summit plc

Summit plc Annual Report and Accounts 2011/12

Summit is a UK drug discovery company with a broad drug pipeline, a world-leading technology platform and a clear strategy to generate sustainable value for shareholders.

Summit is a drug discovery company developing novel drug candidates to treat areas of high unmet medical need.

Summit's strategy focuses on licensing its drug programmes prior to them progressing into expensive, late-stage clinical trials.

Based in Oxfordshire, UK, Summit has an innovative technology platform, a drug programme pipeline, and a clear strategy for generating sustainable value for shareholders.

- Summit's strategy focuses on developing multiple drug discovery programmes and advancing them through to key development milestones
- At the appropriate stage, Summit will seek to license programmes to partners in the pharmaceutical industry with the aim of generating revenues through upfront payments, success-based development milestones and sales royalties
- Our current focus is on advancing three drug programmes targeting Duchenne Muscular Dystrophy, *C. difficile* infection, and Alzheimer's disease and other tauopathies
- These programmes are in high-value therapy areas of unmet medical need and provide several opportunities for value growth

Full details of our programmes can be found online at www.summitplc.com

Highlights

Scientific & Commercial

$1.5m agreement signed with US DMD organisations to fully fund new Phase I clinical trial of potential first-in-class DMD drug candidate SMT C1100

Clinical trial application for SMT C1100 approved by the Medicines and Healthcare products Regulatory Agency with full results from Phase I clinical trial anticipated by the end of 2012

Positive results from non-clinical efficacy studies show SMT C1100 increases utrophin to therapeutically beneficial levels in DMD patient muscle cells

Orphan drug status granted to SMT C1100 by the US FDA

Preclinical development studies successfully completed on SMT 19969 that showed the clinical candidate has an excellent safety profile

Further research milestone achieved in *C. difficile* programme in collaboration with the Wellcome Trust triggered payment of £925,000

Positive *in vivo* and *in vitro* data reported in Alzheimer's disease programme with novel Seglin inhibitors identified that have disease modifying potential

Corporate & Financial

Mr Glyn Edwards appointed as Chief Executive Officer in April 2012

£5.0 million fund raise with new and existing investors through the placing of 167 million new Ordinary shares completed in April 2012

Operational expenditure in-line with expectations

Net loss for 12 months ended 31 January 2012 reduced to £2.7m (31 January 2011: £4.7m)

Duchenne Muscular Dystrophy ('DMD')

There is currently no cure for DMD, a fatal genetic disease that occurs in approximately 1 in 3,500 males with 30% of cases arising in boys with no familial history of the disease.

page 06

C. difficile Infection ('CDI')

Infection caused by the bacterium *C. difficile* represents a major healthcare threat in hospitals and long-term care homes, and increasingly in the wider community.

page 08

Seglin™ Technology

This innovative chemistry platform is currently being used to identify a potential disease modifying approach for the treatment of a group of related neurodegenerative disorders that includes Alzheimer's disease.

page 10

Chairman's Statement

Post the year end, the Company has been strengthened through the appointment of Glyn Edwards as its new Chief Executive Officer and the completion of a fundraising.

Barry Price
Chairman

The Board is pleased to report advances in its lead development programmes as the Company prepares to commence human clinical studies of its drug candidates: SMT C1100 as a potential first-in-class treatment for the fatal genetic disease, Duchenne Muscular Dystrophy, and SMT 19969 as a potential front-line novel antibiotic for the treatment of *Clostridium difficile* infection. Post the year end, the Company has been strengthened through the appointment of Glyn Edwards as its new Chief Executive Officer and the completion of a fundraising.

Strategy
Summit operates a differentiated business model that aims to provide investors with a portfolio of opportunities for value growth, while simultaneously spreading the risks and costs that are concomitant with the discovery and development of new drugs.

Summit's strategy focuses on developing multiple discovery drug programmes and advancing them through key milestones starting from *in vivo* proof of concept up to Phase II clinical trials. At the appropriate stage during this development cycle it is our intention to license the programmes to partners in the pharmaceutical industry who will be responsible for subsequent studies, including the expensive late-stage registration trials, as well as product commercialisation. In negotiating these deals, Summit aims to generate revenues through upfront payments, success based development milestones and sales royalties.

Our approach of developing multiple programmes mitigates against the risks of failure, while also providing a controllable cost base that provides flexibility as to where resources are invested. The Board believes this strategy provides the opportunity to generate significant value for shareholders and deliver our ambition of creating a sustainable business.

Key Programmes and Technology
To fulfil our business model, Summit is developing over the shorter-term, two high-value drug programmes, while over the longer-term, our approach is underpinned by Seglin™ technology. The Board believes Seglins to be an innovative drug discovery platform and a potential major source of new medicines capable of treating a variety of disease areas.

Rare diseases: SMT C1100 for Duchenne Muscular Dystrophy
I am pleased to report that our most advanced programme, which targets the fatal genetic disease Duchenne Muscular Dystrophy ('DMD') has made significant strides. A highlight of our efforts was achieved in December 2011 through the signing of deals collectively worth $1.5 million with a number of US-based DMD groups to fund a new Phase I clinical trial on our candidate, SMT C1100.

DMD is caused by the lack of a protein called dystrophin which results in severe and progressive deterioration of all skeletal muscles, as well as the heart and diaphragm. Currently there is no cure for the disease.

SMT C1100 is a potential disease-modifying drug that works by increasing production of a naturally occurring protein called utrophin to compensate for the missing dystrophin. A compelling package of non-clinical efficacy data was further enhanced during the period through the reporting, and subsequent publication in a peer-reviewed scientific journal, of new *in vitro* efficacy data. These results showed that treatment with low concentrations of SMT C1100 of dystrophin deficient muscle cells, taken from DMD patients, increased utrophin to levels which are expected to have therapeutic benefit. These studies were conducted at Oxford University by Professor Dame Kay Davies FRS, a world-leading academic and pioneer of utrophin as a therapeutic approach for DMD.

Principal Risks and Uncertainties

Risk	Description	Mitigation
1. Research & development	There is always a risk that Summit's drug programmes will fail for a number of reasons. Potential drugs may not show reproducible results in preclinical and clinical trials or produce unacceptable side effects that outweigh any clinical benefit. In addition the Seglin™ technology platform or individual drug programmes may be superseded by direct competitors, many of whom have substantially greater financial, technical and marketing resources, greater name recognition and larger customer bases.	Summit is developing multiple programmes to help mitigate the risk of programme failure. Our three key programmes target Duchenne Muscular Dystrophy, *C. difficile* infection and Alzheimer's disease and related dementias. Summit's management maintain a close watch on the activities of its competitors and seeks to form collaborative arrangements to complement our active programmes where necessary.
2. Intellectual property ('IP')	In common with all drug discovery companies, Summit faces the risk that the IP rights necessary to exploit research and development efforts may not be adequately secured or defended. The Group's IP may also become obsolete before the products and services can be fully commercialised.	Summit actively manages its IP portfolio using key technical experts to assist with the application and defence of any IP rights.
3. Regulatory	Drug development is a highly regulated activity with multiple agencies working to ensure that new drugs are safe and effective. It can be difficult to predict the exact requirements of regulatory bodies in different jurisdictions. Clinical or regulatory issues could lead to delays in drug development which take significant time and investment to resolve.	Summit has developed good working relationships with specialist companies and consultants who are experienced in the clinical trial application process, and we are also building up our own internal expertise in this area. Our project development plans factor in the possibility for complications wherever possible.
4. Commercial	There is a risk that Summit is unable to license its products or technology to partners in the wider pharmaceutical industry effectively. Not achieving future milestone payments or the return of licensed assets by third parties are also potential risks. Alternative technologies or programmes could be developed that undermine the Group's commercial activities or make our current technology and drug programmes uneconomic for the market.	Key programmes are reviewed regularly to ensure they remain commercially attractive and management seek to identify and form core relations with potential partners in order to assist with the commercialisation process.
5. Financial	The successful development of Summit's drug programmes requires financial investment which can come from commercial partners, grant funding or the equity markets. Failure to generate appropriate levels of funding from any of these, or other, sources may lead to postponement of drug programmes and a reduction in research and development operations. The ability of the Group to continue to operate until sustainable revenues are generated will be dependent upon the above sources of funding.	Summit has secured non-dilutive grant funding and raised finance through the equity markets which will enable our leading programmes to be advanced through to key development milestones that are expected to increase the chance of securing a commercial deal. Summit robustly manages the allocation and expenditure of cash resources and management discuss the on-going funding requirements of the business on a regular basis, actively pursuing appropriate, non-dilutive sources of funding.
6. Operational	As with all companies similar to Summit, the operational risks facing the business include the ability to retain and recruit staff and maintain the facilities from which the Company operates.	Summit ensures it has an appropriate recruitment process in place in order that the best candidates are identified and continually assesses the various methods used to incentivise staff. The Company ensures it has the necessary insurances in place and has a disaster recovery plan which is reviewed regularly.

Chairman's Statement cont.

A major competitive advantage of SMT C1100 is that it is currently the only programme in clinical development that will benefit all patients with DMD, regardless of their specific genetic mutation.

In November 2011, SMT C1100 was granted orphan drug status by the US FDA. Our clinical candidate has now been designated as an orphan drug in both Europe and the US, which will provide additional regulatory support and various commercial benefits including extended periods of market exclusivity.

These activities were important in securing the $1.5 million funding agreements with a number of US DMD groups: the Muscular Dystrophy Association, Project Patient Muscular Dystrophy, Charley's Fund, Cure Duchenne, the Foundation to Eradicate Duchenne and the Nash Avery Foundation. These agreements were signed following an extensive due diligence exercise on the programme to provide independent endorsement of our approach.

A new Phase I clinical trial in healthy volunteers will now be conducted and this study remains on-track, with a clinical trial application ('CTA') having been approved by the UK's Medicine and Healthcare products Regulatory Agency ('MHRA'). Full results from this Phase I study are anticipated by the end of 2012.

A major competitive advantage of SMT C1100 is that it is currently the only programme in clinical development that will benefit all patients with DMD, regardless of their specific genetic mutation. Consequently we believe that SMT C1100 has the potential to generate annual sales in excess of $1 billion and therefore represents a high-value licensing opportunity, with a successful outcome from the Phase I trial expected to be a significant value-enhancing milestone for the programme and Company.

Infectious Diseases: SMT 19969 for *Clostridium difficile* Infection

Summit's programme developing a new antibiotic to treat *Clostridium difficile* infection ('CDI') is supported by a prestigious Wellcome Trust award and the programme continued to make excellent progress during the period.

CDI represents a major healthcare threat and has a market potential in excess of $2.5 billion per annum, while the annual cost of care in Europe and North America is estimated at over $7 billion. In 2010 over 2,700 deaths were reported to be associated with CDI in England and Wales, over five times the rate of deaths caused by MRSA. Existing treatment options are limited and do not address the major issues of recurrent disease or the emergence of hyper-virulent strains of the infection.

Our lead candidate SMT 19969 has the ideal target profile for a new antibiotic for CDI, namely excellent potency against the bacterium, a very narrow spectrum of activity to prevent recurrent infection and an excellent resistance profile. SMT 19969 has the potential to become a front-line treatment for initial CDI and the prevention of recurrent episodes, with its profile differentiating it from marketed products and other drugs in development.

In May 2011, SMT 19969 was nominated as a candidate to advance into preclinical studies. This achieved a significant research milestone in our collaboration with the Wellcome Trust and allowed drawdown of a £925,000 payment that financially supported the preclinical studies.

We reported at the beginning of April 2012 that these preclinical studies reached a successful conclusion and means that we are now able to start planning to advance this drug candidate into human clinical trials. Achieving this will be a key development milestone for this programme, which the Company believes, represents another major deal opportunity.

Seglin™ Technology Platform

A key component in delivering our business model is having the capability to continually generate new drug programmes. The Board believes this is fulfilled by our Seglin™ technology, an innovative drug discovery platform that has the potential to identify new medicines to treat a range of major diseases.

In human biology, the function of physiological systems is dependent on proteins, nucleic acids (the building blocks of DNA), carbohydrates (sugars) and lipids (fats). The importance of proteins and nucleic acids as targets in drug discovery is well established, but carbohydrates have remained largely unexploited. Advances made in the study of carbohydrates in biological processes (glycobiology) have however led to a greater understanding of the role carbohydrate recognition and processing plays in the progression of disease and has resulted in the identification of a host of new carbohydrate related drug targets.

The business has made significant progress during the past year and developments in the current period and beyond offer exciting opportunities for the Company.

Exploiting these new targets has proved a challenge to the pharmaceutical industry with conventional screening collections used by the wider industry having limited success in generating programme leads. Summit is pioneering the development of Seglins, a chemistry technology platform that opens up new areas of chemical space. Seglin™ technology has the potential to provide access to these new carbohydrate related targets as Seglin molecules are carbohydrate mimics with intrinsic biological activity and excellent drug properties. It is our belief therefore that Seglins are ideally placed to exploit both these carbohydrate targets, as well as other established drug targets.

Alzheimer's Disease & Other Tauopathies Programme

Our main internal focus continues to be on the development of the Seglin programme targeting a group of neurodegenerative diseases collectively known as 'tauopathies'. The tauopathies include the most common form of dementia, Alzheimer's disease, as well as a number of rare diseases such as Progressive Supranuclear Palsy and Frontotemporal dementia. With treatment options limited to ones providing symptomatic relief, this is an area of high unmet medical need.

One of the characteristics of these diseases is the presence of toxic aggregates of tau protein, often in the form of neurofibrillary tangles ('NFT'), which contribute to the death of nerve cells in the brains of patients. Notably, independent scientific studies have been reported which place a greater emphasis on the importance of tau and protein tangles in the cause and spread of the disease.

Our early-stage programme in this area has made good progress with positive *in vitro* and *in vivo* data being reported during the last 12 months. Summit's approach is to inhibit an enzyme called *O*-linked *N*-acetylglucosaminidase ('OGA'). Independent scientific studies have highlighted how inhibiting OGA can prevent tau from forming the toxic NFTs making the enzyme an attractive target for the development of potential disease modifying drugs. Using Seglin™ technology, *in vitro* efficacy was established in human cells through the identification of potent and highly selective Seglin small molecule inhibitors of OGA. *In vivo* studies subsequently showed these Seglins were able to penetrate the blood brain barrier and enter the central nervous system ('CNS'), an important prerequisite for treating CNS disorders. In addition the Seglin displayed excellent oral bioavailability with no adverse effects being observed.

Commercial Outlook

The Board believes that the Company's best opportunity for securing a significant commercial deal will be when our three leading programmes reach important development milestones, assuming the data are positive: Completion of Phase I for DMD, completion of Phase I for *C. difficile* infection and *in vivo* proof of concept for OGA/Alzheimer's disease. Positive data from these respective studies is anticipated to enhance the value of the assets and increase the potential of realising this through a deal.

Post Year End Events: Board Changes and Fundraising

The appointment of Mr Glyn Edwards as Summit's new Chief Executive Officer was announced in April 2012. Glyn brings to the role a wealth of experience garnered from a thirty-year career in the life sciences industry, including a proven commercial track record that has included the execution of major licensing deals. The Board believes Glyn will be an invaluable addition to the team and that he is joining at what promises to be a pivotal time in the development of your Company. Glyn has joined the Board of Directors, while I have assumed my previous role as Non-Executive Chairman.

The financial position of the Company was strengthened post year end following the completion of a placing of new Ordinary shares with new and existing institutional investors to raise gross proceeds of £5.0 million. The funds will support the scientific and commercial development of our leading programmes as outlined above.

On behalf of the Board, I would like to thank shareholders for their commitment to Summit and we are appreciative of the valuable feedback provided on the fundraising. With the immediate priority of securing the funding now complete, the Board is actively reviewing all comments received and will address these in a manner that is beneficial to the long-term interests of the Company and all shareholders.

Summary & Outlook

The business has made significant progress during the past year and developments in the current period and beyond offer exciting opportunities for the Company. Under the experienced leadership of Glyn, the Company looks forward to advancing our three lead programmes through to value-enhancing development milestones, which have the potential to lead to greater commercial benefit for the business.

The Board would like to thank all our staff for their efforts and dedication over the last year, which has been instrumental in advancing the business. Finally, we thank all our shareholders for their continuing commitment and support,

Barry Price, PhD
Chairman

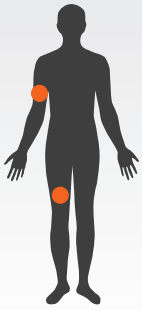
18 May 2012

Duchenne Muscular Dystrophy ('DMD')

Patient population
in the developed world

50,000

X-linked disease with incidence of 1 in 3,500 births



Potential annual sales

>$1billion

Duchenne Muscular Dystrophy ('DMD') is a fatal, genetic disease that predominantly affects boys. It has a population of around 50,000 in the developed world and is classified as a rare or orphan disease. DMD is caused by the absence of a protein called dystrophin which is essential in maintaining the healthy function of muscles in the body and approximately 30% of DMD cases arise in boys with no familial history of the disease. The progressive muscle wasting begins in early childhood and typically leads to death in the twenties due to cardiac and respiratory failure. Currently there is no cure.

Summit's small molecule drug, SMT C1100, has the potential to treat all boys with DMD regardless of their genetic mutation. The oral drug works by increasing production of a naturally occurring protein called utrophin to substitute for the missing dystrophin. The discovery of SMT C1100 by Summit's scientists builds on the pioneering research of Professor Dame Kay Davies FRS, a world renowned academic at Oxford University.

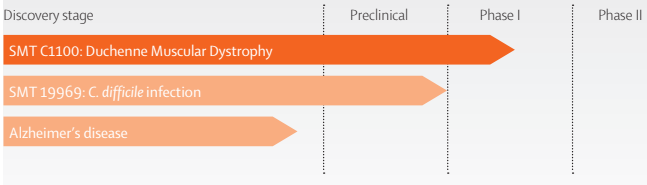
A compelling package of non-clinical efficacy data has been generated that illustrates the disease modifying potential of SMT C1100. The results include SMT C1100 increasing utrophin in muscle cells taken from DMD patients to levels expected to have a therapeutic effect, and improving whole muscle function in an *in vivo* study that is a surrogate for the six minute walk test, a primary end-point in patient trials.

A Phase I clinical trial in healthy volunteers will be conducted in 2012 to evaluate a new formulation of SMT C1100 and full results are expected by the end of the year. The trial is being supported by a $1.5 million agreement with a group of US-based DMD organisations including the Muscular Dystrophy Association.

Fast facts

- DMD is a rare disease for which there is currently no cure
- SMT C1100 is a potential disease modifying approach that could treat all DMD patients
- Orphan drug status has been granted to SMT C1100 in both Europe and the United States

Current programmes

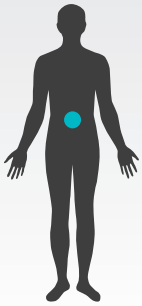


C. difficile Infection ('CDI')

Number of cases per annum
in Europe & North America

900,000

Fatal disease: 2-7% mortality rates reported in patients with CDI



High economic burden: cost of care
in Europe & North America

>$7 billion

Clostridium difficile infection ('CDI') is a major healthcare issue in hospitals and long-term care homes, and increasingly in the wider community. It is a serious illness caused by infection of the colon by the bacteria, *C. difficile*, which produces toxins that cause inflammation, severe diarrhoea and can in the most serious of cases be fatal. The increase in the global prevalence of CDI means it has a high economic burden with the annual cost of care in North America and Europe estimated to be over $7 billion.

CDI typically develops following disruption to the natural gut flora which allows the overgrowth of *C. difficile*. The use of broad-spectrum antibiotics further disrupts the natural balance of gut flora and is associated with recurrent disease, the key clinical issue. It is estimated that up to 30% of patients will experience at least one episode of recurrent disease and these are often more severe and have a higher rate of mortality. Current treatment options remain limited and there is still the need to develop antibiotics that minimise the incidence of recurrent disease.

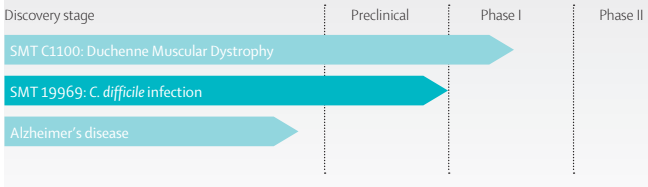
Summit's novel small molecule antibiotic, SMT 19969, is being developed as the front-line treatment for initial CDI and prevention of recurrent disease. The compound is differentiated to existing marketed drugs or those in development, and combines excellent potency with unprecedented selectivity for *C. difficile* meaning it does not disrupt the healthy gut bacteria. This is expected to be important in naturally preventing recurrent CDI and so improve the prognosis for patients.

SMT 19969 has completed the formal preclinical development studies and is now being progressed towards evaluation in human clinical trials. The development of SMT 19969 has been supported by a prestigious Seeding Drug Discovery Award from the Wellcome Trust.

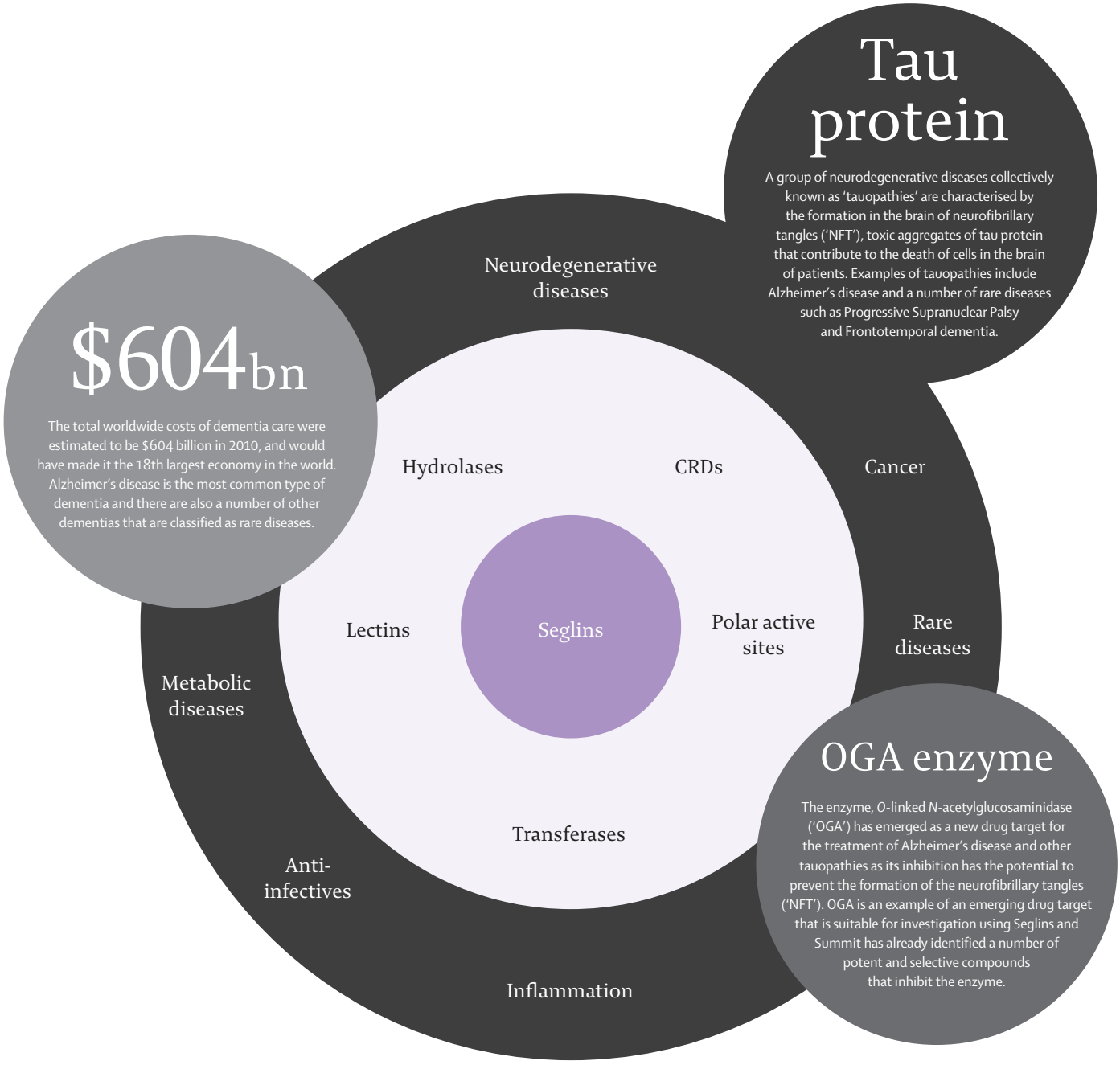
Fast facts

- Increase in global prevalence and severity of disease with CDI also emerging as a community issue
- Recurrent disease represents the key clinical issue with up to 30% of patients experiencing at least one episode of recurrent disease
- Summit's clinical stage antibiotic, SMT 19969 is being developed as the front-line treatment for initial infection and prevention of recurrent disease

Current programmes



Seglin™ Technology



Dementia
population affected

35.6 million

Estimated to almost double to 65.7 million people by 2030

Annual sales of Alzheimer's drugs

>$8 billion

No treatments available that delay or halt the progression of the disease

Seglin™ technology is an innovative drug discovery platform for the identification of new drug leads and candidates with the potential to target a broad range of diseases. In human biology, the function of cells, tissues, pathways and physiological systems is fundamentally dependent on proteins, nucleic acids (building blocks of DNA), carbohydrates (sugars) and lipids (fats). The importance of proteins and nucleic acids as drug targets is well established and has been successfully exploited.

In contrast, the targeting of carbohydrate biology remains largely unexploited in drug discovery. Summit is pioneering the development of Seglins, or second generation iminosugars, as a new area of chemistry space with the potential to identify drug-like molecules.

Seglins are small, orally available polar molecules that mimic carbohydrates but have a nitrogen atom replacing the oxygen ring atom in their chemical structure resulting in stability and drug-like properties. The molecules are highly functionalised structures and have intrinsic biological activity.

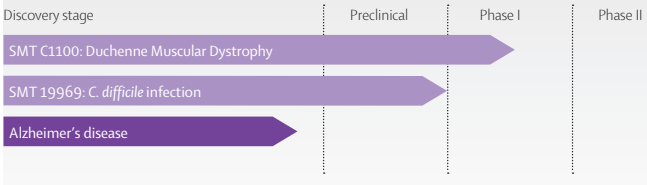
As carbohydrate mimics, Seglins are recognised by and interact with carbohydrate receptors and handling systems but, unlike carbohydrate molecules, their inherent stability means they are not processed by the target pathway. Consequently, Seglins are ideally placed to exploit new carbohydrate-related drug targets, as well as a number of existing protein targets that have previously proved intractable.

Summit's current research focus is to develop Seglin inhibitors of the enzyme, *O*-linked *N*-acetylglucosaminidase ('OGA'). Inhibition of OGA represents a potential disease modifying approach for the treatment of a group of neurodegenerative diseases collectively known as 'tauopathies' which includes Alzheimer's disease and other rare diseases. Summit has identified potent and selective Seglins that inhibit OGA with additional studies showing that these compounds could penetrate the blood brain barrier, an important prerequisite for treating CNS disorders.

Drug like properties of Seglins

- Chemically & metabolically stable
- Potent & selective
- Orally bioavailable
- Aqueous solubility
- Readily optimised
- Ability to penetrate the Blood Brain Barrier

Current programmes



Financial Review

In December 2011 the Company signed agreements with a number of US DMD organisations to support our development efforts on SMT C1100, the clinical candidate to treat Duchenne Muscular Dystrophy ('DMD').

Raymond Spencer
Chief Financial Officer

In December 2011 the Company signed agreements with a number of US DMD organisations to support our development efforts on SMT C1100, the clinical candidate to treat Duchenne Muscular Dystrophy ('DMD'). These agreements (the "DMD Agreements") are worth up to $1.5m (£0.95m) and cover the cost of further development through to completion of a Phase I clinical study in healthy volunteers with revenues of £0.3m having been recognised to date.

A £925,000 development milestone was achieved in the *Clostridium difficile* infection programme as part of our collaboration with the Wellcome Trust with total revenues of £1.0m being recognised from this agreement during the year. These receipts, together with a further share issue that raised £1.3m net of costs, have enabled the Company to drive its research efforts with total R&D spend increasing by 30% on the previous year to £3.0m.

These two programmes together with the opportunities from our Seglin™ technology platform form the only reported operating segment of the business.

Cash and Operating Income and Expenditure
Cash at 31 January 2012 was £2.1m (31 January 2011: £3.3m) with net cash used in operating activities for the year ended 31 January 2012 of £2.4m (2010/2011: £2.7m). Revenues for the year were £1.8m (2010/11: £0.8m), the increase arising principally from recognition of grant receipts from the DMD Agreements and receipt of milestone payments from the Wellcome Trust for the *C. difficile* programme. As set out above, these receipts have helped to drive expenditure on research and development to £3.0m (2010/11: £2.3m). We have continued to control expenditure on general and administrative costs, which have fallen further to £1.5m (2010/11: £1.7m). Total remuneration costs have fallen to £1.7m (2010/11: £2.0m). Average headcount has been maintained at 31. Total operating expenses have fallen from £6.7m last year to £4.8m for the year ended 31 January 2012. A reduction in impairment and other provisions totalling £2.2m has also contributed to this movement.

Losses
Losses before interest, tax, depreciation and amortisation and excluding non-recurring items were £2.8m (2010/11: £3.3m). Net loss for the year was £2.7m (2010/11: £4.7m) and 1.51 pence per share (2010/11: 2.82 pence per share).

Share Issues
The Company raised £1.4m (£1.3m net of costs) in July 2011 through an issue of 16.8 million new Ordinary shares, and £0.1m from the issue of 2.3 million new Ordinary shares upon the partial exercise of a warrant granted in 2009. In April 2012, post the financial year end, a placing of 166.7million new Ordinary shares with new and existing institutional investors raised an additional £5.0m (£4.6m net of costs). This funding is expected to extend our financial resources into Q3 2013 and will strengthen the ability of the Company to exploit the scientific and commercial potential of our leading drug programmes.

Future Prospects
As set out in the Chairman's Statement, our three leading drug programmes have made significant progress during the period and they are now being advanced towards key development milestones. Our two Phase I ready assets, SMT C1100 for the treatment of DMD and SMT 19969 for the treatment of *C. difficile* infection, are both anticipated to generate clinical data from healthy volunteer studies during the coming period, which, if successful, are expected to enhance their value. In addition, we are pleased with the progress of our Seglin discovery programme targeting the enzyme *O*-linked *N*-acetylglucosaminidase ('OGA'). OGA is implicated in the progression of a group of neurodegenerative diseases known as 'tauopathies' which include Alzheimer's disease and other rare diseases. Current research investment is directed towards achieving *in vivo* proof of concept and the advances made in this programme also serve to highlight the potential of Seglin™ technology which we believe has broader use in other therapy areas.

The Board believes if these three programmes are able to generate positive data and achieve their respective development milestones that it will enhance the potential of being able to realise a significant commercial deal.

Financial Results
The financial results illustrate that the business continues to operate with good financial discipline with operational expenditure in-line with expectations. The Company has shown further flexibility in its management of cash and its ability to supplement cash raised from shareholders through programme support from the Wellcome Trust and from the DMD Agreements.

Outlook
Following the strengthening of our financial position, it is the belief of the Board that we have increased the opportunities for the realisation of significant value growth for our investors through the scientific development and commercialisation of our leading drug programmes.

Raymond Spencer, ACA
Chief Financial Officer

18 May 2012

Revenue generation

Increase: 131%

R&D investment as a % of recurring administrative expenses

Increase: 25%

Net cash used in operations

Decrease: 12%

Increase in total patents granted

Increase: 80%

Key Performance Indicators

The Company's key performance indicators include a range of financial and non-financial measures.

Details about the progress of our leading drug programmes are included in the Chairman's Statement and opposite are the other indicators considered pertinent to the business.

Board of Directors

Barry Price, PhD
Non-Executive Chairman

Dr Price (68) joined Summit as Chairman in September 2006 and brings to the Company a wealth of industry and board-level expertise in the pharmaceutical and life sciences industries. Dr Price became Executive Chairman in December 2010 before reassuming the role as Non-Executive Chairman in April 2012. Previously, he spent 28 years with the Glaxo Group of companies and held several executive positions including Managing Director of Glaxochem Ltd. Dr Price was a Non-Executive Director of Shire plc and during his 13 years with the company, he was involved in Shire developing into one of the UK's largest life science companies. Dr Price has previously held directorships at Chiroscience plc, Celltech Group plc, Pharmagene plc, Antisoma plc and BioWisdom Ltd.

Glyn Edwards, MBE
Chief Executive Officer

Mr Edwards (56) was appointed to the Board of Directors as Chief Executive Officer in April 2012. Mr Edwards has a wealth of experience garnered from a thirty-year career in the life sciences industry, during which time he has held a number of senior executive and business development roles. Currently he is a Director of the National Cancer Research Institute, and the interim Chief Executive Officer of the BioIndustry Association ('BIA'), a role which he will step down from shortly. Previous roles include Chief Executive Officer at Antisoma plc for 13 years, Director of Oxford Cancer Biomarkers Ltd and Vice President of Business Development at Therapeutic Antibodies Ltd. Mr Edwards holds a BSc in Biochemistry from Bristol University and an MSc in Economics from the London Business School and he was made a Member of the British Empire in 2006 as recognition for his services to the biotechnology industry.

Richard Storer, DPhil
Chief Scientific Officer

Dr Storer (64) was appointed to the Board of Directors as Chief Scientific Officer in May 2006. His career has spanned over 35 years within the pharmaceutical industry and has overseen the progression of several discovery programmes into clinical development. Several of these were subsequently launched to market including the blockbuster products Epivir and Relenza®. His formative years were spent at GlaxoWellcome before moving to BioChem Pharma Inc. as Senior Director of Chemistry prior to joining Idenix Pharmaceuticals as Senior Vice President of Chemistry. In 1996, Dr Storer received the Canadian Prix Galien for the discovery of 3TC (Epivir) and he is a Fellow of the Royal Society of Chemistry.

Professor Stephen Davies
Non-Executive Director

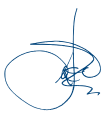
Professor Davies (62) co-founded Summit in January 2003. He was Chairman of Summit until September 2006 and guided the Company through a successful flotation and the formative years of the Company's development. In 1992, Prof. Davies founded the spin-out companies Oxford Asymmetry and Oxford Diversity which later combined for the IPO of Oxford Asymmetry International. This subsequently merged in 2000 with Evotec for £316 million. He has been professor at Oxford University for over 20 years and was elected to the Waynflete Chair of Chemistry in 2006, one of the most prestigious academic posts in UK science. In addition, Prof. Davies has received numerous awards for his contribution to organic chemistry. Prof. Davies currently holds directorships with Isis Innovations Ltd and Sci-ink Ltd.

Andrew Richards, PhD
Non-Executive Director

Dr Richards (52) was appointed as a Non-Executive Director in March 2007. As a biotechnology entrepreneur, he founded Chiroscience in 1992 and was an Executive Director until its merger with Celltech in 1999. Currently Dr Richards is a Director at, Cancer Research Technology Ltd (the commercial arm of CR-UK), Babraham Bioscience Technology Ltd, Arecor Ltd and is Chairman of Novacta Biosystems Ltd, Ixico Ltd, Abcodia Ltd and Altacor Ltd. He is also a founding member of the Cambridge Angels and a member of the council of the BBSRC. Dr Richards is a Cambridge graduate and holds a PhD in enzyme chemistry.

George Elliott, BA, CA
Non-Executive Director

Mr Elliott (59) joined the Summit Board of Directors in April 2007. He is currently Non-Executive Chairman of Craneware plc, Cupid plc and Kewill plc and a Non-Executive Director of Corsair Components Inc. From 2000 to 2007, Mr Elliott served as Chief Financial Officer of Wolfson Microelectronics plc and during his time oversaw the company gain entry into the FTSE 250 index. Previously he was Business Development Director at McQueen International Ltd (now SYKES), where he was responsible for strategic sales and marketing. Mr Elliott, formerly a partner of Grant Thornton, is a Chartered Accountant and has a degree in Accountancy and Finance from Heriot-Watt University.



Directors' Report

For the year ended 31 January 2012

The Directors present their report and the audited financial statements for Summit Corporation plc ('Summit') and its subsidiaries (the 'Group') for the year ended 31 January 2012.

Principal activities
The principal activity of Summit and the Group is the discovery and development of new therapeutics targeting areas of unmet medical need.

Business review
A detailed review of the business, its results and future direction is included in the Chairman's Statement.

Directors
The Directors who served during the period were:

Executive

Barry Price, PhD	Chairman
Richard Storer, DPhil	Chief Scientific Officer

Non-Executive

Professor Stephen Davies	Non-Executive Director
George Elliott, BA, CA	Non-Executive Director
Andrew Richards, PhD	Non-Executive Director

Following the year end, on 4 April 2012, Glyn Edwards was appointed as the Company's Chief Executive Officer and Barry Price reassumed his previous role as Non-Executive Chairman.

Details of the Directors' interests, share options and service contracts are shown in the Directors' Remuneration Report (pages 19 to 21).

The Company maintained directors' and officers' liability insurance cover throughout the period.

Biographical details of the Directors are available on page 14.

Principal risks and uncertainties
For a discussion of the principal risks and uncertainties which face Summit please see page 3.

Results and dividends
The Consolidated Statement of Comprehensive Income for the year is set out on page 24. The Group's loss for the financial year after taxation was £2,694,000 (2010/11: £4,690,000).

The Directors do not recommend the payment of a dividend.

Charitable and political donations
The Group made no charitable or political donations during the year (2010/11: nil).

Financial information
The Group produces detailed budgets and cash flow projections on an annual basis for approval 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 bi-monthly Board meetings.

Key Performance Indicators ('KPIs')
For a review of the Group's KPIs please see page 13.

Research and development
Details of the Group's key research and development programmes can be found in the Chairman's Statement and the individual programme sections on pages 6-11. Further information is also available on the Company website, www.summitplc.com.

Post Balance Sheet Events
A General Meeting of shareholders, held on 20 April 2012, approved the placing of 166,666,670 new Ordinary 1 pence shares at an issue price of 3 pence per share. The shares rank *pari passu* with existing Ordinary shares. The equity placing raised net proceeds of £4,563,000. Following the placing, the number of Ordinary shares in issue increased to 354,088,450.

As part of the transaction, warrants over 3,540,884 Ordinary 1 pence shares were issued to Singer Capital Markets Limited, the Company's nominated advisor and joint-broker, at an issue price of 3 pence. The warrants can be exercised in whole or in part at any time prior to 24 April 2016.

On 10 May 2012, the Company granted 28,345,000 new share option awards to its Executive Management and employees which will have a potentially dilutive effect on the share capital of the Company. The options have an exercise price of 3 pence and have varying performance conditions ranging from achieving a share price of 6 pence through to achieving a share price of 50 pence.

Directors' Report

For the year ended 31 January 2012

Supplier payment policy
It is the Group's policy to settle debts with its creditors on a timely basis, taking best advantage of the terms and conditions offered by each supplier. At 31 January 2012, the number of creditor days outstanding for the Group was 47 days (2010/11: 40 days). The Company had no trade creditors at 31 January 2012 or 31 January 2011.

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 places deposits surplus to short-term working capital requirements with a range of reputable UK-based banks and building societies. These balances are placed at fixed rates of deposit with maturities between one month and six months. The Group's treasury policy is reviewed annually. See Note 15 'Financial instruments' in the Notes to the Financial Statements for IFRS 7 disclosure regarding financial instruments.

Substantial shareholdings
On 15 May 2012 the Company had been notified or is aware of the following holdings of more than 3% or more of the issued share capital of the Company.

	Number of shares held	%
Lansdowne Partners	93,912,635	26.52
Barclayshare Nominees Limited	21,959,317	6.20
TD Direct Investing Nominees (Europe) Limited	19,812,044	5.60
Vidacos Nominees Limited	18,433,334	5.21
Polar Capital Global Healthcare Growth and Income Trust Plc	10,833,334	3.06
Peel Hunt Holdings Limited	10,705,724	3.02

Annual General Meeting
Accompanying this report is the notice of the Annual General Meeting ('AGM') together with the notes on the proposed resolutions. The meeting will be held on 18 July 2012 at Milton Park Innovation Centre, 99 Milton Park, Abingdon, Oxfordshire, UK, OX14 4RY.

Auditors
BDO 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.

All of the current Directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

Barry Price, PhD
Chairman

18 May 2012

Corporate Governance Report

For the year ended 31 January 2012

The Group is subject to the continuing requirements of AIM Rules and is committed to adhering to corporate governance standards appropriate for a group of Summit's size. As an AIM-quoted company, the Group is not required to comply with the disclosure requirements of the Combined Code. As such, this section provides general information on the Group's adoption of corporate governance but does not constitute full compliance with the Combined Code.

The Board
At 31 January 2012, the Board comprised three Non-Executive Directors, and two Executive Directors including the Executive Chairman.

The structure of the Board changed on 4 April 2012 following the appointment of Glyn Edwards as the Group's Chief Executive Officer. Executive Chairman, Barry Price, returned to his former role as Non-Executive Chairman, meaning the Board now comprises of four Non-Executive Directors and two Executive Directors.

Directors' biographies are on page 14.

The Board is responsible to the shareholders for the proper management of the Group and meets regularly to set the overall direction and strategy of the Group, to review scientific, operational and financial performance and to advise on management appointments. The Board has also convened as required by telephone conference during the period to review the strategy and activities of the business. 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.

Previously, due to the size of the Group, it was the Board's view that the leadership provided to the Board by the Executive Chairman was in the best interests of the Group. Following the appointment of the new Chief Executive Officer and the Chairman becoming a non-executive position, the Group will be able to have clear separation of the roles. The Chairman will be 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 through his management of the executive committee.

The Board is satisfied that the presence of Andrew Richards and George Elliott, each of whom are considered by the Board to be independent Directors, provides sufficient independent influence to ensure that the Board is balanced and that good corporate governance practice is maintained. The Board considers that all the Non-Executive Directors are of sufficient competence and calibre to add strength and objectivity to the Board.

All of the Directors are subject to election by shareholders at the first Annual General Meeting ('AGM') after their appointment to the Board and to re-election by shareholders at least once every three years.

Performance Evaluation
The Board has a process for evaluation of its own performance, that of its committee and individual Directors, including the Chairman. These evaluations are carried out at least annually.

Board Committees
The Board has established an Audit Committee and Remuneration Committee both of which have formal terms of reference approved by the Board.

The two committees are provided with all necessary resources to enable them to undertake their duties in an effective manner.

Audit Committee
During the financial year the Audit Committee comprised George Elliott (Chairman), Professor Stephen Davies and Andrew Richards. Other Directors are able to attend committee meetings by invitation only.

The role of the committee includes:
- Monitoring the integrity of the financial statements of the Group.
- Reviewing accounting polices, accounting treatment and disclosures in the financial reports.
- Reviewing the Groups internal financial controls and risk management systems.
- Overseeing the Groups relationship with external auditors, including making recommendations to the Board as to the appointment or re-appointment of the external auditors, reviewing their terms of engagement, and monitoring the external auditors' independence, objectivity and effectiveness.

The Audit Committee met four times in the 12 months to 31 January 2012.

Remuneration Committee
During the financial year the Remuneration Committee comprised Andrew Richards (Chairman), Professor Stephen Davies and George Elliott. Other Directors are able to attend committee meetings by invitation only.

The role of the committee includes:
- 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; performance conditions which are to apply.
- Determining bonuses payable under the Group's cash bonus scheme.
- Determining the vesting of awards under the Group's long-term incentive plans and exercise of share option.

The Directors' Remuneration Report is presented on pages 19 to 21.

The terms of reference for each committee are available on the request from the Company Secretary and online.

Corporate Governance Report

For the year ended 31 January 2012

Nominations Committee
The work to review the composition, balance and skills of the Board together with the appointment of new directors and re-appointment and orderly succession of existing Directors is undertaken by the full Board.

Attendance at Board meeting and committees
The Directors attended the following Board meetings and committees during the year:

Attendance	Board	Remuneration	Audit
Barry Price	8/8	–	–
Stephen Davies	8/8	2/3	4/4
Andrew Richards	8/8	3/3	4/4
George Elliott	8/8	3/3	4/4
Richard Storer	8/8	–	–

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 Audit Committee reviews the effectiveness of these systems annually. It does this primarily by discussions with the external auditor and by considering the risks potentially affecting the Group.

The Group does not consider it necessary to have an internal audit function due to the small size of the administrative function. Instead there is a detailed review and authorisation of transactions by the Chief Financial Officer.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, compared with the budget, are reported to the Board on a regular basis and discussed in detail.

The Group maintains appropriate insurance cover in respect of actions taken against the Executive Directors 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 a periodic 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.

Employment
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. Health and safety is an item discussed at Board meetings.

Relations with shareholders
The Board recognises the importance of communication with its shareholders to ensure that its strategy and performance is understood and that its remains accountable to shareholders. Our website, www.summitplc.com, has a section dedicated to investor matters and provides useful information for the Company's owners.

The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, while the 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 sent to shareholders and Interim Results statements notified via Regulatory Information Service announcements. All financial reports and statements are 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' Remuneration Report

For the year ended 31 January 2012

This report sets out the remuneration policy operated by Summit in respect of the Executive and Non-Executive Directors. Details of the members of the Remuneration Committee are disclosed in the Corporate Governance Report. No Director is involved in discussions relating to their own remuneration.

Unaudited Information

Remuneration policy for Executive Directors

The Remuneration Committee sets the remuneration policy that aims to align Executive Director remuneration with shareholders' interests and attract and retain the best talent for the benefit of the Group.

The remuneration of Executive Directors during the year 2011/12 is set out below:

Basic salary

Basic salaries are reviewed annually and revised salaries take effect from the start of the financial year. The review process is managed by the Remuneration Committee with reference to market salary data, and each Executive's performance and contribution to the Company during the year.

Bonuses

Annual bonuses are based on achievement of stretching Company strategic and financial targets and personal performance objectives.

The Remuneration Committee believe that bonuses are an important element of the total compensation awards to Executive Directors, and as a part of the aforementioned review, has agreed that the bonus potential will be 100% for the Executive Directors from 2010/11 onwards. No bonuses were awarded during the year.

Longer term incentives

In order to further incentivise Executive Directors and employees, and align their interests with shareholders, the Company granted new options during the year under the existing Company Share Option Plan. The options, the majority of which fall under the HMRC approved Enterprise Management Incentive Scheme, are subject to exacting performance conditions as detailed in the Directors' share options table on page 20. The Company intends to grant additional options subject to a cap, as previously agreed with shareholders, of 15% of total issued share capital in any ten year period.

Pension

The Group operates a defined contribution pension scheme which is available to all employees. The Executive Chairman received no contribution towards his pension fund. The assets of the scheme are held separately from those of the Company in independently administered funds.

Other benefits

Other benefits provided are life assurance and private medical insurance.

The Company does not offer a company car allowance for any member of staff.

Executive Directors' service contracts and termination provisions

The service contracts of Executive Directors are approved by the Remuneration Committee and are one-year rolling contracts. The service contract may be terminated by either party by giving the appropriate notice to the other. It is also the Company's policy that contractual termination payments should not exceed the Director's current salary, benefits and bonus entitlements for the notice period. The details of the Directors' contracts are summarised below:

	Date of contract	Notice period
Richard Storer	26 April 2006	12 months
Barry Price	7 December 2010	3 months

Non-Executive Directors' service contracts and remuneration

The remuneration of the Non-Executive Directors is determined by the Board, with regard to market comparatives, and independent advice is sought to ensure parity is maintained with similar businesses.

The Non-Executive Directors do not receive any pension, bonus or share option benefits from the Company. The contracts of the Non-Executive Directors are reviewed by the Board annually. Current contracts are summarised below:

	Date of contract
Stephen Davies	29 April 2010
Andrew Richards	29 April 2010
George Elliott	29 April 2010

Non-Executive Directors have contracts that have a term of three years, but can be terminated without notice by either party.

Directors' Remuneration Report

For the year ended 31 January 2012

Directors' remuneration (Audited)

The Directors received the following remuneration during the year:

Director	Salary and fees 2011/12 £	Taxable benefits 2011/12 £	**Emoluments 2011/12 £**	Pension contributions 2011/12 £	**Total 2011/12 £**	Emoluments 2010/11 £	Pension contributions 2010/11 £	Total 2010/11 £
Executive								
Barry Price	70,000	–	**70,000**	–	**70,000**	37,590	–	37,590
Richard Storer	116,667	913	**117,580**	31,500	**149,080**	140,659	7,000	147,659
Steven Lee[1]	–	–	**–**	–	**–**	248,220	–	248,220
Non-Executive								
Stephen Davies	20,000	–	**20,000**	–	**20,000**	20,000	–	20,000
George Elliott	20,000	–	**20,000**	–	**20,000**	20,000	–	20,000
Andrew Richards	20,000	–	**20,000**	–	**20,000**	20,000	–	20,000
	246,667	913	**247,580**	31,500	**279,080**	486,469	7,000	493,469

[1] Steven Lee resigned on 3 December 2010. Dr Lee received a further payment of £50,667 following the receipt of the prescribed level of investment in the Group during 2011/12.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of these options are as follows:

Director	Date of grant	At 1 February 2011	Granted during the period	Lapsed during the period	**At 31 January 2012**	Price per share (p)	Date from which exercisable	Expiry date
Richard Storer	2-May-06	540,120	–	–	**540,120**	165.0	Note (i)	2-May-16
	28-Aug-07	175,000	–	(175,000)	**–**	118.5	Note (ii)	28-Aug-10
	27-Oct-09	900,000	–	–	**900,000**	5.4	Note (iii)	27-Oct-19
	10-Jun-10	800,000	–	–	**800,000**	4.5	Note (iv)	9-Jun-20
	8-Apr-11	–	1,000,000	–	**1,000,000**	3.3	Note (v)	7-Apr-21
		2,415,120	1,000,000	(175,000)	**3,240,120**			
Barry Price	8-Apr-11		500,000	–	**500,000**	3.3	Note (v)	7-Apr-21
		–	500,000	–	**500,000**			

Notes:

(i) Vested in the following proportions: 40,120 on 2 May 2007; 200,000 on 2 May 2008 and 300,000 on 2 May 2009.

(ii) These options lapsed during the year as the performance conditions were not met.

(iii) These options vest in three instalments on the first, second and third anniversary of the grant subject to key milestones or licence fees being obtained and the performance of Summit's TSR relative to the TSR performance of a group of comparator companies; full vesting will normally only occur if Summit's TSR is in the upper quartile and cumulative milestones or licence fees exceed £15 million.

(iv) These options will vest and may be exercised on or after 11 June 2013 subject to the meeting of performance conditions in relation to the Company's share price. In order to vest in full the Company's average share price will have to exceed 20 pence over the two months ending 11 June 2013. If the performance conditions are not satisfied in full, or in part, the options shall lapse in respect of those Option Shares that do not vest.

(v) These options will vest and may be exercised on or after 8 April 2014 subject to the meeting of performance conditions in relation to the Company's share price. In order to vest in full the Company's average share price will have to exceed 15 pence over the two months ending 7 April 2014. If the performance conditions are not satisfied in full, or in part, the options shall lapse in respect of those Option shares that do not vest.

Directors' shareholdings

The Directors who served during the period, together with their beneficial interests in the shares of the Company, are as follows:

Director	**Ordinary shares at 31 January 2012**	Ordinary shares at 31 January 2011
Executive		
Barry Price	**614,615**	614,615
Richard Storer	**676,229**	676,229
Non-Executive		
Stephen Davies	**7,658,748**	7,658,748
Andrew Richards	**466,068**	466,068
George Elliott	**205,291**	205,291
	9,620,951	9,620,951

The market price of the Company's shares at 31 January 2012 was 4.75 pence per share. During the year from 1 February 2011, the market price of the Company's shares has ranged from 2.00 pence to 14.50 pence.

On behalf of the Board

Andrew Richards, PhD
Chairman of Remuneration Committee

18 May 2012

Statement of Directors' Responsibilities

For the year ended 31 January 2012

Directors' responsibilities
The Directors are responsible for preparing the annual report and the 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 elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market ('AIM').

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

Barry Price, PhD
Chairman

18 May 2012

Independent Auditors' Report

To the Members of Summit Corporation plc

We have audited the financial statements of Summit Corporation plc for the year ended 31 January 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and Parent Company Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ('APB's') Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 January 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Mr Paul Anthony (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom

18 May 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2012

	Note	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
Revenue	5	**1,765**	763
Cost of sales		**–**	–
Gross profit		**1,765**	763
Other operating income	7	**–**	34
Administrative expenses			
Research and development		**(3,043)**	(2,315)
General and administration		**(1,474)**	(1,692)
Depreciation and amortisation		**(188)**	(449)
Impairment of intangibles	11	**–**	(3,171)
Release of provision	16	**–**	975
Share-based payment	19	**(62)**	(74)
Total administrative expenses	7	**(4,767)**	(6,726)
Operating loss		**(3,002)**	(5,929)
Finance income		**7**	17
Finance cost		**(3)**	(4)
Loss before taxation	7	**(2,998)**	(5,916)
Taxation	9	**304**	1,226
Loss for the year from continuing operations		**(2,694)**	(4,690)
Loss and total comprehensive expense for the year attributable to owners of the parent		**(2,694)**	(4,690)
Basic and diluted loss per Ordinary share for continuing operations	10	**(1.51)p**	(2.82)p

The notes on pages 28 to 43 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 January 2012

	Note	31 January 2012 £000	31 January 2011 £000
ASSETS			
Non-current assets			
Intangible assets	11	**1,104**	1,100
Property, plant and equipment	12	**149**	260
		1,253	1,360
Current assets			
Trade and other receivables	13	**293**	242
Current tax		**274**	239
Cash and cash equivalents		**2,076**	3,250
		2,643	3,731
Total assets		**3,896**	5,091
LIABILITIES			
Current liabilities			
Trade and other payables	14	**(1,285)**	(1,208)
Total current liabilities		**(1,285)**	(1,208)
Non-current liabilities			
Provisions	16	**(205)**	(205)
Total non-current liabilities		**(205)**	(205)
Total liabilities		**(1,490)**	(1,413)
Net assets		**2,406**	3,678
Equity			
Share capital	18	**7,121**	6,930
Share premium account		**30,798**	29,629
Share-based payment reserve	19	**1,295**	1,233
Merger reserve		**(1,943)**	(1,943)
Retained earnings		**(34,865)**	(32,171)
Total equity attributable to the owners of the parent		**2,406**	3,678

The notes on pages 28 to 43 form part of these financial statements.

Approved by the Board of Directors and authorised for issue.

Barry Price, PhD
Chairman

18 May 2012

Consolidated Statement of Cash Flows

For the year ended 31 January 2012

	Note	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
Cash flows from operating activities			
Loss before tax from continuing activities		**(2,998)**	(5,916)
		(2,998)	(5,916)
Adjusted for:			
Finance income		**(7)**	(17)
Finance cost		**3**	2
Foreign exchange loss		**12**	7
Depreciation		**95**	165
Amortisation of intangible fixed assets		**93**	284
Loss on disposal of fixed assets	7	**22**	12
Impairment provision	11	**–**	3,171
Release of provision for contingent consideration	16	**–**	(975)
Share-based payment		**62**	74
Adjusted loss from operations before changes in working capital and provisions		**(2,718)**	(3,193)
(Increase)/decrease in trade and other receivables		**(49)**	4
Increase in trade and other payables		**77**	100
Cash used by operations		**(2,690)**	(3,089)
Taxation received		**269**	351
Net cash used in operating activities		**(2,421)**	(2,738)
Investing activities			
Purchase of property, plant and equipment		**(2)**	(102)
Purchase of intangible assets		**(119)**	(20)
Interest received		**11**	14
Net cash used in investing activities		**(110)**	(108)
Financing activities			
Proceeds from issue of share capital		**1,462**	20
Transaction costs on share capital issued		**(102)**	(4)
Interest paid		**(3)**	(2)
Net cash generated from financing activities		**1,357**	14
Decrease in cash and cash equivalents		**(1,174)**	(2,832)
Cash and cash equivalents at beginning of period		**3,250**	6,082
Cash and cash equivalents at end of year		**2,076**	3,250

The notes on pages 28 to 43 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 January 2012

Year ended 31 January 2012

Group	Share capital £000	Share premium account £000	Share-based payment reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 February 2011	6,930	29,629	1,233	(1,943)	(32,171)	3,678
Loss for the year from continuing operations	–	–	–	–	(2,694)	(2,694)
Total comprehensive expense for the year	–	–	–	–	(2,694)	(2,694)
New share capital issued	191	1,271	–	–	–	1,462
Transaction costs on share capital issued	–	(102)	–	–	–	(102)
Share-based payment	–	–	62	–	–	62
At 31 January 2012	**7,121**	**30,798**	**1,295**	**(1,943)**	**(34,865)**	**2,406**

Year ended 31 January 2011

Group	Share capital £000	Share premium account £000	Share-based payment reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 February 2010	6,910	29,633	1,159	(1,943)	(27,481)	8,278
Loss for the year from continuing operations	–	–	–	–	(4,690)	(4,690)
Total comprehensive expense for the year	–	–	–	–	(4,690)	(4,690)
New share capital issued	20	–	–	–	–	20
Transaction costs on share capital issued	–	(4)	–	–	–	(4)
Share-based payment	–	–	74	–	–	74
At 31 January 2011	**6,930**	**29,629**	**1,233**	**(1,943)**	**(32,171)**	**3,678**

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. Summit Corporation plc shares have a nominal value of 1 pence 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

The merger reserve brought forward relates to the difference between the nominal value of Summit (Oxford) Limited arising from the Group reconstruction in 2004, accounted for using the merger method of accounting under UK GAAP; and the amount arising through application of S131 CA85, which is equal to the difference between nominal and fair value of shares issued in business combinations using the acquisition method of accounting.

Retained earnings

The retained earnings reserve records the accumulated profits and losses of the Group since inception of the business. Where businesses or companies are acquired, only the profits arising from the date of acquisition are included.

Notes to the Financial Statements

For the year ended 31 January 2012

1. Basis of accounting

These financial statements are prepared in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the European Union and implemented in the UK.

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.

Management, having reviewed the future operating costs of the business in conjunction with the cash held at 31 January 2012 and taking into account the proceeds received following the completion of a fund raise in April 2012, 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 generally accepted accounting principles, 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 estimates and judgements.

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

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.

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. The treatment of contingent consideration is noted below under 'Provisions'.

Intangible assets

In-process research and development that is separately acquired as part of a Company acquisition or in-licensing agreement is required by IAS 38 to be capitalised even if they have not yet demonstrated technical feasibility, which is usually signified by regulatory approval. Such assets were acquired as part of the purchase of Summit (Cambridge) Limited (formerly DanioLabs Limited) in March 2007 and the key assets of MNL Pharma Limited in December 2006. The assets acquired as part of Summit (Cambridge) Limited were fully impaired during last year.

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

Patents (once filed):	Over the period of the relevant patents (assumed to be 20 years)
Drug programmes:	Over the period of the relevant patents

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). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

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, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. See Note 11 for details.

1. Basis of accounting (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Cost comprises the purchase price plus any incidental costs of acquisition and commissioning. Depreciation is calculated to write-off the cost, less residual value, in equal annual instalments over their estimated useful lives as follows:

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

Revenue recognition

Group revenue comprises the value generated from licensing and collaboration agreements (excluding VAT and taxes, trade discounts and intra-Group transactions) that are derived from either acquired or internally generated intellectual property rights. Where the Group is to undertake research and development activities for a fee, that revenue is recognised across the period over which the services are performed. Contract research fees are recognised in the accounting period in which the related work is carried out. Revenue is recognised according to the percentage of the overall contract that has been completed. Milestone payments receivable for which the Group has no further contractual duty to perform any future research and development activity are recognised on the date that they become contractually receivable. Royalty revenue is recognised as it is earned and on notification to the Group. Monies received as part of the Wellcome Trust grant and the funding received from the US DMD organisations for the clinical work for SMT C1100 are treated as revenue as they are more akin to contract research than government assistance and are part of wider funding and revenue sharing agreements. The monies received through these means are held as deferred income in the Consolidated Statement of Financial Position and are released to the Consolidated Statement of Comprehensive Income as the expenditure is incurred.

Grant income

Other grant related income is shown as other income, so as to match it against the expenditure to which it compensates.

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.

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.

Leased assets

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 been submitted for 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 are measured at fair value at their grant date. The fair value for the majority of the options is calculated using the Black-Scholes formula and charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the expected vesting period. For those options issued with vesting conditions other than remaining in employment (for example, those conditional upon the Group achieving certain predetermined financial criteria) a Monte-Carlo 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.

Notes to the Financial Statements

For the year ended 31 January 2012

1. Basis of accounting (continued)

Current taxation

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

Research and development tax credits not received at the year end date are included as current assets within the Consolidated Statement of Financial Position.

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).

Deferred tax balances are not discounted.

Financial instruments

The Group holds financial assets and liabilities in the respective categories 'Loans and receivables' and 'Other liabilities'. 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.

Segmental analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Management team including the Chief Executive Officer, Chief Scientific Officer and the Chief Financial Officer.

Details are set out in Note 5.

2. Critical accounting estimates and judgements

The preparation of the Consolidated Financial Statements requires the Group to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Group bases its estimates and judgements on historical experience and various other assumptions that it considers to be reasonable. Actual results may differ from these estimates under different assumptions or conditions.

Revenue recognition

The Group's revenue substantially comprised revenues from grants received and from funding, licensing and collaborative agreements. The Group enters a variety of arrangements with its partners from which it may earn all, or some of, these revenue streams. The application of the Group's revenue recognition policy to its more complex agreements as set out in Note 1 requires significant estimates and judgement. In particular, where arrangements result in multiple deliverables, there may be significant judgement in separating the different revenue generating activities. The Group has considered future milestones, royalties and stage payments within its current signed contracts and does not believe that there are any to recognise in these financial statements.

Impairment

The Group reviews annually whether there is any indication that Goodwill, Intangible assets or Property, plant and equipment have suffered any impairment, in accordance with the accounting policy stated in Note 1, and if there is any indication then further tests are undertaken to determine the potential impact on the carrying value of the assets. The recoverable amounts of cash generating units have been determined based on value-in-use calculations and also by looking at their fair value less any costs which will be incurred in selling it. These calculations require the use of estimates; the estimates used in impairment testing as at 31 January 2012 and 31 January 2011 are presented in Note 11.

Amortisation lives

Other intangible assets are recorded at their fair value at acquisition date and are amortised on a straight-line basis over their estimated useful economic lives from the time they are available for use. Any change in the estimated useful economic lives could affect the future results of the Group; however, no changes were made in the year.

Provisions

Provisions for contingent consideration payable by the Group comprise the fair value of contingent consideration arising from acquisitions. The eventual outcome is subject to the Group's future performance and certain contractual terms. Provisions are reviewed annually by the Directors, who make significant judgements as to the estimated fair value of the contingent consideration. Based on these judgements, changes to the estimated fair value of the consideration are recorded; refer to Note 16.

Share-based payments

Incentives in the form of shares are provided to employees under share option, share purchase and long-term incentive plans. The fair value of the employee services received in exchange for the grant of the options and rewards is recognised as an expense. The expense is based upon a number of assumptions disclosed in Note 19, 'Share option scheme'. The selection of different assumptions could affect the future results of the Group.

Taxation

Current tax is the expected tax receivable on the taxable expenditure for the year using the tax rates and laws that have been enacted or substantially enacted at the year end date, and any adjustment to tax payable in respect of previous years. The ultimate receivable tax for any issues arising may vary from the amounts provided, and is dependent upon negotiations with the relevant tax authorities.

3. Subsequent events

A General Meeting of shareholders was held on 20 April 2012 to approve the placing of 166,666,670 new Ordinary 1 pence shares at an issue price of 3 pence per share. The shares rank *pari passu* with existing Ordinary shares. The equity placing raised net proceeds of £4,563,000.

As part of the transaction, warrants over 3,540,884 Ordinary 1 pence shares were issued to Singer Capital Markets Limited, the Company's nominated advisor and joint-broker, at an issue price of 3 pence. The warrants can be exercised in whole or in part at any time prior to 24 April 2016.

On 10 May 2012, the Company granted 28,345,000 new share option awards to its Executive Management and employees which will have a potentially dilutive effect on the share capital of the Company. The options have an exercise price of 3 pence and have varying performance conditions ranging from achieving a share price of 6 pence through to achieving a share price of 50 pence. The total number of options granted under the scheme and outstanding following this award is 38,489,520 representing approximately 10.9% of the issued share capital.

Notes to the Financial Statements

For the year ended 31 January 2012

4. Changes to accounting policies

During the year ended 31 January 2012 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)	
IFRS 1	Additional Exemptions for First-time Adopters (amendments)
IAS 24	Related Party Disclosures (revised)

International Financial Reporting Interpretations (IFRIC)	
IFRIC 14	Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amendments)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The International Accounting Standards Board ('IASB') and the International Financing Reporting Interpretations Committee ('IFRIC') have issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

International Accounting Standards (IAS/IFRS)		Effective date
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (amendments)	1 July 2011
IFRS 7	Disclosures – Transfers of Financial Assets (amendments)	1 January 2013
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income (amendments)	1 July 2012
IAS 12	Deferred tax: Recovery of Underlying Assets (amendments)	1 January 2012
IAS 19	Employee Benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 32	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2014

International Financial Reporting Interpretations (IFRIC)		Effective date
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the group.

5. Segmental reporting

The Summit Group comprises six legal entities, of which three are trading. These included the five subsidiary companies detailed in Note 31 and the Group holding company, Summit Corporation plc. For the purposes of segmental reporting, the activities of the three trading entities are currently covered by one operating and reporting segment: Drug Discovery.

The Drug Discovery segment covers Summit's licensing revenue business, all research and development activities carried out by the Group, including the drug discovery platform called Seglin™ technology, the non-Seglin drug programmes (see pages 6 to 11 for more details) and any other discovery stage research.

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

During the year under review the Group's management and financial reporting did not identify any specific drug programmes as segments under IFRS 8. However the Directors recognise that within the Drug Discovery segment, different opportunities to develop individual drug programmes may emerge and change this position for future periods. Acknowledging that the Group may secure further out-licensing agreements or significant grants, the Directors anticipate the need to consider developing an appropriately refined segmental reporting methodology at the appropriate time.

All of the Group's assets are held in the UK.

There were two major sources of revenue which when combined totals 87% of revenue in the year, of which £1,211,000 related to Wellcome Trust grant income and £330,000 as part of the agreement with the US DMD organisations to fund work related to the Phase I clinical trial of SMT C1100.

5. Segmental reporting (continued)

Geographical segmentation

The Group operates in the international market with no particular concentration in any one region. The following table shows the split of revenue by the geographical location of Summit's customer base:

	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
UK	**1,211**	634
USA	**346**	–
Europe	**53**	129
Rest of the world	**155**	–
	1,765	763

6. Directors and employees

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

	31 January 2012 £000	31 January 2011 £000
Technical, research and development	**20**	19
Administration	**11**	12
	31	31

The parent Company had no employees in the current or previous financial years. On 31 January 2012, the number of people employed by the Group was 31.

Their aggregate remuneration comprised:

	31 January 2012 £000	31 January 2011 £000
Wages and salaries	**1,407**	1,647
Social security costs	**154**	185
Pension costs	**90**	44
Share-based payment	**62**	74
	1,713	1,950

The Directors are of the opinion that the key management of the Group comprises the Executive and Non-Executive Directors of Summit Corporation plc, together with the Executive Management team. These persons have authority and responsibility for planning, directing and controlling the activities of the entity.

The aggregate amounts of key management compensation are set out below:

	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
Short-term employee benefits	**321**	462
Post-employment benefits	**47**	7
Termination benefits	**–**	110
Share-based payment	**34**	30
	402	609

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 19 to 21, which form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 January 2012

7. Loss before taxation

	Note	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
Other operating income			
Grant income (not including Wellcome Trust)		–	(5)
Other income		–	39
		–	34
Impairments			
Intangible assets	11	–	3,171
		–	3,171
Loss on disposals			
Intangible assets		(22)	–
Property, plant and equipment		–	(12)
		(22)	(12)
Other			
Share-based payments	19	62	74
Employer pension contributions	6	90	44
Foreign exchange loss		12	7
Amortisation of intangible assets	11	93	285
Depreciation of property, plant and equipment	12	95	165
Operating lease rentals		197	194

8. Auditors' remuneration

Services provided by the Group's auditor

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

	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
Fees payable to the Company's auditors for the audit of the Consolidated Financial Statements	22	22
Fees payable to the Company's auditors for the audit of the Company's subsidiaries	5	5
Audit-related regulatory reporting	9	10
Total audit fees	36	37
Tax advisory services	4	4
Total non-audit fees	4	4
Total fees payable	40	41

9. Taxation

Analysis of charge in period	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
United Kingdom corporation tax at 26% (2011: 28%)		
Current tax credit	**(274)**	(239)
Under provision in prior year	**(30)**	(45)
Deferred tax	**–**	(942)
Taxation	**(304)**	(1,226)

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

Loss on continuing activities before tax	**(2,998)**	(5,916)
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom (Current tax) of 26% (2011: 28%), and deferred tax at 26% (2011: 28%)	**(779)**	(1,656)
Effect of:		
Non-deductible expenses	**29**	28
Enhanced deductions for R&D expenditure	**(385)**	(228)
Difference in rate regarding R&D tax credits	**282**	239
Capital allowances in excess of depreciation (not recognised)	**16**	8
Increase in losses to carry forward (not recognised)	**566**	459
Movement in short-term temporary differences (not recognised)	**5**	(1)
Tax losses utilised	**(8)**	(30)
Adjustments in respect of prior periods	**(30)**	(45)
Total taxation	**(304)**	(1,226)

There are no current tax liabilities as at 31 January 2012 (2011: Nil).

10. Loss per share

The loss per share for continuing operations has been calculated using the loss for the year attributable to continuing operations of £2,694,000 (year ended 31 January 2011: loss of £4,690,000) and dividing this by the weighted average number of shares in issue during the year to 31 January 2012: 177,884,127 (year ended 31 January 2011: 166,288,546).

Since the Group has reported a net loss for continuing activities, 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 11,044,520 as at 31 January 2012 (31 January 2011: 8,253,711).

Notes to the Financial Statements

For the year ended 31 January 2012

11. Intangible assets

Year ended 31 January 2012

Cost	Sialorrhoea and seborrhoea programmes £000	Acquired iminosugar related programmes £000	Other patents and licences £000	Total £000
At 1 February 2011	7,460	1,380	85	8,925
Additions	–	–	119	119
Disposals	–	–	(24)	(24)
At 31 January 2012	**7,460**	**1,380**	**180**	**9,020**
Amortisation and impairment				
At 1 February 2011	(7,460)	(359)	(6)	(7,825)
Provided in the year	–	(86)	(7)	(93)
Disposals	–	–	2	2
At 31 January 2012	**(7,460)**	**(445)**	**(11)**	**(7,916)**
Net book amount				
At 1 February 2011	–	1,021	79	1,100
At 31 January 2012	**–**	**935**	**169**	**1,104**

Year ended 31 January 2011

Cost	Sialorrhoea and seborrhoea programmes £000	Acquired iminosugar related programmes £000	Other patents and licences £000	Total £000
At 1 February 2010	7,460	1,380	65	8,905
Additions	–	–	20	20
At 31 January 2011	**7,460**	**1,380**	**85**	**8,925**
Amortisation and impairment				
At 1 February 2010	(4,094)	(273)	(3)	(4,370)
Provided in the year	(195)	(86)	(3)	(284)
Impairment	(3,171)	–	–	(3,171)
At 31 January 2011	**(7,460)**	**(359)**	**(6)**	**(7,825)**
Net book amount				
At 1 February 2010	3,366	1,107	62	4,535
At 31 January 2011	**–**	**1,021**	**79**	**1,100**

In accordance with IAS 38, intangible assets have been reviewed for signs of impairment.

Iminosugar related programmes recognised on acquisition of the key assets of MNL Pharma Limited:
The SMT 14400 (formerly MNLP462a) programme is a collective term for the patents, scientific results, synthesis methods and unpatented know-how (e.g. recorded in lab-books) that would be offered in any sale of the programme to a third party.

Summit management believed that the most reliable method to value this asset was by reference to the way in which it was acquired: through a competitive bid. As there were a number of bidders seeking to acquire the assets, and there were a significant number of iterations to finalise the bid value, it is reasonable to assume that the value of the key assets of MNL Pharma Limited was best estimated as the price paid (less any sums clearly highlighted for other assets). This approach valued the SMT 14400 assets at £1,380,800 being the fair value of consideration less the sum paid for fixed assets. Following acquisition this asset is being amortised over the life of the associated patent. The patent is due to expire on 23 January 2023, giving an amortisation period of 15 years with a remaining useful economic life of 10.8 years.

Amortisation of intangibles assets is included in the line 'Depreciation and amortisation' shown on the face of the Consolidated Statement of Comprehensive Income.

12. Property, plant and equipment

Year ended 31 January 2012

Cost	Leasehold improvements £000	Laboratory equipment £000	Office and IT equipment £000	Total £000
At 1 February 2011	5	1,148	121	1,274
Additions	–	1	1	2
Disposals	–	(18)	–	(18)
At 31 January 2012	**5**	**1,131**	**122**	**1,258**
Depreciation				
At 1 February 2011	(2)	(912)	(100)	(1,014)
Charge for the year	(1)	(83)	(11)	(95)
At 31 January 2012	**(3)**	**(995)**	**(111)**	**(1,109)**
Net book value				
At 1 February 2011	3	236	21	260
At 31 January 2012	**2**	**136**	**11**	**149**

Year ended 31 January 2011

Cost	Leasehold improvements £000	Laboratory equipment £000	Office and IT equipment £000	Total £000
At 1 February 2010	2,158	1,152	301	3,611
Additions	–	98	4	102
Disposals	(2,153)	(102)	(184)	(2,439)
At 31 January 2011	**5**	**1,148**	**121**	**1,274**
Depreciation				
At 1 February 2010	(2,154)	(884)	(238)	(3,276)
Charge for the year	(1)	(128)	(36)	(165)
Disposals	2,153	100	174	2,427
At 31 January 2011	**(2)**	**(912)**	**(100)**	**(1,014)**
Net book value				
At 1 February 2010	4	268	63	335
At 31 January 2011	**3**	**236**	**21**	**260**

13. Trade and other receivables

	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
Trade receivables	**47**	32
Other receivables	**172**	40
Prepayments and accrued income	**74**	170
	293	242

Notes to the Financial Statements

For the year ended 31 January 2012

14. Trade and other payables

	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
Trade payables	**372**	332
Other taxes and social security costs	**61**	119
Accruals and deferred income	**815**	678
Other creditors	**37**	79
	1,285	1,208

Included within accruals and deferred income is £324,000 (2011: £520,000) in respect of the grant funding received from the Wellcome Trust. As part of the funding agreement Summit is obliged to enter into an equity and revenue sharing agreement prior to any commercialisation of the programme.

In addition £180,000 (2011: £nil) is in relation to the funding received from the US-based DMD organisations. The agreements require key milestones in the Phase I clinical trial to be met in order for the full funding to be received and also contain diligence provisions and success based commercial terms which the Directors believe are consistent with those offered to other companies developing drug candidates at a similar stage of development.

15. Financial instruments

	Note	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
Cash and cash equivalents		**2,076**	3,250
Loans and receivables			
Trade and other receivables	13	**293**	242
Other liabilities			
Trade and other payables	14	**1,285**	1,208

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk); cash flow and fair value interest rate risk; credit risk; and liquidity risk.

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 receivables and payables that arise directly from its operations. The category of loans and receivables contains only trade and other receivables, shown on the face of the Consolidated Statement of Financial Position, all of which mature within one year.

We have compared fair value to book value for each class of financial asset and liability: no difference was identified.

The Group has a policy, which has been consistently followed, of not trading in financial instruments.

15. Financial instruments (continued)

Interest rate risk

The main risk arising from the Group's financial instruments is interest rate risk. Summit holds no derivative instruments to manage interest rate risk; instead the Group placed deposits surplus to short-term working capital requirements with a variety of reputable UK-based banks and building societies. 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:

	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
On dated deposit: fixed rate	**–**	2,500
On current account	**2,076**	750
	2,076	3,250

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 bankers. During the year to 31 January 2012, the banking facility returned an average rate after fees of 0.27% (2010/11: 0.37%).

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 £2,663,000 in the year:

Year ended 31 January 2012	**–1%**	**Actual**	**+1%**
Interest rate	**–**	**0.27**	**1.27**
Interest received (£000)	**–**	**7**	**34**

Year ended 31 January 2011	–1%	Actual	+1%
Interest rate	–	0.37	1.37
Interest received (£000)	–	17	64

Market risk

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 and the translation for foreign bank accounts.

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

Price risk

The Group has no investments in quoted companies and is therefore not exposed to the risk of market movements.

Credit risk

The credit risk with respect to customers is limited; Summit believes that all trade receivables that were outstanding at 31 January 2012 are all fully recoverable. Of the £47,000 trade receivables, no debt was overdue based on our normal terms of business.

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 held with three major UK banking institutions. We do not believe that this constituted a major credit risk.

Notes to the Financial Statements

For the year ended 31 January 2012

15. Financial instruments (continued)

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 the offering of equity and debt securities. The Group anticipates that its operating cash flow together with available cash, cash equivalents and short-term investments will be sufficient to meet its anticipated needs. See the 'Going concern' section of Note 1.

Of all the financial liability categories, no amounts can be analysed for maturity. 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 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 shares. The capital structure of the Group has come entirely from equity issues.

16. Provisions

Cost	MNL Pharma contingent consideration on acquisition £000
At 1 February 2011	205
Release of provision	–
At 31 January 2012	205

On 13 December 2006, Summit Corporation plc acquired the key assets of MNL Pharma Limited ('MNL'), a company that entered into administration in October 2006. Summit acquired all rights to MNL's lead drug candidate SMT 14400 (previously known as MNLP462a), a library of natural products that included a small number of iminosugars and additional assets held at MNL's Aberystwyth facility.

Under the terms of the agreement, Summit is committed to make MNL's former shareholder payments contingent on achieving clinical milestones for SMT 14400, or a back-up candidate emerging from the acquired natural product iminosugars. Summit is obliged to make the following payments:

- £50,000 upon IND ('Investigative New Drug') approval (or equivalent),
- £100,000 upon successful completion of a Phase I trial.
- £200,000 upon successful completion of a Phase IIa trial (or equivalent).
- £250,000 upon successful completion of a Phase IIIa trial (or equivalent).
- £400,000 upon regulatory approval in the US, EU or Japan.
- Royalties of 1.5% on net sales.

In accordance with IFRS 3, management have reviewed the above provision and do not consider that any further adjustment is necessary. A release of £975,000 was included within operating costs in the Consolidated Statement of Comprehensive Income in the year ended 31 January 2011 following a review of the provision by management. As part of the review the discounted cash flow model was updated using revised probabilities and estimated timings of reaching each stage.

17. Deferred tax assets

The main rate of corporation tax for 2012 has been reduced from 28% to 25%. This was introduced in Finance Act 2011, which has now been substantially enacted. Therefore it is appropriate to calculate the unrecognised deferred tax asset at this rate.

Deferred income tax assets of £4,400 (2010/11: £562) relating to provisions and £6,516,000 (2010/11: £6,457,000) on tax losses have not been recognised to the extent that they are not regarded as recoverable in the foreseeable future. In respect of the changes in the balances, £42 and £478,000 respectively relate to the effect of the rate change on the opening balance, with £3,880 and £537,000 relating to the movement for the year. Deferred tax liabilities of £5,000 (2010/11: £27,000) in respect of accelerated capital allowances are not recognised as we would expect to offset these against future trading losses. Of the movement, £2,000 relates to the effect of the rate change on the opening balance and £20,000 is in respect of the movement for the year.

18. Share capital

	Year ended 31 January 2012	Year ended 31 January 2011
	£000	£000
Allotted, called up and fully paid		
187,421,780 Ordinary shares of 1p each	**1,874**	1,683
524,702,133 Deferred shares of 1p each	**5,247**	5,247
	7,121	6,930

The Deferred shares have no voting or dividend rights and on a return to capital there is the right to receive the amount paid up after the holders of the Ordinary shares have received the amount paid up on those Ordinary shares and an additional £1 million of return of capital per Ordinary share.

On 26 July 2011 the number of Ordinary shares increased to 185,096,784 following the placing of 16,826,978 Ordinary 1 pence shares. The shares rank *pari passu* with existing Ordinary shares. The equity placing raised net proceeds of £1,243,672. On 27 September 2011 the number of Ordinary shares increased to 187,421,780 following the exercise of warrants over 2,324,996 Ordinary 1 pence shares. The issue of new shares raised net proceeds of £116,250.

Warrants over a further one million Ordinary shares, which can be exercised up until 31 December 2013 at an exercise price of 5 pence each, remain outstanding. As disclosed in Note 3 further warrants were issued after the year end.

Notes to the Financial Statements

For the year ended 31 January 2012

19. Share option scheme

At 31 January 2012 the outstanding share options, which include the share options granted to Directors, are shown below:

	Date of grant	Exercise price (p)	Number of shares	Date from which exercisable	Expiry date
Approved EMI scheme					
	02 Dec 05	171.5	42,000	02 Dec 06	02 Dec 15
	13 Oct 06	136.0	24,900	13 Oct 07	13 Oct 16
	28 Nov 06	136.0	10,000	28 Nov 07	28 Nov 16
	21 Nov 07	114.0	48,033	21 Nov 08	21 Nov 17
	27 Oct 09	5.4	2,905,000	27 Oct 10	27 Oct 19
	10 Jun 10	4.5	3,108,000	11 Jun 13	09 Jun 20
	08 Apr 11	3.3	3,640,000	08 Apr 14	07 Apr 21
			9,777,933		
Unapproved scheme					
	02 Dec 05	171.5	3,382	02 Dec 06	02 Dec 15
	22 May 06	165.0	540,120	22 May 07	22 May 16
	13 Oct 06	136.0	105,000	13 Oct 07	13 Oct 16
	30 Mar 07	45.0	108,085	30 Mar 08	30 Mar 17
	21 Nov 07	114.0	10,000	21 Nov 08	21 Nov 17
	08 Apr 11	3.3	500,000	08 Apr 14	07 Apr 21
			1,266,587		
			11,044,520		

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 (p)	**Year ended 31 January 2012**	Weighted average exercise price (p)	Year ended 31 January 2011
Outstanding at 1 February	**32**	**8,253,711**	39	8,516,754
Granted during the year	**3**	**4,278,000**	5	4,230,000
Lapsed/surrendered during the year	**74**	**(1,487,191)**	34	(2,473,043)
Exercised during the year	**–**	**–**	1	(2,020,000)
Number of outstanding options at 31 January	**15**	**11,044,520**	32	8,253,711

As at 31 January 2012, 891,520 share options were capable of being exercised with a weighted average exercise price of 143 pence (2011: 1,393,711 with a weighted average exercise price of 153 pence). The options outstanding at 31 January 2012 had a weighted average exercise price of 15 pence (2011: 32 pence), and a weighted average remaining contractual life of 5.2 years (2011: 8.4 years).

19. Share option scheme (continued)

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

Date of grant	Type of award	Number of shares	Exercise price (p)	Share price at grant date (p)	Fair value per option (p)	Award life (years)	Risk free rate
02 Dec 05	EMI	42,000	171.5	168.5	41	3.0	4.2%
02 Dec 05	Unapproved	3,382	171.5	168.5	41	3.0	4.2%
22 May 06	Unapproved	540,120	165.0	167.0	45	3.0	4.6%
13 Oct 06	EMI	24,900	136.0	136.0	36	3.0	4.6%
13 Oct 06	Unapproved	105,000	136.0	136.0	36	3.0	4.6%
28 Nov 06	EMI	10,000	136.0	136.0	36	3.0	4.5%
30 Mar 07	Unapproved	108,085	45.0	131.0	96	3.0	4.9%
21 Nov 07	Unapproved	10,000	114.0	114.0	42	3.0	4.6%
21 Nov 07	EMI	48,033	114.0	114.0	42	3.0	4.6%
27 Oct 09	EMI	2,905,000	5.4	5.1	3	5.0	2.7%
10 Jun 10	EMI	3,108,000	4.5	4.6	3	5.0	2.4%
08 Apr 11	EMI	3,640,000	3.3	3.4	2	5.0	2.7%
08 Apr 11	Unapproved	500,000	3.3	3.4	2	5.0	2.7%
		11,044,520					

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

a. Black-Scholes valuation methodology was used for all options, other than those in (b) below.
b. The award of unapproved share options made on 8 April 2011, and the EMI awards made on 27 October 2009, 10 June 2010 and 8 April 2011 are performance related, as described in the Directors' Remuneration Report, and have been modelled using a Monte-Carlo methodology.
c. Figures in the range 18-134% 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 the options awarded on 27 October 2009 is the average of the fair values calculated per possible vesting instalment.

20. Capital commitments

At 31 January 2012 the Group had no capital commitments (31 January 2011: Nil).

21. Leasing commitments

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

	Land & Buildings	
Leases which expire	**Year ended 31 January 2012 £000**	Year ended 31 January 2011 £000
Not later than one year	**212**	212
Later than one year and not later than five years	**344**	468
	556	680

22. Related party transactions

There were no transactions with related parties that require disclosure.

See Note 6 for details of key management emoluments.

Company Balance Sheet

Summit Corporation plc individual financial statements (Company Number 5197494)

As at 31 January 2012

	Note	31 January 2012 £000	31 January 2011 £000
Fixed assets			
Investments	25	**3,169**	3,107
Current assets			
Debtors – due after more than one year	26	**9,795**	8,447
		9,795	8,447
Net current assets		**12,964**	11,554
Current liabilities due within one year	27	**(10)**	(10)
Net assets		**12,954**	11,544
Capital and reserves			
Called up share capital	28	**7,121**	6,930
Share premium account	29	**30,798**	29,629
Share-based payment reserve	29	**1,295**	1,233
Profit and loss account	29	**(26,260)**	(26,248)
Equity shareholder's funds	30	**12,954**	11,544

The notes on pages 45 to 48 form part of these financial statements.

Approved by the Board of Directors and authorised for issue.

Barry Price, PhD
Chairman

18 May 2012

Notes to the Individual Financial Statements of Summit Corporation plc

23. Principal accounting policies

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

Basis of preparation

The financial statements of the parent Company, Summit Corporation plc, have been prepared under the historic cost convention and in accordance with applicable United Kingdom accounting standards.

Under FRS 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the Group includes the Company in its own published financial statements.

Investments

The Company holds 100% ownership of the subsidiaries detailed below in Note 31; these are held at cost. The carrying value of the subsidiaries is reviewed annually by management for any indictors of impairment.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the year end date where transactions or events have occurred at that date that will result in an obligation to pay more, or the right to pay less or to receive more tax, with the exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the year end date.

Share-based payments

In accordance with FRS 20 '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 Profit and Loss account on a straight-line basis over the expected vesting period. For those options issued with vesting conditions other than remaining in employment (for example, those conditional upon the Group achieving certain predetermined financial criteria) a Monte-Carlo 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 Corporation plc share options to the employees of each subsidiary. See Note 19, 'Share option scheme' for further information.

Related party transactions

The Company is exempt under FRS 8 from disclosing related party transactions with entities that are part of the Group.

24. Profit of the parent company

Loss in the year

No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006. The Company's loss for the year was £12,474 (2010/11: £10,944).

Directors' remuneration

The remuneration of the Directors' is disclosed in the Directors' Remuneration Report on pages 19 to 21.

Auditors' remuneration

Audit remuneration is disclosed in Note 8.

Notes to the Individual Financial Statements of Summit Corporation plc

25. Investments

Cost	Investment in subsidiaries £000	Capital contributions for share options £000	Total £000
At 1 February 2011	16,878	1,198	18,076
Additions	–	62	62
As at 31 January 2012	**16,878**	**1,260**	**18,138**
Impairment			
At 1 February 2011 and 31 January 2012	**(14,944)**	**(25)**	**(14,969)**
Net book value			
At 1 February 2011	1,934	1,173	3,107
At 31 January 2012	**1,934**	**1,235**	**3,169**

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.

26. Debtors

	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
Amounts owed by group undertakings	**9,795**	8,447

Amounts owed to the Company by group undertakings are due after more than one year.

27. Creditors

	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
Other creditors	**10**	10

28. Share capital

	Year ended 31 January 2012 £000	Year ended 31 January 2011 £000
Allotted, called up and fully paid		
187,421,780 Ordinary shares of 1p each	**1,874**	1,683
524,702,133 Deferred shares of 1p each	**5,247**	5,247
	7,121	6,930

The Deferred shares have no voting or dividend rights and on a return to capital there is the right to receive the amount paid up after the holders of the Ordinary shares have received the amount paid up on those Ordinary shares and an additional £1 million of return of capital per Ordinary share.

On 26 July 2011 the number of Ordinary shares increased to 185,096,784 following the placing of 16,826,978 Ordinary 1 pence shares. The shares rank *pari passu* with existing Ordinary shares. The equity placing raised net proceeds of £1,243,672. On 27 September 2011 the number of Ordinary shares increased to 187,421,780 following the exercise of warrants over 2,324,996 Ordinary 1 pence shares. The issue of new shares raised net proceeds of £116,250.

Warrants over a further one million Ordinary shares, which can be exercised up until 31 December 2013 at an exercise price of 5 pence each, remain outstanding. As disclosed in Note 3 further warrants were issued after the year end.

29. Reserves

Year ended 31 January 2012

	Share premium account £000	Share-based payment reserve £000	Retained earnings £000	Total £000
At 1 February 2011	29,629	1,233	(26,248)	4,614
New share capital issued	1,169	–	–	1,169
Share-based payment	–	62	–	62
Loss for the period	–	–	(12)	(12)
At 31 January 2012	**30,798**	**1,295**	**(26,260)**	**5,833**

Information pertaining to the share options issued in the period are analysed in Note 19. The share-based payment reserve is borne on behalf of the underlying subsidiaries.

Notes to the Individual Financial Statements of Summit Corporation plc

30. Reconciliation of movement in shareholders' funds

	31 January 2012 £000	31 January 2011 £000
Opening shareholders' funds	**11,544**	11,465
Shares issued during the year	**191**	20
Share premium on issued shares (net of expenses)	**1,169**	(4)
Share-based payment	**62**	74
Loss for the financial year	**(12)**	(11)
Closing shareholders' funds	**12,954**	11,544

31. Subsidiaries

Company name	Country of incorporation	Percentage shareholding	Description
Summit (Oxford) Limited	Great Britain	100%	1,000 £1 Ordinary shares
Summit (Wales) Limited	Great Britain	100%	1,000 £1 Ordinary shares
Summit (Cambridge) Limited	Great Britain	100%	109,599,000 Ordinary 1p shares
Summit Discovery 1 Limited	Great Britain	100%	1,000 £1 Ordinary shares
Summit Corporation Employee Benefit Trust Company Limited	Great Britain	100%	1 £1 Ordinary shares

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

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

Company Information

Board of Directors

B Price, PhD	Non-Executive Chairman
G Edwards, MBE	Chief Executive Officer
R Storer, DPhil	Chief Scientific Officer
Professor S Davies	Non-Executive Director
A Richards, PhD	Non-Executive Director
G Elliott, BA, CA	Non-Executive Director

Company Secretary
RJ Spencer, ACA

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