	1 January 2017
Amendment to IAS 7 'Disclosure Initiative'	1 January 2017
Amendment to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017

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 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
IFRS 16 'Leases'	1 January 2019
Amendments to IFRS 3 'Business Combinations, Remeasurement of previously held interest'	1 January 2019
Amendments to IAS 12 'Income Taxes, Income tax consequences of dividends'	1 January 2019
Amendments to IAS 19 'Employee Benefits, Plan amendments, curtailments or settlements'	1 January 2019
Amendments to IAS 23 'Borrowing Costs, Borrowing costs eligible for capitalisation'	1 January 2019
Amendments resulting from Annual Improvements 2015–2017 Cycle	1 January 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	1 January 2019
Amendment to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined

IFRS 15 establishes comprehensive guidelines for determining when to recognise revenue and how much revenue to recognise. The standard is effective for reporting periods beginning on or after 1 January 2018 and replaces the accounting standard IAS 18 'Revenue'. 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.

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 standard also requires disclosure of qualitative and quantitative information about its contracts with customers, the significant judgements made in applying the standard and any assets recognised from the costs to obtain or fulfil a contract.

The Group has elected to adopt 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'. Under this method, the Group will adjust its results for the years ended 31 January 2017 and 2018, and applicable interim periods within those years, as if IFRS 15 had been effective for those periods. To date, the Group has assessed the effect of adoption of this standard as it relates to the licence and collaboration agreement with Sarepta Therapeutics Inc. ('Sarepta'), the licence and commercialisation agreement with Eurofarma Laboratórios SA ('Eurofarma') and the research collaboration agreement with F. Hoffmann-La Roche Limited ('Roche'). Currently, the Group anticipates the effects of adoption of IFRS 15 to be as described below. Estimated impacts from the adoption could differ upon the final adoption and implementation of the standard. The Group will continue to monitor interpretations released by the IFRS Interpretations Committee and amendments to IFRS 15, and will adopt these from the effective dates as appropriate.

The Group expects the accounting for contingent milestone payments and development cost share income to be the most significant change in the accounting for its licence and collaboration agreements. IFRS 15 requires an entity to identify goods or services (or a bundle of goods or services) that are distinct where the customer can benefit from the good or service either on its own or together with other resources and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. The Group expects this assessment to result in the licence and the development services elements of the Group's licence and collaboration agreements being identified as one performance obligation as these elements are not considered to be distinct and this represents a critical accounting judgement for the Group. The impact of this assessment would result in the contingent milestone payments and development cost share income being recognised over the estimated development services period, with initial recognition occurring when it becomes highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

3. Changes to accounting policies (continued)

The Group has performed an evaluation of the expected effect of adoption on the accounting for the licence and collaboration agreement with Sarepta and the licence and commercialisation agreement with Eurofarma, and the research collaboration agreement with Roche. The Group currently estimates the following cumulative effect to total licence and collaboration agreements revenues, and research collaboration agreement revenue for the years ended 31 January 2018 after the adoption of IFRS 15:

	Year ended 31 January 2018 £000
Estimated decrease in revenue by category:	
Licensing agreements	**13,059**
Research collaboration agreement	**–**

The estimated decrease in collaboration and licence agreement revenues for the year ended 31 January 2018 relates 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 has been recognised as revenue in full during the year ended 31 January 2018 under IAS 18. The difference will be reported as deferred revenue in the Consolidated Statement of Financial Position and recognised as revenue over the development period.

The quantitative amount provided above is an estimate of the expected effects of the Group's adoption of IFRS 15. This amount represents management's best estimates of the effects of adopting IFRS 15 at the time of the preparation of these financial statements. The actual quantitative effects of the adoption of IFRS 15 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 2018.

Finally, IFRS 15 requires more robust disclosures than required by previous guidance, including disclosures related to disaggregation of revenue into appropriate categories, performance obligations, the judgements made in revenue recognition determinations, adjustments to revenue which relate to activities from previous quarters or years, any significant reversals of revenue, and costs to obtain or fulfil contracts.

IFRS 9 'Financial Instruments' will replace IAS 39 for accounting period beginning on or after 1 January 2018. The key changes are the classification and measurement of financial assets and financial liabilities after initial recognition, impairment of financial assets and a new criteria for reclassification. The Group has elected to adopt this new standard effective 1 February 2018 as required. The Group has performed an evaluation of the expected effect of adoption of IFRS 9 for all financial instruments within the scope of the standard and it is expected that there will be no impact on the Group's net results or net assets. The expected effects of the Group's adoption of IFRS 9 is based on management's assessment at the time of the preparation of these financial statements. The actual effects of the adoption of IFRS 9 are subject to change from this assessment and such changes may be significant, pending the completion of the Group's assessment in the first quarter to 30 April 2018.

IFRS 16 'Leases' will replace IAS 17 for accounting periods beginning on or after 1 January 2019. In so doing, it will eliminate the distinction between classification of leases as finance or operating leases for lessees. The adoption of IFRS 16 is not expected to have a significant impact on the Group's net results or net assets, although the full impact will be subject to further assessment following the conclusion of the ongoing consultations.

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.

4. Segmental reporting

The Summit Group comprises 11 legal entities, of which four are trading. These included 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 and the Chief Operating 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 DMD and the CDI programmes (see pages 6 to 13 for more details).

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 2018 £000	Year ended 31 January 2017 £000
Analysis of revenue by category:		
Licensing agreements	**25,109**	2,304
Research collaboration agreement	**310**	–
	25,419	2,304

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. See Note 17 'Deferred revenue' for further details.

	Year ended 31 January 2018 £000	Year ended 31 January 2017 £000
Analysis of revenue by geography:		
United States	**25,067**	2,304
Latin America	**42**	–
Europe	**310**	–
	25,419	2,304

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

6. Directors and employees

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

	31 January 2018	31 January 2017
Technical, research and development	**34**	23
Corporate and administration	**26**	21
	60	44

Their aggregate remuneration comprised:

	Year ended 31 January 2018 £000	Year ended 31 January 2017 £000
Wages and salaries	**7,493**	5,932
Social security costs	**643**	434
Other pension costs	**350**	332
Share-based payment	**1,607**	1,379
	10,093	8,077

Key management of the Group are members of the Executive Management Team. The aggregate amounts of key management compensation are set out below:

	Year ended 31 January 2018 £000	Year ended 31 January 2017 £000
Short-term employee benefits		
Wages and salaries	**1,520**	1,252
Social security costs	**162**	98
	1,682	1,350
Post-employment benefits		
Amounts paid in lieu of employer pension contributions	**32**	17
Other pension costs	**14**	11
	46	28
Share-based payment	**705**	327
Total remuneration	**2,433**	1,705

Notes to the Financial Statements continued

6. Directors and employees (continued)

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 33 to 54, which form part of these Consolidated Financial Statements.

7. Loss before income tax

	Year ended 31 January 2018 £000	Year ended 31 January 2017 £000
Other operating income		
Income recognised in respect of BARDA	**1,772**	–
Income on derecognition of the Wellcome Trust financial liability	**908**	–
Income recognised in respect of the Wellcome Trust	**–**	13
Grant income	**13**	56
Research and development credit	**23**	3
Other income	**9**	–
	2,725	72
Research and development		
Employee benefit expense	**5,616**	4,218
Share-based payment expense	**327**	374
Programme related costs	**21,810**	13,605
Amortisation of intangible assets	**105**	10
Other research and development costs	**1,112**	745
	28,970	18,952
General and administration		
Employee benefit expense	**2,870**	2,480
Share-based payment expense	**1,280**	1,005
Foreign exchange loss	**1,986**	533
Depreciation of property, plant and equipment	**141**	48
Loss on disposal of assets	**42**	–
Operating lease rentals	**289**	213
Other general and administration costs	**5,322**	3,998
Royalty expense	**69**	–
	11,999	8,277

In September 2017, the Group was awarded a funding contract from the Biomedical Advanced Research and Development Authority ('BARDA'), an agency of the US government's Department of Health and Human Services' Office of the Assistant Secretary for Preparedness and Response, worth up to $62 million. 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 CDI. Under the terms of the contract, Summit is initially eligible to receive $32 million from BARDA to fund, in part, obtaining regulatory approval for and commencing enrolment and dosing into Summit's two planned Phase 3 clinical trials of ridinilazole. In addition, Summit is eligible for additional funding under the contract pursuant to three independent option work segments, which if exercised in full by BARDA would provide for an additional $30 million of funding from BARDA and would support the development of ridinilazole through to potential submission of applications for marketing approval. During the year ended 31 January 2018 the Group recognised funding income from BARDA of £1.8 million for the CDI programme (year ended 31 January 2017: £nil); income is recognised in respect of BARDA as the underlying research and development expenditure is incurred.

During the year ended 31 January 2018, the Group also recognised £0.9 million of other income related to the derecognition of the Wellcome Trust financial liability (year ended 31 January 2017: £nil). See Note 18 'Financial liabilities on funding arrangements' for further details.

8. 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 2018 £000	Year ended 31 January 2017 £000
Fees payable to the auditors and its associates for the audit of the Company and Consolidated Financial Statements	**132**	110
Fees payable to the auditors and its associates for other services:		
– Audit of the Company's subsidiaries[2]	**209**	120
– Audit-related assurance services	**–**	3
– Other assurance services[1]	**118**	163
– Tax advisory services	**2**	15
– Tax compliance services	**21**	47
Total fees payable	**482**	458

(1) For the year ended 31 January 2018, other assurance services includes assurance reporting on information included in information used for the Company's underwritten public offering completed on 18 September 2017, these amounts were recognised directly in share premium . For the year ended 31 January 2017, other assurance services includes assurance reporting on information included in the Company's F-3 registration statement that was originally filed with the US Securities and Exchange Commission on 12 May 2016.

(2) For the year ended 31 January 2018, fees payable for the Consolidated Financial Statements and fees payable for the Company's subsidiaries includes audit services relating to the initial audit and business combination accounting for Discuva Limited. These amounts will be non recurring fees.

9. Finance income and costs

	Note	Year ended 31 January 2018 £000	Year ended 31 January 2017 £000
Finance income			
Derecognition of financial liabilities	18	**3,085**	–
Interest income on deposits		**11**	8
Finance income		**3,096**	8
Finance costs			
Unwinding of discount factor	18	**(754)**	(862)
Re-measurement of financial liabilities on funding arrangements	18	**(410)**	–
Finance costs		**(1,164)**	(862)
Net finance income/(costs)		**1,932**	(854)

10. Income tax

	Year ended 31 January 2018 £000	Year ended 31 January 2017 £000
Analysis of credit in the period		
Current tax:		
Current tax income	**3,767**	4,245
Adjustments in respect of prior years	**(5)**	(9)
Total current tax	**3,762**	4,236
Total deferred tax	**–**	100
Total tax	**3,762**	4,336

Notes to the Financial Statements continued

10. 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 2018 £000	Year ended 31 January 2017 £000
Loss before tax	**(10,893)**	(25,707)
Loss multiplied by the standard rate of corporation tax in the United Kingdom (Current tax) 19.17% (2017: 20%)	**(2,088)**	(5,141)
Change in unrecognised tax losses	**751**	2,169
Non-deductible expenses	**402**	331
Tax relief for qualifying research and development expenditure	**(3,043)**	(1,699)
Prior year adjustments	**5**	9
Share options exercised	**(40)**	(84)
Overseas profits taxed at different rates	**251**	179
Change in rate of deferred tax	**–**	(100)
Total tax	**(3,762)**	(4,336)

There are no current tax liabilities as at 31 January 2018 (2017: nil).

Tax credits relate to UK research and development tax credits claimed 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 2018 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 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.

Please see Note 21 'Deferred tax liability' for information on the unrecognised tax losses carried forward.

11. Loss per share

The loss per share has been calculated using the loss for the year £7,131,000 (year ended 31 January 2017: loss of £21,371,000) and dividing this by the weighted average number of Ordinary Shares in issue during the year to 31 January 2018: 65,434,294 (year ended 31 January 2017: 61,548,557).

Since the Group has reported a net loss, diluted loss per share is equal to basic loss per share.

Potentially dilutive shares capable of vesting under the share options currently in issue totalled 8,577,236 as at 31 January 2018 (31 January 2017: 7,383,401).

12. Goodwill

	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**

	Discuva Limited £000	MuOx Limited £000	Total £000
Cost			
At 1 February 2016	–	664	664
At 31 January 2017	**–**	**664**	**664**
Accumulated impairment			
At 1 February 2016	–	–	–
At 31 January 2017	**–**	**–**	**–**
Net book amount			
At 1 February 2016	–	664	664
At 31 January 2017	**–**	**664**	**664**

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 'Goodwill' has been reviewed for impairment and no provision is considered necessary. The impairment review is included as part of the intangible assets impairment review in Note 13 'Intangible assets' as goodwill relating to MuOx Limited forms 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 bacterial genetics-based 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. See Note 27 'Business combinations for details. 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).

Goodwill recognised in respect of MuOx Limited is attributable to synergies expected from the Group's collaboration with the University of Oxford and other founders of MuOx Limited.

Notes to the Financial Statements continued

13. Intangible assets

	Iminosugar related programmes acquired £000	Utrophin programme acquired £000	Bacterial genetics-based 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 (Note 27)	–	–	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**

	Iminosugar related programmes acquired £000	Utrophin programme acquired £000	Bacterial genetics-based platform acquired £000	Option over non-financial assets £000	Other patents and licences £000	Total £000
Cost						
At 1 February 2016	1,380	3,321	–	–	197	4,898
Additions	–	–	–	–	7	7
At 31 January 2017	**1,380**	**3,321**	**–**	**–**	**204**	**4,905**
Accumulated amortisation						
At 1 February 2016	(1,380)	–	–	–	(45)	(1,425)
Charge for the year	–	–	–	–	(10)	(10)
At 31 January 2017	**(1,380)**	**–**	**–**	**–**	**(55)**	**(1,435)**
Net book amount						
At 1 February 2016	–	3,321	–	–	152	3,473
At 31 January 2017	**–**	**3,321**	**–**	**–**	**149**	**3,470**

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

On 23 December 2017, the Group recognised £10.7 million of identified intangible assets related to the bacterial genetics-based platform and £1.8 million of goodwill upon acquisition of Discuva Limited. See Note 27 'Business combinations' for further details.

In accordance with IAS 38, intangible assets not subject to amortisation and the associated goodwill have been reviewed for impairment.

The key assumptions used in the valuation model to determine the value in use 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 discovery pipeline;
- expected market share based on management's estimates;
- drug reimbursement, costs of goods and marketing estimates; and
- expected patent life.

13. Intangible assets (continued)

The valuation models cover periods 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.

A discount factor of 18% has been used over the forecast period for the valuation model used to determine the value in use of the utrophin programme acquired and the associated goodwill amounts recognised.

Based on sensitivity analysis, no reasonably possible change in assumptions would cause the carrying value of this asset to exceed its recoverable amount.

14. Property, plant and equipment

	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 (Note 27)	–	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**

	Leasehold improvements £000	Laboratory equipment £000	Office and IT equipment £000	Total £000
Cost				
At 1 February 2016	9	137	228	374
Additions	–	–	81	81
Disposals	–	(118)	(25)	(143)
At 31 January 2017	**9**	**19**	**284**	**312**
Accumulated depreciation				
At 1 February 2016	(7)	(135)	(149)	(291)
Charge for the year	(2)	–	(46)	(48)
Disposals	–	118	25	143
At 31 January 2017	**(9)**	**(17)**	**(170)**	**(196)**
Net book value				
At 1 February 2016	2	2	79	83
At 31 January 2017	**–**	**2**	**114**	**116**

15. Prepayments and other receivables

	31 January 2018 £000	31 January 2017 £000
Other receivables	**3,600**	342
Prepayments	**6,498**	685
Accrued income	**1,036**	–
	11,134	1,027

Notes to the Financial Statements continued

16. Trade and other payables

	31 January 2018 £000	31 January 2017 £000
Trade payables	**4,414**	906
Other taxes and social security	**164**	94
Accruals	**4,078**	2,884
Other creditors	**276**	100
	8,932	3,984

17. Deferred revenue

	31 January 2018 £000	31 January 2017 £000
Due within one year	**10,012**	6,912
Due more than one year	**18,033**	23,615

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. Such products include the Group's lead product candidate, ezutromid, for the treatment of Duchenne muscular dystrophy and its pipeline of second generation and future generation small molecule utrophin modulators. The Group also granted Sarepta an option to expand the licensed territory to include specified countries in Central and South America. The Group retains commercialisation rights in the rest of the world.

Under the licence and collaboration agreement with Sarepta, Summit received an upfront payment of $40.0 million (£32.8 million) from Sarepta. 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. In May 2017, the Group announced the first dosing of the last patient in PhaseOut DMD, its ongoing Phase 2 clinical trial of ezutromid, which triggered a $22 million (£17.2 million) development milestone payment to Summit. The Group believes this development milestone has been achieved, hence the payment has met the recognition criteria of International Accounting Standard 18 'Revenue' and has been recognised in full during the year ended 31 January 2018. In addition, the Group are eligible to receive up to an additional $20.0 million from Sarepta in specified development milestones for ezutromid and up to $150.0 million from Sarepta in specified regulatory milestones related to ezutromid in the licensed territory. The Group are also eligible to receive up to $65.0 million in specified development milestones and up to $225.0 million in specified regulatory milestones from Sarepta for our future generation small molecule utrophin modulators in the licensed territory. In addition, the Group are also eligible to receive up to $330.0 million from Sarepta in specified sales milestones on a product-by-product basis, as well as tiered, escalating royalties ranging from a low to high teens percentage of net sales on a product-by-product basis in the licensed territory.

Under the licence and collaboration agreement with Sarepta, the Group have agreed to collaborate with Sarepta on the research and development of the licensed products pursuant to a joint development plan through a joint steering committee comprised of an equal number of representatives from each party. The Group have been solely responsible for all research and development costs for the licensed products until 31 December 2017. From 1 January 2018, the Group is responsible for 55.0% of the budgeted research and development costs related to the licensed products in the licensed territory, and Sarepta is responsible for 45.0% of such costs. Any costs in excess of 110.0% of the budgeted amount are borne by the party that incurred such costs. The Group is also obligated to spend a specified minimum amount on the research and development of certain licensed products prior to the end of 2019.

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 Summit granted Eurofarma the exclusive right to commercialise ridinilazole in specified countries in South America, Central America and the Caribbean. Summit has retained commercialisation rights in the rest of the world.

Under the terms of the licence agreement, the Group received an upfront payment of $2.5 million (£1.9 million). 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. 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 our two planned Phase 3 clinical trials of ridinilazole. The Group is eligible to receive up to $21.5 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 estimated to range from a mid- to high-teens percentage of cumulative net sales in the Eurofarma licensed territory. The Group estimate 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.

18. Financial liabilities on funding arrangements

The Group has 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 require the Group to pay royalties on potential future revenues generated from the CDI and DMD programmes respectively. Under IFRS, when such arrangements also give the counterparties rights over unexploited intellectual property, this results in a financial liability, recognised in the Statement of Financial Position. The estimated financial liability is initially recognised at fair value using a discounted cash flow model with the difference between the fair value of the liability and the cash received considered to represent a charitable grant.

The financial liabilities are subsequently measured at amortised cost using discounted cash flow models which calculate the risk adjusted net present values of estimated potential future cash flows for the respective projects related to the Wellcome Trust and MDA and DPF agreements. The financial liabilities are re-measured when there is a specific significant event that provides evidence of a significant change in the probability of successful development such as the completion of a phase of research or public reporting of significant interim data and changes in use or market for a product. The models will be updated for changes in the clinical probability of success and other associated assumptions with the discount factor to remain unchanged within the model. Discount factors have been calculated using appropriate measures and rates which could have been obtained in the period that the funding agreements were entered into and are in the range of 16% to 18%.

In October 2017, the Company and the Wellcome Trust entered into an equity and revenue sharing agreement ('RS Agreement'). This was a follow-on to Summit's October 2012 Translational Award funding agreement with the Wellcome Trust ('TA Agreement'), which provided funding for the now completed Phase 1 and Phase 2 clinical trials for ridinilazole. The commercial terms in the RS Agreement replaced those detailed in the TA Agreement. Under the RS Agreement, the Wellcome Trust also agreed to terminate all of its rights under the TA Agreement pertaining to the exploitation of intellectual property related to the CDI programme, meaning the arrangement no longer meets the definition of a financial liability under IFRS. Therefore, the portion of the financial liability on the Group's Statement of Financial Position related to the Wellcome Trust funding has been derecognised in full as a credit to the Statement of Comprehensive Income, with £0.9 million classified as Other income and £3.1 million classified as Finance income. The portion of the derecognised financial liability presented as Other income represents the component of the funding received from the Wellcome Trust not previously credited to the Statement of Comprehensive Income upon initial recognition of the financial liability. The portion of the derecognised financial liability presented as Finance income relates to previous re-measurements and discounts associated with the financial liability which were recognised as finance costs.

The value of the estimated financial liabilities for funding arrangements as of 31 January 2018 amounted to £3.1 million (31 January 2017: £5.9 million) relating to the charitable funding arrangements with MDA and DPF. Since initial recognition, the remaining estimated financial liabilities were re-measured following significant successful events in the DMD and CDI clinical programmes. The financial liabilities were re-measured in the year ended 31 January 2018 following positive interim 24-week data in the Phase 2 clinical trial of ezutromid for DMD which increased the probability of success.

	31 January 2018 £000	31 January 2017 £000
At 1 February	**5,919**	5,034
Unwinding of discount factor	**754**	862
Derecognition of financial liabilities – Finance income	**(3,085)**	–
Re-measurement of financial liabilities on funding arrangements	**410**	–
Net finance income/(costs) on funding arrangements accounting for as financial liabilities	**(1,921)**	862
Derecognition of financial liabilities – Other operating income	**(908)**	–
Cash received from funding arrangements accounted for as financial liabilities	**–**	23
At 31 January	**3,090**	5,919

Changing one or more assumptions to reasonable possible alternative assumptions would not materially change the fair value. The table below describes the value of the liability as at 31 January 2018 of £3.1 million compared to what the total value would be following the presented variations to the underlying assumptions in the model:

	31 January 2018 £000
Estimated financial liabilities on funding arrangements	**3,090**
1% lower discount rate	**3,354**
1% higher discount rate	**2,850**
10% lower revenue assumptions	**2,818**
10% higher revenue assumptions	**3,362**
10% lower probability of success	**1,005**
10% higher probability of success	**5,123**

Notes to the Financial Statements continued

18. Financial liabilities on funding arrangements (continued)

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

US Not for Profit Organisations

Muscular Dystrophy Association

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

Duchenne Partners Fund Inc.

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

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

19. Financial instruments

	Note	31 January 2018 £000	31 January 2017 £000
Loans and receivables			
Other receivables[1]	15	**3,600**	342
Cash and cash equivalents		**20,102**	28,062
		23,702	28,404
Financial liabilities measured at amortised cost			
Trade and other payables	16	**8,932**	3,984
Financial liabilities on funding arrangements	18	**3,090**	5,919
		12,022	9,903

(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 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: no difference was identified other than in respect of financial liabilities on funding arrangements. The Group has a policy, which has been consistently followed, of not trading in financial instruments.

The Group considers the financial liabilities on funding arrangements to be a level 3 financial instruments, and the fair value as at 31 January 2018 was calculated to be £4.7 million. The key inputs to the model are described more fully within Note 2 'Critical accounting judgements and key sources of estimation uncertainty'.

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 and BARDA, 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 2018 £000	31 January 2017 £000
Pounds Sterling	**5,535**	8,969
US Dollar	**14,567**	19,093
	20,102	28,062

19. Financial instruments (continued)

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- and US-based banks and building societies. There were no amounts on short term deposits at the year end. These balances are placed at fixed rates of deposit with maturities between one month and three months.

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

	31 January 2018 £000	31 January 2017 £000
On current account	**20,102**	28,062
	20,102	28,062

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 2018, the banking facilities returned an average rate after fees of 0.02% (2017: 0.04%).

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 £24,082,000 (2017: £22,183,000) in the year:

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

Year ended 31 January 2017	-1%	Actual	+1%
Interest rate	–	0.04	1.04
Interest received (£000)	–	8	230

Credit risk

The credit risk with respect to customers is limited and the Group had no trade receivables outstanding at 31 January 2018.

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of short-term cash investments and trade accounts receivable. Excess cash is invested in short-term money market instruments, including bank term deposits, money market and liquidity funds, and other debt securities provided by a variety of financial institutions with strong credit ratings; these investments typically bore minimal credit risk in the year.

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

As of 31 January 2018 and 31 January 2017, 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 anticipates that its operating cash flow together with available cash and cash equivalents will be sufficient to meet its anticipated needs. See Note 1 'Going concern'.

All of the financial liability categories at each balance sheet 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.

Notes to the Financial Statements continued

20. Provisions for other liabilities and charges and contingent liabilities

	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 £000	Dilapidations £000	Royalties £000	Total £000
At 1 February 2016	–	73	–	73
Additions	–	12	–	12
At 31 January 2017	**–**	**85**	**–**	**85**

Dilapidations

Management has made a provision in respect of the dilapidation costs associated with the reinstatement obligations on their current lease based on best estimates. It is management's intention to utilise the provision at the end of the lease term. During the year ended 31 January 2018, the Group utilised the provisions classified as falling due within one year to settle its obligations in respect of the Group's expired lease in Oxford, UK.

Royalties

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

Assumed contingent liability

On 23 December 2017, the Group acquired Discuva Limited for total consideration of £11.1 million comprising £6.1 million of cash (being £5.0 million plus the value of net cash acquired by the Group as part of the acquisition) and £5.0 million of new ordinary shares of Summit of one penny nominal value issued to Discuva shareholders at a price of 170.4 pence per share. In addition, 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 bacterial genetics-based 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 re-measured 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 initial fair value of the assumed contingent liability as at 31 January 2018 is £1.5 million. The contingent liability has not been re-measured during the period.

The table below describes the value of the assumed contingent liabilities as at 31 January 2018 of £1.5 million compared to what the total value would be following the presented variations to the underlying assumptions in the model:

	31 January 2018 £000
Estimated assumed contingent liabilities	**1,466**
1% lower discount rate	**1,579**
1% higher discount rate	**1,368**
10% lower probability of success	**1,208**
10% higher probability of success	**1,705**

20. Provisions for other liabilities and charges and contingent liabilities (continued)

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

MuOx Limited

Under the research sponsorship agreement that the Group and Oxford University Innovation Limited, formerly known as Isis Innovation Limited, ('OUI') entered into in November 2013, amended and restated in July 2014 and amended in November 2015, the Group agreed to fund a drug research and discovery programme in the University of Oxford laboratories to identify and research utrophin modulators to treat DMD. The Group will fund up to £4.6 million for this purpose over the initial six year research period ending in November 2019. If the Group exercises its right to extend the research period by an additional year, the Group would be obliged to pay OUI an additional £0.8 million, for a total of £5.4 million.

Under the option agreement that the Group and OUI entered into in November 2013, and as amended in November 2015, OUI granted to the Group an exclusive option to licence the intellectual property ('IP') arising from the research carried out under the sponsored research agreement within specified periods. If the Group exercises its option to obtain a licence under arising IP, the Group would be obliged to pay OUI up to a specified sum in option exercise fees.

For any IP arising from the research carried out under the sponsored research agreement and for which the Group has exercised the option and that comprises new chemical entities or compounds, the Group would obtain an exclusive, sub licensable licence. The Group is obligated to pay milestone payments of up to £75,000 upon the achievement of specified development milestones, whether such milestones occur prior to or after the Group's exercise of the option to obtain an exclusive sub-licensable licence. Following exercise of such an option, the Group would also be obligated to pay milestone payments upon the achievement of specified regulatory milestones with respect to each optioned compound. The specified regulatory milestone payment is due each time the specified regulatory milestone is achieved with respect to an optioned compound and, if each optioned compound achieved each regulatory milestone, the Group would be obligated to pay OUI a total of £3.7 million in regulatory milestone payments for each optioned compound.

The Group would also be obligated to pay OUI a low single-digit royalty of net sales by the Group, its affiliates or sub-licensees of any product containing an optioned compound.

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 became due to The School of Pharmacy, and has been provided for at the year end date.

Wellcome Trust

Under the renewed terms of the funding arrangement the Wellcome Trust are entitled to a share of the cumulative net revenue that the 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.

21. Deferred tax liability

The Group's deferred tax liability includes amounts recognised upon acquisition of MuOx Limited, which took place in the year ended 31 January 2014, and amounts recognised upon acquisition of Discuva Limited, which took place in the year ended 31 January 2018.

	31 January 2018 £000	31 January 2017 £000
Amounts falling due after more than one year		
At 1 February	**565**	664
Acquisition of subsidiary (Note 27)	**1,814**	–
Credited to the income statement	**–**	(99)
At 31 January	**2,379**	565

There is an unrecognised deferred tax asset in relation to the trading losses carried forward of £11,944,000 (2017: £10,882,000), £26,000 in relation to provisions (2017: £14,000) and £588,000 (2017: £230,000) in relation to future exercisable shares. There is a deferred tax liability of £71,000 (2017: £3,000) 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.

Notes to the Financial Statements continued

22. Share capital

	31 January 2018 £000	31 January 2017 £000
Allotted, called up and fully paid		
73,563,624 (2017: 61,841,566) Ordinary Shares of 1p each	**736**	618
	736	618

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 2016	61,290,740	613	46,035	46,648
New share capital issued from exercise of warrants	177,045	2	105	107
Share options exercised	373,781	3	280	283
At 31 January 2017	**61,841,566**	**618**	**46,420**	**47,038**
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**

(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 S131 CA 85 relating to business combination accounting.

On 22 February 2017, warrants over 50,000 Ordinary Shares were exercised at a price of 20 pence per share. The issue of shares raised net proceeds of £10,000.

On 18 September 2017, the Group completed an underwritten public offering on the Nasdaq Global Market issuing 1,459,000 American Depositary Shares ('ADS') at a price of $12.00 per ADS. The underwriters also exercised in full their over-allotment option to purchase an additional 218,850 ADSs on the same terms which was also completed on 18 September 2017. Each ADS represents five Ordinary Shares of one penny nominal value each in the capital of the Company, meaning 8,389,250 new Ordinary Shares were issued. Total gross proceeds of $20.1 million (£14.9 million) were raised and directly attributable transaction costs of £1.4 million were incurred.

On 23 December 2017, the Group acquired 100% of the share capital of Discuva Limited, a privately held UK-based company. As part of the consideration the Group issued £5.0 million in new Ordinary Shares of Summit of one penny nominal value to Discuva shareholders at a price of 170.4 pence per share, meaning 2,934,272 Ordinary Shares were issued. See Note 27 'Business combinations' for details.

During the year to 31 January 2018, the following exercises of share options took place:

Date	Number of options exercised
10 April 2017	16,667
27 June 2017	19,425
28 September 2017	32,500
29 September 2017	94,425
2 October 2017	97,199
4 October 2017	88,320
	348,536

The total net proceeds from exercised share options during the year was £0.39 million.

All new Ordinary Shares rank pari passu with existing Ordinary Shares.

Following the public offering and exercise of the over-allotment option, the issuance of shares as consideration for a business combination and the exercise of the above share options and warrants, the number of Ordinary Shares in issue was 73,563,624.

Dividends

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

23. Share option scheme and restricted stock units

At 31 January 2018, 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	249,621	15 July 2016	15 July 2024
	21 January 2015	1.23	25,000	21 January 2017	21 January 2025
	23 June 2016	1.05	560,343	23 June 2017	23 June 2026
			1,085,356		
Unapproved scheme					
	7 April 2011	0.65	13,981	8 April 2014	8 April 2021
	18 December 2013	0.20	76,364	19 June 2013	19 June 2023
	23 June 2014	1.48	400,000	23 June 2015	23 June 2024
	15 July 2014	1.26	847,500	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
	16 June 2015	1.43	2,252,333	16 June 2017	16 June 2025
	15 October 2015	1.31	50,000	15 October 2017	15 October 2025
	23 June 2016	0.01	110,576	21 July 2016	23 June 2026
	23 June 2016	1.05	250,000	23 June 2019	23 June 2026
	23 June 2016	1.05	363,092	23 June 2017	23 June 2026
	11 April 2017	1.85	150,436	11 April 2018	11 April 2027
	11 April 2017	1.85	324,324	11 April 2020	11 April 2027
	11 April 2017	1.85	762,764	23 June 2019	11 April 2027
	27 June 2017	1.80	34,711	27 June 2017	27 June 2027
	18 July 2017	1.83	533,629	18 June 2018	18 June 2027
	18 July 2017	1.83	367,924	18 July 2020	18 July 2027
	24 October 2017	1.80	481,975	24 October 2018	24 October 2027
	24 October 2017	1.80	297,271	24 October 2020	24 October 2027
			7,491,880		
			8,577,236		

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 2018**	Weighted average exercise price £	Year ended 31 January 2017
Outstanding at 1 February	**1.17**	**7,383,401**	1.29	7,006,306
Granted during the year	**1.83**	**2,972,903**	0.98	1,667,576
Lapsed during the year	**0.99**	**(1,430,532)**	1.90	(916,700)
Exercised during the year	**1.13**	**(348,536)**	0.76	(373,781)
Number of outstanding options at 31 January	**1.43**	**8,577,236**	1.17	7,383,401

As at 31 January 2018, 2,042,546 share options were capable of being exercised with a weighted average exercise price per option of 100 pence (2017: 1,972,654 with a weighted average exercise price per option of 84 pence). The options outstanding at 31 January 2018 had a weighted average exercise price per option of 143 pence (2017: 117 pence), and a weighted average remaining contractual life of 7.9 years (2017: 8.9 years).

Notes to the Financial Statements continued

23. 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%
7 April 2011	Unapproved	13,981	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%
23 June 2014	Unapproved	400,000	1.48	1.50	0.92	3.80	1.30%
15 July 2014	EMI	249,621	1.26	1.26	0.65	3.00	1.30%
15 July 2014	Unapproved	847,500	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	EMI	25,000	1.23	1.22	0.64	3.00	0.60%
21 January 2015	Unapproved	75,000	1.23	1.22	0.64	3.00	0.60%
15 June 2015	Unapproved	2,252,333	1.43	1.44	0.65	3.00	0.91%
15 October 2015	Unapproved	50,000	1.31	1.36	0.57	3.00	0.70%
23 June 2016	EMI	560,343	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	250,000	1.05	1.05	0.24	3.00	0.30%
23 June 2016	Unapproved	363,092	1.05	1.05	0.25	3.00	0.30%
11 April 2017	Unapproved	150,436	1.85	1.85	0.68	3.00	0.07%
11 April 2017	Unapproved	324,324	1.85	1.85	0.72	3.00	0.13%
11 April 2017	Unapproved	762,764	1.85	1.85	0.76	2.20	0.07%
27 June 2017	Unapproved	34,711	1.80	1.78	0.64	3.00	0.23%
18 July 2017	Unapproved	533,629	1.83	1.83	0.66	3.00	0.26%
18 July 2017	Unapproved	367,924	1.83	1.83	0.74	3.00	0.31%
24 October 2017	Unapproved	481,975	1.80	1.70	0.57	3.00	0.46%
24 October 2017	Unapproved	297,271	1.80	1.70	0.66	3.00	0.55%
		8,577,236					

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

a. Black-Scholes valuation methodology was used for all share options issued since 2016.
b. The majority of share option awards made before 2016 are performance related and have been modelled using the Monte-Carlo methodology. The options granted on 31 January 2013 and 18 December 2013 at an exercise price of 20 pence respectively, and 16,667 of the unapproved options granted on 23 June 2014 are not performance related.
c. Figures in the range of 39-134% 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.

23. Share option scheme and restricted stock units (continued)

At 31 January 2018, 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
18 July 2017	0.01	136,991	18 July 2018	31 December 2018
24 October 2017	0.01	138,886	24 October 2018	31 December 2018
		275,877		

As at 31 January 2018, nil RSUs were capable of being exercised (2017: nil). The RSUs outstanding at 31 January 2018 had a weighted average exercise price per RSU of 1 penny (2017: nil), and a weighted average remaining contractual life of 0.9 years.

The fair value per RSUs 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 option (£)	Award life (years)	Risk free rate
18 July 2017	136,991	0.01	183	1.82	1.00	0.24%
24 October 2017	138,886	0.01	1.70	1.69	1.00	0.40%
	275,877					

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 47-84% 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.

24. Fixed assets purchase commitments

At 31 January 2018, the Group had no capital commitments (31 January 2017: nil).

25. Leasing and other commitments

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

	Land & buildings	
Leases which expire	**31 January 2018 £000**	31 January 2017 £000
Not later than one year	**337**	88
Later than one year and not later than five years	**1,143**	122
	1,480	210

On 17 February 2017, the Group signed a ten-year lease for new UK office premises. The total commitment of the new lease from the year ended 31 January 2018 up until the break clause is £687,000.

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.

26. Related party transactions

Dr Frank Armstrong was a member of the board of directors of Juniper Pharmaceuticals Inc. during the year until September 2017. During the year £nil (2017: £65,000) was paid to Juniper Pharma Services Limited, a wholly owned subsidiary of Juniper Pharmaceuticals Inc, in respect of clinical manufacturing services. Of this amount £nil was outstanding at the year end (2017: £nil).

Professor Stephen Davies is a member of the board of directors of Oxford University Innovation Limited. During the year £24,000 (2017: £36,000) 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 £12,000 was outstanding at the year end (2017: £nil).

See Note 6 'Directors and employees' for details of key management emoluments.

27. Business combinations

On 23 December 2017, the Group acquired 100% of the share capital of Discuva Limited ('Discuva'), a privately held UK-based company. As part of the acquisition the Group has obtained a bacterial genetics-based platform to generate new mechanism antibiotics.

Under the terms of the acquisition, the consideration to Discuva shareholders comprised of £6.1 million in cash (being £5.0 million plus the value of net cash acquired by the Group as part of the acquisition) and £5.0 million in new Ordinary Shares of Summit of one penny nominal value issued to Discuva shareholders at a price of 170.4 pence per share, representing 2,934,272 Ordinary Shares.

The Group recognised £1.8 million of goodwill upon the acquisition of Discuva. Goodwill represents the difference between the fair value of the identifiable assets acquired and liabilities assumed for Discuva and the amount paid in consideration and is attributable to the existing Discuva workforce (which cannot be separately valued under accounting standards). The goodwill recognised will not be deductible for tax purposes.

The consideration paid for Discuva and the identifiable assets acquired and liabilities assumed are as follows:

	£000
Consideration	
Cash	6,091
2,934,272 new Summit Therapeutics plc Ordinary Shares issued	5,000
Total consideration	**11,091**

	Book value £000	Fair value adjustment £000	Fair value £000
Recognised amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	1,316	–	1,316
Property, plant and equipment	329	–	329
Intangible assets – option over non-financial assets	668	–	668
Intangible assets – bacterial genetics-based platform	–	10,670	10,670
Trade and other receivables	1,129	–	1,129
Trade and other payables	(1,555)	–	(1,555)
Assumed contingent liabilities	–	(1,466)	(1,466)
Net deferred tax liabilities	–	(1,814)	(1,814)
Book and fair value of identifiable net assets	**1,887**	**7,390**	**9,277**
Goodwill	–	1,814	1,814
Total consideration	**1,887**	**9,204**	**11,091**

The Group has recognised £10.7 million of identified intangible assets acquired related to the bacterial genetics-based platform. See Note 13 'Intangible assets' for further details.

The Group has assumed £1.5 million of contingent liabilities as part of the acquisition 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 platform. The timing of these potential payments is uncertain. See Note 20 'Provisions for other liabilities and charges and contingent liabilities' for further details.

The gross contractual amount for trade and other receivables due is £1.1 million, all of which is expected to be collectible.

The results of Discuva have been included in the Group's Consolidated Income Statement from 23 December 2017, contributing £0.3 million (1.2%) of Group revenues for the year ending 31 January 2018. Discuva contributed a gain of £0.02 million to the Group's total comprehensive loss for the year ended 31 January 2018.

If the acquisition had occurred on 1 February 2017, unaudited pro forma combined revenue for the year ended 31 January 2018 would have been £28.1 million, unaudited pro forma combined total comprehensive loss for the year ended 31 January 2018 would have been £7.3 million, and unaudited pro forma combined basic and diluted loss per Ordinary Share from operations for the year ended 31 January 2018 would have been 11 pence. These amounts have been calculated using Discuva's results and adjusting them for costs associated with the acquisition, differences in the accounting policies between the Group and Discuva and amounts restated in Discuva's financial information.

Transaction costs

Acquisition related costs of £0.4 million have been excluded from the consideration transferred and recognised as a general and administration expense in the Consolidated Statement of Comprehensive Income for the year ended 31 January 2018.

28. Subsequent events

On 29 March 2018, the Group completed a 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 proceeds of £15.0 million were raised (before expenses). Following the placing the number of Ordinary Shares in issue was 81,901,173.

Company Statement of Financial Position

Summit Therapeutics plc Individual Financial Statements (Company Number 5197494)

At 31 January 2018

	Note	31 January 2018 £000	31 January 2017 £000
Fixed assets			
Investments	3	**22,236**	10,307
Current assets			
Trade and other receivables	4	**51,596**	53,741
Cash and cash equivalents		**7,816**	1,406
		59,412	55,148
Total assets		**81,648**	65,454
Creditors: amounts falling due within one year	5	**(815)**	(262)
Total assets less current liabilities		**80,833**	65,193
Net assets		**80,833**	65,193
Capital and reserves			
Share capital	6	**736**	618
Share premium account		**60,237**	46,420
Share-based payment reserve		**6,743**	5,136
Merger reserve		**4,970**	–
Special reserve		**19,993**	19,993
Profit and loss account		**(11,846)**	(6,975)
Total equity		**80,833**	65,192

The Company's loss for the year was £4,871,000 (2017: £3,498,000).

The notes on pages 91 to 94 form part of these financial statements.

The Individual Financial Statements on pages 89 and 94 were approved by the Board of Directors and signed on its behalf by,

Glyn Edwards
Chief Executive Officer

11 April 2018

Company Statement of Changes in Equity

Summit Therapeutics plc Individual Financial Statements (Company Number 5197494)

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**

Year ended 31 January 2017

	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 2016	613	46,035	3,757	–	19,993	(3,477)	66,921
Loss for the year	–	–	–	–	–	(3,498)	(3,498)
Total comprehensive loss for the year	–	–	–	–	–	(3,498)	(3,498)
New share capital issued from exercise of warrants	2	105	–	–	–	–	107
Share options exercised	3	280	–	–	–	–	283
Share-based payment	–	–	1,379	–	–	–	1,379
At 31 January 2017	**618**	**46,420**	**5,136**	**–**	**19,993**	**(6,975)**	**65,192**

The accompanying notes form an integral part of these financial statements.

Information pertaining to the share options issued in the year are analysed in Note 23 'Share option scheme and restricted stock units'. The share-based payment reserve is borne on behalf of the underlying subsidiaries.

Notes to the Individual Financial Statements of Summit Therapeutics plc

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 UK GAAP. 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 Pounds Sterling (£) and have been presented in round thousands (£000).

Going concern

The financial information in these financial statements has been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

After review of the future operating costs of the business in conjunction with the cash held at 31 January 2018, management are confident about the Company's ability to continue as a going concern.

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. Presentation of a comparative reconciliation of the number of Ordinary Shares outstanding at the beginning and at the end of the period.
5. The effect of future accounting standards not adopted.
6. Certain share-based payment disclosures (as these are publicly available in the Consolidated Financial Statements).
7. Disclosures in relation to impairment of assets.
8. Disclosures in respect of financial instruments.
9. Fair value measurement disclosures (other than disclosures required as a result of recording financial instruments at fair value).
10. Certain business combinations disclosures (as these are publicly available in the Consolidated Financial Statements).

Investments

The Company holds 100% ownership of the subsidiaries detailed below in Note 7; these are held at cost. The carrying value of the subsidiaries is reviewed annually by management for any indicators of impairment.

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) either a Monte-Carlo or Hull White trinomial lattice 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 23 'Share option scheme and restricted stock units' of the Group Consolidated Financial Statements for further information.

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.

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 33 to 54.

Auditors' remuneration

Audit remuneration is disclosed in Note 8 of the Group Consolidated Financial Statements.

Employees

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

Notes to the Individual Financial Statements of Summit Therapeutics plc continued

3. Investments

	Investment in subsidiaries £000	Capital contributions for share options recharge £000	Total £000
Cost			
At 1 February 2017	20,212	5,084	25,296
Additions	10,806	1,123	11,929
At 31 January 2018	**31,018**	**6,207**	**37,225**
Accumulated impairment			
At 1 February 2017	(14,859)	(130)	(14,989)
At 31 January 2018	**(14,859)**	**(130)**	**(14,989)**
Net book value			
At 1 February 2017	5,353	4,954	10,307
At 31 January 2018	**16,159**	**6,077**	**22,236**

On 23 December 2017, the Group acquired 100% of the share capital of Discuva Limited a privately held UK-based company. Under the terms of the acquisition, the consideration to Discuva shareholders comprised of £6.1 million in cash (being £5.0 million plus the value of net cash acquired by the Group as part of the acquisition) and £5.0 million in new Ordinary Shares of Summit of one penny nominal value issued to Discuva shareholders at a price of 170.4 pence per share, representing 2,934,272 Ordinary Shares. As a consequence, the Company has recognised £10.4 million as investment in subsidiaries and £0.7 million as amounts owed by Group undertakings.

The Directors believe that the carrying value of investments are supported by their underlying net assets.

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.

See Note 7 for a listing of the interests the Company had in subsidiaries at 31 January 2018.

4. Trade and other receivables

	31 January 2018 £000	31 January 2017 £000
Prepayments and other debtors	**223**	94
Amounts owed by Group undertakings	**51,373**	53,647
	51,596	53,741

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

5. Creditors: amounts falling due within one year

	31 January 2018 £000	31 January 2017 £000
Other creditors	**619**	212
Amounts owed to Group undertakings	**196**	50
	815	262

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

6. Share capital

	31 January 2018 £000	31 January 2017 £000
Allotted, called up and fully paid		
73,563,624 (2017: 61,841,566) Ordinary Shares of 1p each	**736**	618
	736	618

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 2016	61,290,740	613	46,035	46,648
New share capital issued from exercise of warrants	177,045	2	105	107
Share options exercised	373,781	3	280	283
At 31 January 2017	**61,841,566**	**618**	**46,420**	**47,038**
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**

(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 S131 CA 85 relating to business combination accounting.

On 22 February 2017, warrants over 50,000 Ordinary Shares were exercised at a price of 20 pence per share. The issue of shares raised net proceeds of £10,000.

On 18 September 2017, the Group completed an underwritten public offering on the Nasdaq Global Market issuing 1,459,000 American Depositary Shares ('ADS') at a price of $12.00 per ADS. The underwriters also exercised in full their over-allotment option to purchase an additional 218,850 ADSs on the same terms which was also completed on 18 September 2017. Each ADS represents five Ordinary Shares of one penny nominal value each in the capital of the Company, meaning 8,389,250 new Ordinary Shares were issued. Total gross proceeds of $20.1 million (£14.9 million) were raised and directly attributable transaction costs of £1.4 million were incurred and accounted as a deduction from equity.

On 23 December 2017, the Group acquired 100% of the share capital of Discuva Limited, a privately held UK-based company. As part of the consideration the Group issued £5.0 million in new Ordinary Shares of Summit of one penny nominal value to Discuva shareholders at a price of 170.4 pence per share, meaning 2,934,272 Ordinary Shares were issued. See Note 27 'Business combinations' for details.

During the year to 31 January 2018 the following exercise of share options took place:

Date	Number of options exercised
10 April 2017	16,667
27 June 2017	19,425
28 September 2017	32,500
29 September 2017	94,425
2 October 2017	97,199
4 October 2017	88,320
	348,536

The total net proceeds from exercised share options during the year was £0.39 million.

All new Ordinary Shares rank pari passu with existing Ordinary Shares.

Following the public offering and exercise of the over-allotment option, the issuance of shares as consideration for a business combination and the exercise of the above share options and warrants, the number of Ordinary Shares in issue was 73,563,624.

Dividends

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

Notes to the Individual Financial Statements of Summit Therapeutics plc continued

7. Subsidiaries

Company name	Country of incorporation	Address	Percentage shareholding	Description
Summit (Oxford) Limited	England and Wales	136A Eastern Avenue, Milton Park, OX14 4SB	100%	1,000 £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 Limited	England and Wales	136A Eastern Avenue, Milton Park, OX14 4SB	100%	1 £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 Therapeutics Inc	United States of America	One Broadway, Cambridge, MA 02142	100%	20,000 $1 Ordinary Shares
Discuva Limited	England and Wales	136A Eastern Avenue, Milton Park, OX14 4SB	100%	22,649,006 Ordinary 1p shares 3,288,213 Preference 1p shares 1 Z Ordinary 0.01p share
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. Differences arising from the translation of net assets and the results for the year are taken to other comprehensive income.

Summit Discovery 1 Limited, Summit Corporation Employee Benefit Trust Company Limited, Summit Corporation Limited, Summit (Cambridge) Limited, MuOx Limited and Summit Infectious Diseases Limited are dormant companies. Summit (Wales) Limited is a non-trading company.

8. Subsequent events

On 29 March 2018, the Group completed a 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 proceeds of £15.0 million were raised (before expenses). Following the placing the number of Ordinary Shares in issue was 81,901,173.

Company Information

Directors

Frank Armstrong, FRCPE, FFPM	Non-Executive Chairman
Glyn Edwards, MBE	Chief Executive Officer
Barry Price, PhD	Non-Executive Director
Professor S Davies	Non-Executive Director
Leopoldo Zambeletti	Non-Executive Director
Valerie Andrews	Non-Executive Director
David Wurzer	Non-Executive Director

Company Secretary
Melissa Strange, FCCA

Registered office
136a Eastern Avenue
Milton Park
Abingdon
Oxfordshire OX14 4SB UK

Registered number
05197494 England and Wales

Nominated adviser
Cairn Financial Advisers LLP
Cheyne House
Crown Court
62-63 Cheapside
London EC2V 6AX UK

Brokers
Nplus1 Singer
One Bartholomew Lane
London EC2N 2AX UK

Panmure Gordon & Co
One New Change
London EC4M 9AF UK

Public Relations
Consilium Strategic Communications
41 Lothbury
London EC2R 7HG UK

MacDougall Biomedical Communications
888 Worcester Street, Suite 200
Wellesley MA 02482 US

Auditor
PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
Berkshire RG1 3JH UK

Lawyers
Druces LLP
Salisbury House
London Wall
London EC2M 5PS UK

WilmerCutler Pickering Hale and Dorr LLP
7 World Trade Center
250 Greenwich Street
New York NY 10007 US

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham BR3 4TU UK

Company Information

Directors

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Glyn Edwards, MBE	Chief Executive Officer
Barry Price, PhD	Non-Executive Director
Professor S Davies	Non-Executive Director
Leopoldo Zambeletti	Non-Executive Director
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Berkshire RG1 3JH UK

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Druces LLP
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London EC2M 5PS UK

WilmerCutler Pickering Hale and Dorr LLP
7 World Trade Center
250 Greenwich Street
New York NY 10007 US

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham BR3 4TU UK

ckd

Design & production
www.carrkamasa.co.uk

Summit Therapeutics plc

136a Eastern Avenue
Milton Park
Abingdon
Oxfordshire OX14 4SB
United Kingdom

Tel: +44 (0)1235 443939
Fax: +44 (0)1235 443999

www.summitplc.com