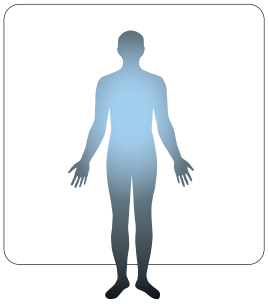
summit plc

Summit plc Annual Report and Accounts 2010/11



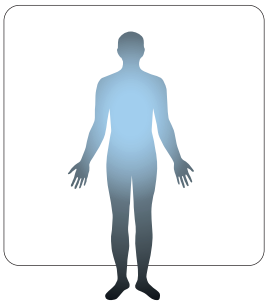
New Targets

New Chemistry

New Medicines

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 development studies.



Based in Oxford, UK, Summit plc possess a world-leading technology platform, a portfolio of drug programmes and a clear strategy to generate sustainable value for shareholders.

- Proven track record of exploiting early-stage drug discovery programmes
- Focussed investment on our innovative Seglin™ technology platform that is using new chemistry space for the discovery of medicines
- Numerous opportunities for value growth from our drug programme portfolio targeting high-value therapy areas of unmet medical need

- Summit's commercial strategy focuses on signing multiple early-stage drug programme and technology platform deals that aim to secure upfront payments, transfer future development costs from the Company and retain valuable upside potential through development milestones and sales royalties

Highlights

Summit drug discovery

- Innovative Seglin™ technology platform is a potential source of new medicines to treat a range of major diseases (see pages 04 to 07)
- Clinical and preclinical drug programmes targeting diseases in high-value therapy areas including Duchenne Muscular Dystrophy and *C. difficile* infections (see page 11)

Scientific & Commercial

- Positive preclinical results in DMD programme showing SMT C1100 increases utrophin in muscle cells from DMD patients to levels anticipated to be of therapeutic benefit
- Proof of concept established in Wellcome Trust funded *C. difficile* programme with SMT 19969 shown to be superior to existing therapies in disease models
- First milestone achieved in Wellcome Trust collaboration triggered drawdown of next tranche of funding to support preclinical *C. difficile* programme
- Validation of Seglin™ technology as a potential source of new medicines following identification of promising Seglin leads in several therapy areas including Alzheimer's disease and rare diseases
- Partnering discussions and scientific evaluation studies on-going with interested parties including leading pharmaceutical and biotechnology companies

Financial

- Cash position at 31 January 2011: £3.3m (31 January 2010: £6.1m)
- Operational expenditure in line with management's expectations with cash used in operations amounting to £2.7m (2009/10: £3.1m)
- 41% reduction in general and administration costs to £1.7m (2009/10: £2.9m)
- Loss before interest, tax, depreciation and amortisation and excluding non-recurring items reduced to £3.3m (2009/10: £4.6m)
- Net loss for the year reduced to £4.7m (2009/10: £5.4m)

Snapshot of Summit:
Technology and approach

Summit is well placed to create significant future value with an innovative technology platform called Seglins for the discovery of new medicines and a portfolio of drug programme assets.

Seglin™ technology is using new chemistry to access biological drug targets that cannot be exploited by conventional drug discovery approaches. The Seglin platform has been extensively validated and a number of orally bioavailable Seglin compounds have been identified across multiple therapy areas, including compounds active against previously intractable targets.

Summit's programme portfolio consists of a number of drug programmes targeting high-value areas of unmet medical need including Duchenne Muscular Dystrophy and *C. difficile* infections.

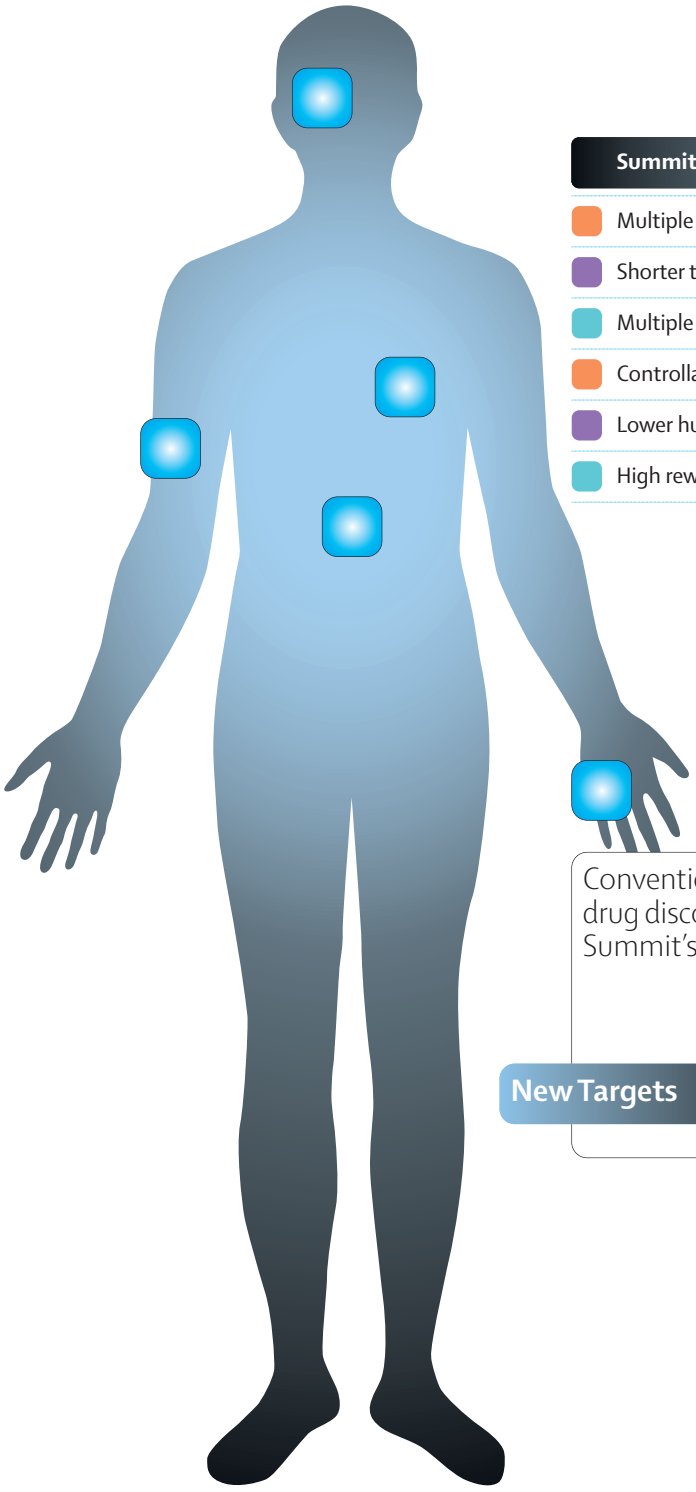
Summit's commercial strategy focuses on signing multiple early-stage drug programme and technology platform deals that generate upfront cash, transfer development costs from the Company, and retain valuable upside potential.

A new approach
Seglins is opening up new chemistry space to identify new drug leads and deliver future medicines to treat a range of major diseases throughout the human body.

Future Seglin medicines may treat a range of major diseases in a number of different therapy areas including:

Neurodegenerative diseases
Infectious diseases
Cancer
Metabolic diseases
Rare diseases

Summit drug discovery: Multiple opportunities
Through our drug programmes targeting Duchenne Muscular Dystrophy and *C. difficile* infections and innovative drug discovery platform called Seglin™ technology, Summit has the assets that have the potential to deliver significant value growth.



Summit Business Model	Traditional Biotech Model
Multiple programmes	One or two programmes
Shorter timeframe to commercialisation	Longer development timeframe
Multiple deal opportunities	Limited deal opportunities
Controllable cost base	Spiralling R&D costs
Lower hurdle to payback	Higher hurdles to payback
High reward, risk is mitigated	Very high reward, very high risk

Conventional compounds have been extensively investigated in drug discovery but cannot access a number of new drug targets. Summit's Seglin™ technology platform offers a new approach.

New Targets | New Chemistry | New Medicines

Summit's drug pipeline consists of clinical, preclinical and discovery stage programmes and includes a number that have been developed from our innovative Seglin™ technology. Full details of the latest progress can be found at www.summitplc.com

Why Seglins?
Technology, focus and opportunity

New Targets
Substantial advances made in the understanding of biological mechanisms of disease have led to the identification of a host of new drug targets.

Conventional screening collections have had limited success in identifying drug candidates that are active against these new targets.

New chemistry approaches such as offered by Seglin™ technology are required if the potential of these new drug targets is to be exploited.

New Chemistry
Summit is pioneering the development of Seglins, or Second Generation Leads from Iminosugars, an innovative drug discovery technology that opens up new areas of chemistry space.

Seglin molecules have shown intrinsic biological activity and excellent drug properties that makes them highly attractive for the identification of potential new medicines.

New Medicines
Summit's Seglin™ technology can discover new drug leads that have the potential to be developed into new medicines to treat a number of major diseases.

Summit is actively investigating a number of therapeutic opportunities and we have identified Seglins that are active against a number of drug targets to validate the broad potential utility of our platform.

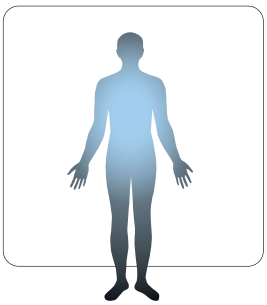
Seglins
We believe our Seglin™ technology platform provides Summit with a leading position in the discovery and development of new medicines to treat a range of diseases.

The opportunity
In human biology, the function of physiological systems is dependent on proteins, fats and carbohydrates. The importance of proteins as targets in drug discovery is well established and has been successfully exploited. While targeting of carbohydrate biology has remained largely unexploited, recent advances in glycobiology provides new research opportunities with a host a new drug targets identified.

Carbohydrate mimics
Seglins, or Second Generation Leads from Iminosugars, are ideal compounds to investigate these new carbohydrate related drug targets because they are carbohydrate mimics. This allows them to interact with carbohydrate receptors, but unlike normal carbohydrate molecules, their inherent stability means they are not processed by the target disease pathway.

Validated technology
First generation iminosugars have been known for 40 years, but their therapeutic evaluation was severely restricted by issues of low potency, selectivity and limited compound diversity. Despite this, the potential of iminosugars as a source of new drugs remains compelling with first generation compounds producing two marketed products. Our Seglin™ technology represents the new generation of iminosugars and is poised to exploit their true potential.

Broad therapeutic use
Our growing collection of Seglins overcomes the limitations of first generation iminosugars through greater structural diversity to exhibit higher selectivity and potency against a wider selection of drug targets across a number of major therapy areas. Seglins also have the potential to exploit existing protein targets in disease areas where conventional screening compounds have been unsuccessful.



Innovative technology: The opportunity for value creation
The importance of innovative technology platforms in drug discovery is recognised by the wider pharmaceutical and biotechnology industry. Our proprietary Seglin™ technology platform offers the potential for multiple licensing and strategic collaboration deals in a number of high-value therapy areas.

Seglins: Therapeutic focus

Seglins have the potential to target a number of major diseases including:

Neurodegenerative diseases
Infectious diseases
Cancer
Metabolic diseases
Rare diseases

Neurodegenerative diseases
Carbohydrates regulate and control many of the key functions that if perturbed result in neurodegenerative and neurological diseases. A number of therapeutically relevant enzymes have recently emerged that are implicated in Alzheimer's and Parkinson's disease as illustrated by O-GlcNAcase ('OGA'). Seglins are ideally placed to inhibit OGA and Summit has identified a number of active compounds.

Infectious diseases
The emergence and re-emergence of infectious diseases presents humankind with one of its greatest challenges. The role of carbohydrates in the life cycle of pathogens has gained great significance and with the increase in our understanding of the glycobiology of infections, new opportunities have been identified for Seglins as selective and targeted anti-infective drugs.

Cancer
A consistent feature in the formation and progression of cancer are changes to the normal behaviour of carbohydrate molecules located on the surface of cells. The ability of Seglins to mimic carbohydrates allows them to disrupt the carbohydrate pathways implicated in the progression of tumours to offer a new therapeutic strategy to treat the disease.

Metabolic diseases
Metabolic diseases are a major area of unmet medical need with a disease like type II diabetes estimated to affect over 150 million patients in the world. The ability of Seglins to act as carbohydrate mimics means they are ideally placed to intervene in the biological pathways associated with metabolic disorders and so offer new potential treatment options.

Rare diseases
Genetic disorders can range from small mutations in a single gene to the addition or loss of an entire chromosome. To date, approximately 7,000 rare diseases have been identified with several of these found to be directly or indirectly involving one or more type of carbohydrate structures. Summit has identified Seglin compounds that are active against a number of rare disease targets.

Summit's Seglin™ Technology
At the forefront of development

Expertise
Summit has the necessary scientific expertise in Seglins that is a vital component towards being successful in drug discovery.

- Investment into the development of the technology over a number of years
- Highly skilled team of in-house scientists
- Collaborations with world-leading academic authorities

Intellectual Property
Protecting our drug programme assets and technology is an essential part of Summit's strategy towards generating commercial value from our Seglin research and development.

- Extensive IP protection with a growing number of Seglin patents filed
- Patents provide broad composition of matter and utility coverage
- Summit has world-leading know-how and expertise in the field of Seglins

Compounds
Summit's growing collection of Seglins is a key component of our innovative drug discovery platform.

- Seglins have intrinsic biological activity and excellent drug properties
- Seglins exhibit high potency and selectivity in many therapy areas
- Seglins are stable small molecules that are soluble, bioavailable and optimisable

Our expertise in Seglins provides Summit with an opportunity to identify new drug leads and deliver future medicines to treat a range of diseases.

Exploiting the potential of iminosugars
Summit has pioneered the development of Seglins, or Second Generation Leads from Iminosugars. This new generation of iminosugars overcome the limitations of first generation compounds by having greater structural diversity and exhibit higher selectivity and potency against a wider selection of drug targets.

Complex chemistry solved
Iminosugars mimic carbohydrates but have a nitrogen atom replacing the oxygen ring atom in their chemical structure. The carbohydrate-like nature of iminosugars means traditionally that this class of molecules were perceived as being complex and expensive to synthesise, and lead compounds could not be optimised by medicinal chemists. Seglin™ technology has solved these issues with Seglins displaying a host of desirable drug-like properties that include being chemically and metabolically stable, orally bioavailable, soluble and the ability to cross the blood brain barrier.

Diversity by design
Our plan in developing Seglin™ technology was to capitalise on the intrinsic activity of iminosugars with the aim of identifying potent and selective drug candidates against high-value drug targets. To achieve this, our Seglin collection has been designed in a systematic manner that aims to provide comprehensive coverage of all carbohydrate drug-target space using a compact yet structurally diverse set of compounds. This approach is intended to allow for the rapid identification of new drug leads.

Broad therapeutic application
First generation iminosugars exerted their biological effects through inhibition of carbohydrate processing enzymes such as glycoside hydrolases. Seglins are poised to exploit the recent advances made in glycobiology which identified a range of new drug targets across many therapy areas including neurodengenerative diseases, infectious diseases, cancer, metabolic disorders and rare diseases.

Summit's advantage
Summit's strength – combining three key elements of drug discovery – Expertise, Intellectual Property and Compounds, puts us at the forefront of developing second generation iminosugars or Seglins. Strong IP protection with a growing Seglin patent estate and the largest, most diverse proprietary collection of Seglins affords us a valuable advantage.

Evolution of Summit's Seglin platform

Mar 2010
Seglin™ technology adopted as the new identity for the innovative platform

Jan 2009
First iminosugar licensing deal

2008
Development of iminosugar platform

Jul 2007
First iminosugar co-development deal

2007-08
Recruitment of leading academic authorities

Dec 2006
Acquired iminosugar assets of MNL Pharma

Apr 2006
CSO Richard Storer appointed

Oct 2004
IPO technology platforms in:
• Carbohydrates
• Zebrafish

Knowledge and expertise about Seglins continuing to develop

Expertise

Increasing protection through patent filings

Intellectual Property

Size and diversity of collection continuing to increase

Compounds

Chairman's Statement

Introduction
The period under review has been one that has seen considerable activity across all parts of the business. The Board believes our actions have put Summit in a position from which to deliver tangible commercial results over the coming months.

Strategy
Summit operates a different business model when compared to a traditional biotechnology company. Traditionally, companies have advanced one or two programmes through to a late-stage of development prior to entering into high-value licensing agreements. While the rewards are potentially very high, this approach is associated with a significant level of risk.

Summit offers an alternative model that focuses on the development of multiple drug programmes and converting them into commercial license deals at an early-stage in their development. In negotiating these deals, Summit aims to secure upfront payments and transfer future development costs to the licensee, while retaining future upside potential through development and regulatory milestone payments and sales royalties. This model has a lower, controllable cost base and it mitigates the risk of a programme failure by having multiple opportunities in development and available for commercialisation.

To fulfil our business model, Summit is developing a number of early-stage programmes while 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.

Commercial Opportunities
As announced in our 2010 Interim Report, we set a target of signing one commercial deal in each half of the current financial year. We have made good progress towards achieving this target and the status of our activities is summarised below.

Summit is currently in detailed discussions with leading pharmaceutical and biotechnology companies including a number of top ten pharmaceutical companies. Many of these discussions have reached the stage where data are being disclosed, under confidentiality agreements, for review by potential partners. In addition, a number of companies have progressed beyond this stage with active testing and evaluation of the asset(s) of interest on-going.

Interest has been expressed in each of our programmes and in our Seglin™ technology platform. The key programmes include: SMT C1100, our Duchenne Muscular Dystrophy clinical asset; our preclinical programme combatting the serious bacterial infection *Clostridium difficile*; and OGA, an Alzheimer's disease target. Our Seglin™ technology platform provides multiple deal opportunities as, unlike programme or drug target licensing agreements, any technology-based deal is not mutually exclusive and can be repeated for different drug targets and disease areas. It is pleasing that the number of major international pharmaceutical companies expressing interest in the technology has grown steadily during the period and it is worth noting that we have received encouraging preliminary data from the on-going evaluation studies performed by these companies, who have identified Seglins that exhibit activity against their proprietary targets.

The progress of these discussions has been positive although the impact of commercial pressures on prospective pharmaceutical partners would appear to indicate they are taking longer to evaluate and conclude commercial opportunities. The Board remains confident of reaching its target of two commercial deals in this financial year, and aims to generate further deal opportunities through our on-going internal research activities on new targets for our Seglin™ technology platform.

Scientific Review
This section reviews the progress made in the following scientific areas:
- Duchenne Muscular Dystrophy programme
- *C. difficile* programme
- Seglin™ technology platform
- Seglin programmes

Duchenne Muscular Dystrophy programme
This programme targets Duchenne Muscular Dystrophy ('DMD'), a fatal genetic disease for which there is currently no cure. DMD is classified as a rare disease and is caused by the lack of a protein called dystrophin resulting in the degeneration of all skeletal muscles and damage to the heart and diaphragm. Summit's clinical candidate, SMT C1100, works by increasing production of a functionally similar protein called utrophin that can compensate for the missing dystrophin to restore and maintain healthy muscle function. A major advantage of this approach is that it will be of benefit to all patients with DMD, regardless of their specific genetic mutation.

SMT C1100 represents a high-value licensing opportunity for Summit following the decision in 2010 of our former partner, BioMarin Pharmaceuticals Inc., to discontinue its development. As a consequence, all intellectual property and programme rights were returned to Summit. Their decision was taken after completion of a Phase I clinical study in healthy volunteers which showed that SMT C1100 was safe and well tolerated with no adverse events reported. In addition, some individuals did achieve what is anticipated to be therapeutically beneficial exposure levels of SMT C1100, although there was variability in the results with lower exposure levels reported for others.

Summit believes the variability in the results can be rectified by use of alternative formulations of SMT C1100 to produce consistently higher exposure levels and our intention is to evaluate these in future clinical studies. Our confidence in this clinical candidate has been supported following assessment by an independent drug development expert that drew the same conclusions regarding the need to investigate alternative formulations of the drug.

SMT C1100 is also supported by a strong package of preclinical data that showed it has the potential to be a disease modifying treatment. These data were recently enhanced by positive results that showed treatment of muscle cells from DMD patients using low concentrations of SMT C1100 increases utrophin protein levels, which if translated into

Secure funding and clear focus: A further year of progress
The business has made good progress during the year as we seek to exploit the commercial potential of our drug discovery assets. We are pleased to report on the scientific advances made within the business with a focus on our:

- Clinical stage Duchenne Muscular Dystrophy programme
- Preclinical stage *C. difficile* infections programme
- Seglin™ technology platform and discovery stage programmes

DMD patients are anticipated to be of significant therapeutic benefit. These non-clinical efficacy studies were conducted at Oxford University by Professor Dame Kay Davies FRS, a world-leading academic and pioneer of utrophin as a treatment for DMD.

Summit is actively engaged with both charitable and commercial partners with the aim of progressing SMT C1100 into further clinical studies.

C. difficile programme
Summit's preclinical programme targeting the 'superbug' *Clostridium difficile* made significant progress during the period. With financial support provided by a prestigious Wellcome Trust grant, and working in collaboration with a number of key opinion leaders and experts in the area, proof of concept was established for our lead compound SMT 19969 in non-clinical efficacy studies.

C. difficile is a life-threatening bacterium for which the only current therapy options are broad spectrum antibiotics whose use is associated with high rates of recurrent *C. difficile* infections ('CDI'). In 2009 in the UK, CDI were responsible for approximately five times more deaths than MRSA while the combined annual cost of care in Europe and North America is estimated at $7.0 billion.

SMT 19969 meets the ideal target profile for a new *C. difficile* antibiotic, namely potency against the bacterium, a very narrow spectrum of activity to prevent recurrence of CDI and an excellent resistance profile. The positive results generated show SMT 19969 has the potential to become a differentiated front-line therapy with superiority over existing treatment options. In addition, a strong backup programme has been established and identified compounds with comparable profile to SMT 19969.

The advances made in the development of this programme resulted in Summit achieving the first milestone of the collaboration with the Wellcome Trust and allowed us to drawdown the next tranche of funding. Therefore, SMT 19969, and the compounds from the backup programme, are currently being evaluated by Summit in a series of studies and it is our intention to nominate a preclinical development candidate by the middle of 2011.

Barry Price
Executive Chairman

Chairman's Statement

Seglin™ Technology Platform
A key component in delivering our business model is our innovative Seglin™ technology drug discovery platform, which has the potential to identify new medicines to treat a range of major diseases.

The pharmaceutical industry continues to search for innovative technologies to deliver new drug leads. Recent years have seen substantial advances in the understanding of the biological mechanisms of disease and this has resulted in a host of new drug targets being identified. In order to access these new targets, it is necessary to open up new areas of chemistry space as the conventional compound collections used by the wider industry are having limited success in providing leads.

Summit is pioneering the development of Seglins, or Second Generation Leads from Iminosugars, a technology that is providing access to new areas of chemistry space. Seglin molecules have shown intrinsic biological activity and excellent drug properties that make them highly attractive for the identification of potential new medicines.

During the period, the development of the platform accelerated, while the profile of the technology and its potential was increasingly recognised within the wider pharmaceutical industry.

Seglin programmes
The potential of the platform continued to be validated during the period by data being generated across a number of therapy areas, as follows:

Cancer
New findings were reported for SMT C2100 for the treatment of malignant melanoma. SMT C2100 showed positive effects when independently assessed in an *in vivo* melanoma disease model when given therapeutically, and the results indicate that it is effective in preventing the development of tumours. Melanoma is the most dangerous form of skin cancer and is responsible for approximately 80% of skin cancer related deaths. With only limited treatment options available, it remains an area of high unmet medical need.

Metabolic diseases
In metabolic diseases, our activities focussed on SMT 14224 for the treatment of type II diabetes. The results from early-stage *in vivo* studies demonstrate that this Seglin has the ability to increase levels of insulin *via* a glucose dependant mechanism to potentially allow diabetic patients to better control their blood sugar levels. In general, these data highlight the potential of Seglins as a class of compounds capable of providing new treatment options for the control of metabolic diseases.

Discovery programmes
Summit aims to develop new opportunities to add to these more advanced programmes by screening the technology platform against targets amenable to Seglins. During the period, Summit has already identified a number of active compounds against drug targets in different therapy areas.

In neurodegeneration, a number of compounds have shown activity against OGA, a target that is implicated in the progression of Alzheimer's disease. Alzheimer's is poorly treated with only symptomatic relief available. In 2010, it was estimated that there were 35.6 million people worldwide with dementia, a figure that is expected to double by 2030. OGA is an emerging drug target for Alzheimer's, and it is also an example of the type of new drug targets that are ideal for intervention with Seglins. Importantly, OGA is generating significant interest within the wider industry and has resulted in our research activities in this area attracting much attention.

In infectious diseases, Summit screened Seglins against a set of hepatitis C targets including NS3 helicase, a well validated hepatitis C target that has proved intractable for over a decade despite major efforts by the pharmaceutical industry. Summit has found a number of active Seglins against this target to illustrate the potential of the technology in being able to access targets that have previously been intractable.

Another therapy area of interest for Seglins is rare or orphan diseases. Summit has illustrated the potential of Seglins in this therapy area through the discovery of active compounds against a number of diseases including cystic fibrosis. Our research activities aim to build on our established track record in rare diseases and capitalise on the increasing number of major pharmaceutical companies who now have active research interests in this field.

Summit continually evaluates all our early-stage projects in order to decide where to focus our scientific and financial resources and how to maximise the return on this investment for shareholders.

External activities
The potential utility of Seglins encompasses a broad range of different therapy areas and multiple drug targets. The scale of the opportunity afforded by Seglins creates further commercial openings for Summit and our current internal activities only represent a fraction of what is possible in the search for new drug leads.

The year has seen good progress made in our external activities following on from the launch of Seglins only last Spring. As already discussed in the Commercial Opportunities section, Summit now has a growing list of parties actively interested in the technology, with a number having progressed to undertaking confidential evaluation studies.

To support our commercial interactions around the Seglin platform, it was important to raise its profile within the industry in order to attract interest from potential collaborators. A number of activities helped to achieve this and highlights included the showcasing of the technology at an international conference in June 2010, and the publication of a number of articles in leading industry and scientific journals including '*Drug Discovery Today*' and '*Innovations in Pharmaceutical Technology*'.

Board Changes
In December 2010, I took the position of Executive Chairman following the departure from the Company of Dr Steven Lee to pursue other business opportunities. On behalf of the Board, I would like to thank Steven for his considerable effort, commitment and enthusiasm during his time with Summit and we wish him well for the future.

Summary and Outlook
The business has made significant progress during the period as we seek to exploit the commercial opportunities within the business.

Your Board believes that Summit has a number of drug programmes in high-value areas and an innovative technology platform, whose potential is increasingly being recognised by the wider industry, and that Summit has the potential to deliver a number of commercially attractive deals.

The Board would like to thank all our staff for their efforts and dedication over the last year that has been instrumental in advancing the business. Finally, we thank all our shareholders for their continuing support and I look forward to reporting on our future progress.

Barry Price, PhD
Executive Chairman

29 March 2011

Commercial progress: Near-term opportunities
The business has made significant progress towards delivering tangible commercial results with interest being expressed in each of our drug programme assets in high-value therapy areas and in our innovative Seglin™ technology platform.

Drug Programme Portfolio: Disease focus

We continue to focus on our Duchenne Muscular Dystrophy ('DMD') and *C. difficile* infections programmes. We are actively seeking commercial and charitable partners to help support the progression of SMT C1100 in DMD, while our *C. difficile* programme continues to be supported by a prestigious Wellcome Trust grant.

About Duchenne Muscular Dystrophy

DMD is a fatal genetic disease caused by a lack of protein called dystrophin that is essential in maintaining the correct function of all muscles in the human body. There is no cure for the disease with the only treatment being steroids that target the symptoms of the disease.

SMT C1100 was discovered and developed by Summit and it is an oral small molecule that works by increasing utrophin, a protein that is similar to dystrophin. In preclinical efficacy studies, we have been able to increase utrophin to levels that if replicated in DMD patients would have significant therapeutic benefit. Summit believes that SMT C1100 is a potential first-in-class disease modifying therapy that could treat all DMD patients, regardless of their type of genetic mutation.

About *C. difficile*

Clostridium difficile is a life threatening 'superbug' for which current therapy options are limited. In 2009 in the UK, *C. difficile* infections ('CDIs') were responsible for approximately five times more deaths compared to MRSA while hyper-virulent strains with higher mortality rates are endemic in Europe and the US.

Summit has identified a differentiated class of small molecule antibiotics that meet the ideal target profile for a new *C. difficile* treatment. In non-clinical efficacy studies, the lead compound SMT 19969 displays potency against the bacterium, including hyper-virulent strains, has a very narrow spectrum of activity to prevent recurrence of CDI and has an excellent resistance profile. The results show SMT 19969 has the potential to become a differentiated front-line therapy, with superiority over existing treatment options.

Financial Review

Raymond Spencer Chief Financial Officer

In December 2009 the Company raised £5.4 million in a placing and open offer in order to advance the Seglin platform and other programme assets to a stage where commercial deals could be achieved. As set out in the Chairman's Statement we now have a number of promising discussions in place and we remain confident of achieving our target to complete two deals by the end of the financial year ending 31 January 2012. The Company continues to manage its costs and cash burn effectively to facilitate this objective.

Cash and Operating Income and Expenditure
Cash at 31 January 2011 was £3.25m (31 January 2010: £6.08m) with net cash used in operating activities for the year ended 31 January 2011 of £2.7m (2009/10: £3.1m). Revenues for the year were £0.8m (2009/10: £0.2m), the increase arising principally from recognition of grant receipts from the Wellcome Trust for the *C.difficile* programme. These grant receipts have helped to sustain expenditure on research and development at £2.3m (2009/10: £2.3m). Expenditure on general and administrative costs has fallen by 41% in the year to £1.7m (2009/10: £2.9m) with lower personnel and facilities costs. Total remuneration costs fell from £3.0m last year to £2.0m and average headcount fell significantly from 73 to 31 following the sale of the Zebrafish and Dextra operating units in 2009.

Provisions
As required by IAS 38, we reassessed the value of intangible assets as at 31 January 2011. Consequently we have now decided to provide fully against the value of intangible assets resulting from the acquisition of DanioLabs Limited in 2007 that now represent non-core assets due to the prioritisation of internal activities on our Seglin™ technology. The amount provided against intangible assets in the year amounted to £3.2m. There is an associated release of £888,000 in deferred tax provision against these assets that is no longer required.

We have also reassessed the fair value of probable milestone payments to the former shareholders of MNL Pharma Limited, from whom we acquired a library of natural products that included a small number of iminosugars in 2006. Accordingly we have reduced the provision of this contingent consideration by £975,000 to £205,000.

Losses
Losses before interest, tax depreciation and amortisation and excluding non-recurring items were reduced to £3.3m (2009/10: £4.6m). Net loss for the year was £4.7m (2009/10: £5.4m).

Future Prospects
As set out in the Chairman's Statement we have made significant progress in the development of the SMT 19969 asset as a treatment against the superbug *C. difficile*. Provided this progress is maintained we would expect to draw down the final tranche of the Wellcome Trust grant amounting to £1.0m in the first half of the current financial year. In addition, we are pleased with the progress of our Seglin discovery programmes in a number of different therapy areas. Each of these programmes is subject to regular internal review to ensure the business retains flexibility over its financial resources.

Commercial discussions and evaluation of the Seglin platform have steadily gathered pace during the year and again, as set out in the Chairman's Statement, we now have a number of discussions on-going with potential partners. While there can be no guarantees that these can be converted into revenue generating contracts, we are confident of reaching our target to conclude two deals by the end of the current financial year. Your Board will continue to manage, and if necessary reduce, costs to help ensure the above objectives are met with the cash and other resources available to the Group.

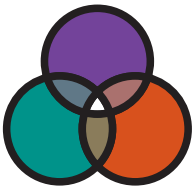
The financial results illustrate that the business continues to operate with good financial discipline with operational expenditure in line with expectations.

It is the belief of the Board that a solid foundation has been laid from which we can generate value growth for our investors through the scientific development and commercialisation of our drug programmes and Seglin™ technology platform.

Raymond Spencer, ACA
Chief Financial Officer

29 March 2011

Value creation: A sustainable business
Our early-stage deal structure mitigates financial risk by allowing us to recoup spend and transfer future development costs from the Company. Significant future upside presents itself in development and sales milestones and sales royalties.



Expertise, IP and Compounds
Seglin™ technology platform refined over several years

- Collaborations with leading academic authorities
- Extensive IP protection from growing Seglin patent estate
- Size and diversity of Seglin collection continuing to expand

Creating Value

It is our belief that Summit has made significant progress during the period as we seek to exploit the commercial opportunities within the business:

- Commercial discussions and scientific evaluation studies on-going with potential partners including leading international pharmaceutical and biotechnology companies
- Positive data reported from non-clinical efficacy studies in key drug programmes that target the high-value therapy areas of DMD and *C. difficile* infections
- Continuing validation of our innovative Seglin™ technology platform as a potential source of new drug leads and candidates targeting a range of major diseases

Board of Directors

Barry Price, PhD
Executive Chairman
Dr Price (67) joined Summit as Non-Executive 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 was appointed to his current position in December 2010. Previously, he spent over 25 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 14 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.

Richard Storer, DPhil
Chief Scientific Officer
Dr Storer (63) 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. (now part of Shire plc) 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 (61) 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 (51) was appointed to the Summit Board as a Non-Executive Director in March 2007 following the acquisition of DanioLabs Ltd. 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 Vectura plc, Theradeas Ltd, 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 with a PhD in enzyme chemistry.

George Elliott, BA, CA
Non–Executive Director
Mr Elliott (58) joined the Summit Board of Directors in April 2007. 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 is currently Non-Executive Chairman of Craneware plc, Cupid plc, Kewill plc and Corsair Components Inc. and a Non-Executive Director of Oxonica plc. 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 2011

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 2011.

Principal activities
The principal activity of Summit and the Group is the discovery and development of new therapeutics from its Seglin™ technology drug discovery platform in 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
Steven Lee, PhD	Chief Executive Officer (resigned 3 December 2010)
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

Barry Price served as Non-Executive Chairman during the period under review until his appointment as Executive Chairman on 7 December 2010.

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

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

Biographical details of the Directors are available on page 14.

Principal risks and uncertainties
Intellectual property
In common with all drug discovery companies, Summit faces the risk that the intellectual property rights necessary to exploit research and development efforts may not be adequately secured or defended. The Group's intellectual property may also become obsolete before the products and services can be fully commercialised.

Research and development risk
There is always a risk that drugs under development will fail for a number of possible reasons. Potential drugs could fail to show reproducible results in preclinical and clinical trials, produce unacceptable side affects that do not outweigh any clinical benefit or be uneconomic to develop.

Regulatory risk
Drug development is a highly regulated activity with multiple agencies working to ensure that clinical trials and 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 can lead to delays in drug development which take significant time and investment to resolve.

Technology risk
The Group's platform technology or individual drug programmes may be superseded by direct competitors.

Commercial risk
There is a risk that Summit is unable to license its products or technology to partners in the wider pharmaceutical industry. The return of licensed assets by third parties is also a potential risk. 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.

Financial risk
The successful development of the Group's drug programmes requires financial investment which can come from revenues, commercial partners or investors. Failure to generate additional funding from any of these sources may lead to postponement of drug programmes and a reduction in research and development operations. The continued ability of the Group to continue to operate on a going concern basis should also be considered as a financial risk.

The Board and Executive Management manage and review all these risks on a regular basis throughout the year through board meetings. The strategy of the Group is designed to minimise exposure to the above risks facing the business.

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 £4,690,000 (2009/10: £5,419,000).

The Directors do not recommend the payment of a dividend.

Directors' Report

For the year ended 31 January 2011

Charitable and political donations
The Group made no charitable or political donations during the year (2009/10: 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 for review and comment by the Board. Significant variances from budget are investigated promptly.

Financial Key Performance Indicators (KPIs)
The Directors consider cash, milestone receipts from license and collaboration agreements and research and development investment to be the Group's KPIs. These three elements are discussed within the Chairman's Statement and Financial Review.

Research and development
Details of the Group's research and development programmes can be found in the Chairman's Statement and on the Group's corporate website, www.summitplc.com.

Post Balance Sheet Events
There were no significant events of note which have occurred after the year ended 31 January 2011.

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 2011, the number of creditor days outstanding for the Group was 40 days (31 January 2010: 42 days). The Company had no trade creditors at 31 January 2011 or 31 January 2010.

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 22 March 2011 the Company had been notified of the following holdings of more than 3% or more of the issued share capital of the Company.

	Number of shares held	%
Vidacos Nominees Limited	49,708,691	29.54
Barclayshare Nominees Limited	11,376,692	6.76
TD Waterhouse Nominees (Europe)	8,879,637	5.28
Halb Nominees Limited	7,658,748	4.55

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 at 10.00am on 19 May 2011 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
Executive Chairman

29 March 2011

Corporate Governance Report

For the year ended 31 January 2011

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, Summit 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 2011, the Board comprised three Non-Executive Directors, and two Executive Directors including the Executive Chairman.

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 regularly 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.

Due to the current size of the Group, it is the Board's view that the existing arrangement, whereby the Executive Chairman provides leadership to the Board, is currently in the best interests of the Group. 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 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 Executive 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. The Executive Chairman and Chief Financial Officer attend 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 Group's internal financial controls and risk management systems.
- Overseeing the Group's relationship with external auditors, including making recommendations to the Board as to the appointment or re-appointment of the external auditors, reviewing their terms of engagement, and monitoring the external auditors' independence, objectivity and effectiveness.

The Audit Committee met four times in the 12 months to 31 January 2011.

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 the meeting 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.

Corporate Governance Report

For the year ended 31 January 2011

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. The full Board reviewing the above matters has replaced the Nominations Committee that previously dealt with them.

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

Attendance	Board	Remuneration	Audit
Barry Price	11/11	–	–
Stephen Davies	8/11	5/5	4/4
Andrew Richards	10/11	5/5	4/4
George Elliott	10/11	5/5	4/4
Steven Lee – resigned on 3 December 2010	8/9	–	–
Richard Storer	10/11	–	–

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. The annual audit by the Group auditor, which tests a sample of transactions, did not highlight any significant system improvements in order to reduce risks.

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 on a monthly basis and discussed in detail at Board Meetings.

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 a regular agenda item for 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 Executive Chairman ensures 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 are available on the Company's website.

Shareholders are welcome to attend the Group's Annual General Meeting ('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 2011

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 financial year ended 31 January 2011, 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, which fall under the HMRC approved Enterprise Management Incentive Scheme, are subject to exacting performance conditions linked to Total Shareholder Return ('TSR') and the achievement of commercial deals delivering revenue to the Company. 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 Chief Executive Officer received no contribution towards his pension fund. The assets of the scheme are held separately from those of the Group in independently administered funds.

Other benefits

Other benefits provided are life assurance and private medical insurance.

The Group 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 giving 12 months 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
Steven Lee†	1 September 2004	12 months
Richard Storer	26 April 2006	12 months
Barry Price*	7 December 2010	3 months

†Steven Lee resigned on 3 December 2010.
*Barry Price was appointed Executive Chairman from 7 December 2010 and his contract was amended accordingly.

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, life assurance, medical insurance 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
Barry Price*	29 April 2010
Stephen Davies	29 April 2010
Andrew Richards	29 April 2010
George Elliott	29 April 2010

*Barry Price was appointed Executive Chairman from 7 December 2010 and his contract was amended accordingly.

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 2011

Directors' remuneration (Audited)

The Directors received the following remuneration during the year:

Director	Salary and fees 2010/11 £	Taxable benefits 2010/11 £	**Emoluments 2010/11 £**	Pension contributions 2010/11 £	**Total 2010/11 £**	Emoluments 2009/10 £	Pension contributions 2009/10 £	Total 2009/10 £
Executive								
Steven Lee[1]	247,945	275	**248,220**	–	**248,220**	186,252	–	186,252
Richard Storer	140,000	659	**140,659**	7,000	**147,659**	163,537	18,146	181,683
Barry Price[2]	37,590	–	**37,590**	–	**37,590**	39,667	–	39,667
Anthony Weir	–	–	**–**	–	**–**	152,946	13,468	166,414
Non-Executive								
Stephen Davies	20,000	–	**20,000**	–	**20,000**	20,959	–	20,959
George Elliott	20,000	–	**20,000**	–	**20,000**	21,875	–	21,875
Andrew Richards	20,000	–	**20,000**	–	**20,000**	21,625	–	21,625
	485,535	934	**486,469**	7,000	**493,469**	606,861	31,614	638,475

[1] Steven Lee resigned on 3 December 2010. The above figure includes termination fees of £110,433. Steven Lee is entitled to a further payment of £50,667 upon the receipt of a prescribed level of new investment in the Group.

[2] Barry Price was appointed Executive Chairman from 7 December 2010. His salary as Executive Chairman has been set at £70,000 per annum and the above number includes this additional salary for December 2010 and January 2011.

Directors' share options (Unaudited)

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 2010	Granted during the period	Exercised during the period	Lapsed during the period	**At 31 January 2011**	Price per share (p)	Date from which exercisable	Expiry date
Steven Lee*	02-Sept-04	2,020,000	–	2,020,000	–	**–**	0.495	–	02-Sep-14
	02-Dec-05	491,691	–	–	–	**491,691**	171.5	Note (i)	02-Dec-16
	28-Aug-07	200,000	–	–	(200,000)	**–**	118.5	Note (ii)	28-Aug-10
	27-Oct-09	1,000,000	–	–	(1,000,000)	**–**	5.4	Note (iv)	27-Oct-19
	10-Jun-10	–	800,000	–	(800,000)	**–**	4.5	Note (v)	09-Jun-20
		3,711,691	800,000	(2,020,000)	(2,000,000)	**491,691**			
Richard Storer	02-May-06	540,120	–	–		**540,120**	165.0	Note (iii)	02-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 (iv)	27-Oct-19
	10-Jun-10	–	800,000	–		**800,000**	4.5	Note (v)	09-Jun-20
		1,615,120	800,000	–		**2,415,120**			

* Steven Lee resigned on 3 December 2010. On resignation Steven retained the right to exercise the options granted on the 2 September 2004 and 2 December 2005. Steven exercised the 2004 options on 18 January 2011 resulting in a gain of £35,350. The 2005 options can be exercised within twelve months of resignation.

Notes:

(i) These options vested in the following proportions: 100,000 on award, 100,000 on 2 December 2006; 100,000 on 2 December 2007 and 250,000 on 2 December 2008. The exercise price of the options was the closing mid-market value of the shares on 30 November 2005.

(ii) These options are performance related, with all share options vesting 28 August 2010 subject to the performance of the Company's share price. Under the terms of this scheme, the extent to which the options vest will be based on the three-year relative TSR performance as compared to the FTSE TechMARK Mediscience Index. Threshold vesting (33% of an award) would require Summit's TSR to equal the index and full vesting would require Summit's TSR to out-perform the index TSR by a minimum of 20% per annum; neither condition was met during the period and no options vested.

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

(iv) 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.

(v) 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. If the performance condition is not met within a period of two months of the vesting date the options will lapse.

Directors' shareholdings

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

	Ordinary shares at 31 January 2011	Ordinary shares at 31 January 2010
Executive		
Steven Lee*	**4,602,492**	2,382,492
Barry Price	**614,615**	614,615
Richard Storer	**676,229**	516,229
Non-Executive		
Stephen Davies	**7,658,748**	7,608,748
Andrew Richards	**466,068**	466,068
George Elliott	**205,291**	205,291
	14,223,443	11,793,443

* Steven Lee resigned on 3 December 2010.

The market price of the Company's shares at 31 January 2011 was 2.25 pence per share. During the year from 1 February 2010, the market price of the Company's shares has ranged from 2.20 pence to 5.75 pence.

On behalf of the Board

Andrew Richards, PhD
Chairman of Remuneration Committee

29 March 2011

Statement of Directors' Responsibilities

For the year ended 31 January 2011

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
Executive Chairman

29 March 2011

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 2011 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 sections 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 2011 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 Kim Hayward (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom

29 March 2011

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 2011

	Note	Year ended 31 January 2011 £000	Year ended 31 January 2010 £000
Revenue	4	**763**	189
Cost of sales		**–**	–
Gross profit		**763**	189
Other operating income	7	**34**	196
Administrative expenses			
Research and development		**(2,315)**	(2,302)
General and administration		**(1,692)**	(2,863)
Depreciation and amortisation		**(449)**	(826)
Accelerated depreciation of leasehold improvements	7	**–**	(1,361)
Impairment of intangibles	11	**(3,171)**	–
Release of loan	7	**–**	1,211
Release of provision	16	**975**	–
Share-based payment	19	**(74)**	(4)
Total administrative expenses	7	**(6,726)**	(6,145)
Operating loss		**(5,929)**	(5,760)
Finance income		**17**	8
Finance cost		**(4)**	(67)
Loss before taxation	7	**(5,916)**	(5,819)
Taxation	9	**1,226**	372
Loss for the year from continuing operations		**(4,690)**	(5,447)
Profit for the year from discontinued operations	5	**–**	28
Loss and total comprehensive expense for the year attributable to owners of the parent		**(4,690)**	(5,419)
Basic and diluted loss per Ordinary share for continuing operations	10	**(2.82)p**	(8.13)p
Basic and diluted profit per Ordinary share for discontinued operations	10	**–**	0.04p

The notes on pages 28 to 44 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 January 2011

	Note	31 January 2011 £000	31 January 2010 £000
ASSETS			
Non-current assets			
Intangible assets	11	**1,100**	4,535
Property, plant and equipment	12	**260**	335
		1,360	4,870
Current assets			
Trade and other receivables	13	**242**	246
Current tax		**239**	306
Cash and cash equivalents		**3,250**	6,082
		3,731	6,634
Total assets		**5,091**	11,504
LIABILITIES			
Current liabilities			
Trade and other payables	14	**(1,208)**	(1,104)
Total current liabilities		**(1,208)**	(1,104)
Non-current liabilities			
Provisions	16	**(205)**	(1,180)
Deferred tax	17	**–**	(942)
Total non-current liabilities		**(205)**	(2,122)
Total liabilities		**(1,413)**	(3,226)
Net assets		**3,678**	8,278
Equity			
Share capital	18	**6,930**	6,910
Share premium account		**29,629**	29,633
Share-based payment reserve	19	**1,233**	1,159
Merger reserve		**(1,943)**	(1,943)
Retained earnings		**(32,171)**	(27,481)
Total equity attributable to the equity shareholders of the parent		**3,678**	8,278

The notes on pages 28 to 44 form part of these financial statements.

Approved by the Board of Directors and authorised for issue.

Barry Price, PhD
Executive Chairman

29 March 2011

Consolidated Statement of Cash Flows

For the year ended 31 January 2011

	Note	Year ended 31 January 2011 £000	Year ended 31 January 2010 £000
Cash flows from operating activities			
Loss before tax from continuing activities		**(5,916)**	(5,819)
Profit before tax from discontinued activities		**–**	28
		(5,916)	(5,791)
Adjusted for:			
Finance income		**(17)**	(8)
Finance cost		**2**	69
Foreign exchange loss		**7**	22
Depreciation		**165**	2,045
Amortisation of intangible fixed assets		**284**	323
Loss on disposal	7	**12**	7
Impairment provision	11	**3,171**	–
Release of provision for contingent consideration	16	**(975)**	–
Cancellation of loan		**–**	(1,211)
Share-based payment		**74**	(18)
Adjusted loss from operations before changes in working capital and provisions		**(3,193)**	(4,562)
Decrease in trade and other receivables		**4**	923
Decrease in inventories		**–**	181
Increase/(decrease) in trade and other payables		**100**	(451)
Cash used by operations		**(3,089)**	(3,909)
Taxation received		**351**	815
Net cash used in operating activities		**(2,738)**	(3,094)
Investing activities			
Proceeds from disposal of discontinued operations		**–**	1,507
Proceeds from disposal of property, plant and equipment		**–**	8
Purchase of property, plant and equipment		**(102)**	(48)
Purchase of intangible assets		**(20)**	(40)
Interest received		**14**	8
Net cash used in investing activities		**(108)**	1,435
Financing activities			
Proceeds from issue of share capital		**20**	5,706
Transaction costs on share capital issued		**(4)**	(552)
Repayment of debt during the period		**–**	(53)
Repayment of finance lease costs		**–**	(8)
Interest paid		**(2)**	(69)
Net cash generated from financing activities		**14**	5,024
Net (decrease)/increase in cash and cash equivalents		**(2,832)**	3,365
Cash and cash equivalents at beginning of period		**6,082**	2,717
Cash and cash equivalents at end of year		**3,250**	6,082

The notes on pages 28 to 44 form part of these financial statements.

Consolidated Statement of Changes in Equity

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**

Year ended 31 January 2010

Group	Share capital £000	Share premium account £000	Share-based payment reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 February 2009	5,597	25,785	1,176	12,654	(36,659)	8,553
Loss for the year from continuing operations	–	–	–	–	(5,447)	(5,447)
Profit for the year from discontinued operations	–	–	–	–	28	28
Total comprehensive expense for the year	–	–	–	–	(5,419)	(5,419)
New share capital issued	1,313	4,400	–	–	–	5,713
Transaction costs on share capital issued	–	(552)	–	–	–	(552)
Transfer following realisation on disposal of discontinued operations	–	–	–	(14,597)	14,597	–
Share-based payment	–	–	(17)	–	–	(17)
At 31 January 2010	6,910	29,633	1,159	(1,943)	(27,481)	8,278

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 2011

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 2011, are confident about the Group's ability to continue as a going concern and will continue to manage and, if necessary reduce, costs to help ensure the objectives and future opportunities for the business that are outlined in the Chairman's Statement are met.

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, plus costs directly attributable to the acquisition. 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 have been fully impaired during the year, see Note 11 for details.

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 are treated as revenue as they are more akin to contract research than government assistance and are part of a wider funding and revenue sharing agreement. The monies received through this grant 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 2011

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.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the Consolidated Statement of Comprehensive Income (including the comparative period) as a single line which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations.

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 Executive Chairman, Chief Scientific Officer and the Chief Financial Officer.

Details are set out in Note 4.

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 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 2011 and 31 January 2010 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. Using a discounted cash flow model management have reassessed the probability and estimated likelihood of making the payments as detailed in the Note and as a result £975,000 has been released to the Consolidated Statement of Comprehensive Income.

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.

Notes to the Financial Statements

For the year ended 31 January 2011

3. Changes to accounting policies

During the period ended 31 January 2011 the following new standards, amendments to standards or interpretations became effective for the first time. The adoption of these interpretations, standards or amendments 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)
IFRS 2	Group cash-settled share-based payment transactions (amendments)
IFRS 3	Business combinations (revised)
IAS 27	Consolidated and Separate Financial Statements (amendments)
IAS 32	Clarification of Rights Issues (amendments)
IAS 39	Financial Instruments: 'Recognition and measurement – Amendments for eligible hedged items'

International Financial Reporting Interpretations (IFRIC)	
IFRIC 17	Distribution of non-cash assets to owners
IFRIC 18	Transfer of assets from customers

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	First-time Adoption of International Financial Reporting Standards (amendment)	1 July 2010
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 July 2011
IFRS 9	Financial Instruments	1 January 2013
IAS 12	Deferred tax: Recovery of Underlying Assets (amendments)	1 January 2012
IAS 24	Related Party Disclosure (revised)	1 January 2011

International Financial Reporting Interpretations (IFRIC)		Effective date
IFRIC 14, IAS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 April 2010

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.

4. Segmental reporting

The Summit Group comprises six legal entities, of which three are trading. These include 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 1 to 13 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 during the coming year.

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

There were two major sources of revenue which, when combined, total 100% of revenue in the year, of which £634,000 related to grant income and £129,000 to licensing income.

4. 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 2011	Year ended 31 January 2010	
	Continuing £000	Continuing £000	Discontinued £000
UK	**634**	34	365
USA	**–**	23	303
Europe	**129**	132	342
Rest of the world	**–**	–	273
	763	189	1,283

5. Discontinued operations

Included in the financial statements for the year ended 31 January 2010 were the following disposals:

On 7 May 2009, the Zebrafish business, which was held within part of Summit (Oxford) Limited and the whole of the subsidiary Summit Asia Pte Limited, was sold to Evotec AG. The proceeds for the sale were £500,000, plus a working capital adjustment of £57,000, which resulted in an overall profit of £275,000.

On 2 September 2009 Dextra Laboratories Limited, the carbohydrate services business, was sold to NZP Holding Limited. The proceeds for the sale were £950,000 and a final net asset adjustment of £29,000 which resulted in an overall loss of £240,000.

The profit on the sale of the discontinued operations included in the comparative figures was calculated as follows:

	Zebrafish Services £000	Carbohydrate Services business £000	Total £000
Consideration received			
Cash	557	979	1,536
	557	979	1,536
Cash disposed of	17	–	17
Net assets disposed (other than cash):			
Property, plant and equipment	225	1,107	1,332
Intangibles	–	3	3
Trade and other receivables	40	286	326
Other financial assets	–	210	210
Trade and other payables	–	(142)	(142)
Other financial liabilities	–	(245)	(245)
	265	1,219	1,484
Pre-tax gain/(loss) on disposal of discontinued operations	275	(240)	35
Related tax expense	–	–	–
	275	(240)	35

Notes to the Financial Statements

For the year ended 31 January 2011

5. Discontinued operations (continued)

The results of the discontinued operations which have been included in the Consolidated Statement of Comprehensive Income were as follows:

	Year ended 31 January 2010 £000
Revenue	1,283
Expenses	(1,313)
Loss before tax of discontinued operations	(30)
Tax	23
Loss after tax of discontinued operations	(7)
Profit on sale of discontinued operations	35
Tax	–
	35
Profit on discontinued operations	28

During the year ended 31 January 2010, the discontinued operations absorbed £184,000 of the Group's net operating cash flows (31 January 2009: £1,720,000), £15,000 (31 January 2009: £526,000) in respect of investing activities and £8,000 (31 January 2009: £10,000) in respect of financing activities.

6. Directors and employees

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

	31 January 2011 £000	31 January 2010 £000
Technical, research and development	**19**	56
Administration	**12**	17
	31	73

The parent company had no employees in the current or previous financial years. On 31 January 2011, the number of people employed by the Group was 32.

Their aggregate remuneration comprised:

	31 January 2011 £000	31 January 2010 £000
Wages and salaries	**1,647**	2,633
Social security costs	**185**	250
Pension costs	**44**	162
Share-based payment	**74**	(17)
	1,950	3,028

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.

Disclosures relating to key management identified required by IAS 24 are already included in the Directors' Remuneration Report, however, are re-presented below in the required format.

	Year ended 31 January 2011 £000	Year ended 31 January 2010 £000
Short-term employee benefits	**375**	487
Post-employment benefits	**7**	32
Other long-term benefits	**–**	–
Termination benefits	**110**	119
Share-based payment	**18**	4
	510	642

7. Loss before taxation

	Note	Year ended 31 January 2011 Continuing £000	Year ended 31 January 2010 Continuing £000	Year ended 31 January 2010 Discontinued £000
Other operating income				
Grant income (not including Wellcome Trust)		**(5)**	13	26
Other income		**39**	183	–
		34	196	26
Non-recurring items				
Slow moving stock provision		**–**	226	–
Accelerated depreciation of leasehold improvements		**–**	1,361	–
Release of loan		**–**	(1,211)	–
Release of provision	16	**(975)**	–	–
Impairments				
Intangible assets	11	**3,171**	–	–
		3,171	–	–
Profit/(loss) on disposals				
Discontinued operations		**–**	–	35
Intangible assets		**–**	(25)	–
Property, plant and equipment		**(12)**	(11)	(6)
		(12)	(36)	29
Other				
Share-based payments	19	**74**	4	(21)
Employer pension contributions	6	**44**	162	49
Foreign exchange loss		**7**	12	12
Amortisation of intangible assets	11	**284**	323	–
Depreciation of property, plant and equipment	12	**165**	503	125
Operating lease rentals		**194**	469	469

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 2011 £000	Year ended 31 January 2010 £000
Fees payable to the Company's auditors for the audit of the Consolidated Financial Statements	**22**	25
Fees payable to the Company's auditors for the audit of the Company's subsidiaries	**5**	8
Audit-related regulatory reporting	**10**	19
Total audit fees	**37**	52
Further assurance services	**–**	2
Tax advisory services	**4**	24
Total non-audit fees	**4**	26
Total fees payable	**41**	78

Notes to the Financial Statements

For the year ended 31 January 2011

9. Taxation

Analysis of charge in period	Year ended 31 January 2011 £000	Year ended 31 January 2010 £000
United Kingdom corporation tax at 28% (2010: 28%)		
Current tax credit	**(239)**	(306)
Prior year adjustment	**(45)**	(11)
Deferred tax	**(942)**	(55)
Taxation	**(1,226)**	(372)

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	**(5,916)**	(5,819)
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom (Current tax) of 28% (2010: 28%), and deferred tax at 28% (2010: 28%)	**(1,656)**	(1,629)
Effect of:		
Non-deductible expenses	**28**	170
Enhanced deductions for R&D expenditure	**(228)**	(283)
Difference in rate regarding R&D tax credits	**239**	306
Capital allowances in excess of depreciation (not recognised)	**8**	451
Increase in losses to carry forward (not recognised)	**459**	643
Movement in short-term temporary differences (not recognised)	**(1)**	–
Tax losses utilised	**(30)**	(19)
Prior year adjustments	**(45)**	(11)
Total taxation	**(1,226)**	(372)

There are no current tax liabilities as at 31 January 2011 (31 January 2010: Nil).

Following the impairment charge as detailed in Note 11 the full amount of the deferred tax liability has been released to the Consolidated Statement of Comprehensive Income.

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 £4,690,000 (year ended 31 January 2010: loss of £5,447,000) and dividing this by the weighted average number of shares in issue during the year to 31 January 2011: 166,288,546 (year ended 31 January 2010: 67,010,402). For the year ended 31 January 2010 the profit per share for discontinued operations has been calculated using the profit attributable to discontinued operations of £28,000 and dividing this by the weighted average number of shares in issue during the year to 31 January 2010: 67,010,402.

Since the Group has reported a net loss for continuing activities, diluted loss per share is equal to basic loss per share. For the year ended 31 January 2010 the diluted profit per share for discontinued operations is reported as the same as the basic profit per share due to the limited impact that the number of options where the exercise price is lower than the average share price for the period has on the weighted average number of shares.

Potentially dilutive shares capable of vesting under the share options currently in issue totalled 8,253,711 as at 31 January 2011 (31 January 2010: 8,516,754).

11. Intangible assets

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)
Impairments	(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**

Year ended 31 January 2010

Cost	Sialorrhoea and seborrhoea programmes £000	Acquired iminosugar related programmes £000	Other patents and licences £000	Total £000
At 1 February 2009	7,460	1,380	208	9,048
Additions	–	–	68	68
Disposals	–	–	(211)	(211)
At 31 January 2010	**7,460**	**1,380**	**65**	**8,905**
Amortisation and impairment				
At 1 February 2009	(3,899)	(187)	(142)	(4,228)
Provided in the year	(195)	(86)	(42)	(323)
Impairment	–	–	–	–
Disposals	–	–	181	181
At 31 January 2010	**(4,094)**	**(273)**	**(3)**	**(4,370)**
Net book amount				
At 1 February 2009	3,561	1,193	66	4,820
At 31 January 2010	**3,366**	**1,107**	**62**	**4,535**

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

Sialorrhoea and seborrhoea programmes:
Following the annual impairment review of the intangible assets recognised on the acquisition of Summit (Cambridge) Limited management have re-assessed and concluded that these programmes no longer have a value-in-use which is supportable. This is due to the Group prioritising development of its Seglin™ technology and programmes in other therapy areas in preference to the sialorrhoea and seborrhoea indications. Management have also assessed the assets on a fair value less costs to sell basis and have concluded that on the latest available evidence that the recognition of an impairment provision of £3,171,000 is required.

Notes to the Financial Statements

For the year ended 31 January 2011

11. Intangible assets (continued)

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 16 years with a remaining useful economic life of 11.8 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 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**

Year ended 31 January 2010

Cost	Leasehold improvements £000	Laboratory equipment £000	Office and IT equipment £000	Total £000
At 1 February 2009	2,393	3,176	342	5,911
Recategorisation	1,048	(1,048)	–	–
Additions	5	8	25	38
Disposals	(215)	(312)	(21)	(548)
Disposals of subsidiaries	(1,073)	(672)	(45)	(1,790)
At 31 January 2010	2,158	1,152	301	3,611
Depreciation				
At 1 February 2009	(822)	(1,175)	(200)	(2,197)
Recategorisation	(283)	283	–	–
Charge for the year	(225)	(392)	(67)	(684)
Accelerated depreciation	(1,361)	–	–	(1,361)
Disposals	215	99	7	321
Disposal of subsidiaries	322	301	22	645
At 31 January 2010	(2,154)	(884)	(238)	(3,276)
Net book value				
At 1 February 2009	1,571	2,001	142	3,714
At 31 January 2010	**4**	**268**	**63**	**335**

Disposals in the year are as a result of the surrender of the existing lease in Oxford in February 2010 and the associated renegotiation and office move.

13. Trade and other receivables

	Year ended 31 January 2011 £000	Year ended 31 January 2010 £000
Trade receivables	**32**	41
Other receivables	**40**	77
Prepayments and accrued income	**170**	128
	242	246

14. Trade and other payables

	Year ended 31 January 2011 £000	Year ended 31 January 2010 £000
Trade payables	**332**	149
Other taxes and social security costs	**119**	65
Accruals and deferred income	**678**	884
Other creditors	**79**	6
	1,208	1,104

Notes to the Financial Statements

For the year ended 31 January 2011

15. Financial instruments

	Note	Year ended 31 January 2011 £000	Year ended 31 January 2010 £000
Cash and cash equivalents		**3,250**	6,082
Loans and receivables			
Trade and other receivables	13	**242**	246
Other liabilities			
Trade and other payables	14	**1,208**	1,104
		1,208	1,104

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.

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 2011 £000	Year ended 31 January 2010 £000
On dated deposit: fixed rate	**2,500**	–
On current account	**750**	6,082
	3,250	6,082

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 2011, the banking facility returned an average rate after fees of 0.37% (2009/10: 0.40%).

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 £4,666,000 in the year:

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

Year ended 31 January 2010	–1%	Actual	+1%
Interest rate	–	0.40	1.40
Interest received (£000)	–	8	28

15. Financial instruments (continued)

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 2011 are all fully recoverable. Of the £32,230 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.

Liquidity risk

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

The Group ordinarily finances its activities through cash generated from operating activities and private and public offerings of equity 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 Note 1 'Going concern'.

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.

Notes to the Financial Statements

For the year ended 31 January 2011

16. Provisions

Cost	MNL Pharma contingent consideration on acquisition £000
At 1 February 2010	1,180
Release of provision	(975)
At 31 January 2011	**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 have updated the discounted cash flow model using revised probabilities and estimated timings of reaching each stage. As a result a release of £975,000 has been included within operating costs in the Consolidated Statement of Comprehensive Income.

17. Deferred tax liability

Cost	Total £000
At 1 February 2010	942
Released following the impairment of the related intangible asset	(888)
Amount written off to the Consolidated Statement of Comprehensive Income in line with intangible asset amortisation rates	(54)
At 31 January 2011	**–**

As a result of the carrying value of the intangibles assets recognised on the acquisition of Summit (Cambridge) Limited and their associated tax base now being equal there is no longer a requirement for a deferred tax liability in respect of these assets.

The main rate of corporation tax for 2011 has been reduced from 28% to 27%. This was introduced in Finance Act 2010, 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 £583 (2010: £1,000) relating to provisions and £6,998,000 (2010: £6,318,000) on tax losses have not been recognised to the extent that they are not regarded as recoverable in the foreseeable future. Deferred tax liabilities of £37,000 (2010: £26,000) in respect of accelerated capital allowances are not recognised as we would expect to offset these against future trading losses.

18. Share capital

	Year ended 31 January 2011 £000	Year ended 31 January 2010 £000
Authorised		
225,297,867 Ordinary shares of 1p each	**2,253**	2,253
524,702,133 Deferred shares of 1p each	**5,247**	5,247
	7,500	7,500
Alloted, called up and fully paid		
168,269,806 Ordinary shares of 1p each	**1,683**	1,663
524,702,133 Deferred shares of 1p each	**5,247**	5,247
	6,930	6,910

On 18 January 2011 the number of Ordinary shares increased to 168,269,806 following the exercise of employee share options over 2,020,000 Ordinary 1p shares. The shares rank *pari passu* with existing Ordinary shares. The issue of new Ordinary 1p shares raised net proceeds of £20,200.

19. Share option scheme

At 31 January 2011 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	33,900	13 Oct 07	13 Oct 16
	28 Nov 06	136.0	10,000	28 Nov 07	28 Nov 16
	21 Nov 07	114.0	49,533	21 Nov 08	21 Nov 17
	27 Oct 09	5.4	3,255,000	27 Oct 10	27 Oct 19
	10 Jun 10	4.5	3,430,000	11 Jun 13	09 Jun 20
			6,820,433		
Unapproved scheme					
	02 Dec 05	171.5	495,073	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
	28 Aug 07	118.5	175,000	28 Aug 08	28 Aug 17
	21 Nov 07	114.0	10,000	21 Nov 08	21 Nov 17
			1,433,278		
			8,253,711		

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 2011	Weighted average exercise price (p)	Year ended 31 January 2010
Outstanding at 1 February	**39**	**8,516,754**	89	5,741,811
Granted during the year	**5**	**4,230,000**	5	4,320,000
Lapsed/surrendered during the year	**34**	**(2,473,043)**	130	(1,545,057)
Exercised during the year	**1**	**(2,020,000)**	–	–
Number of outstanding options at 31 January	**32**	**8,253,711**	39	8,516,754

As at 31 January 2011, 1,393,711 share options were capable of being exercised with a weighted average exercise price of 153 pence (31 January 2010: 3,781,465 with a weighted average exercise price of 71 pence). The options outstanding at 31 January 2011 had a weighted average exercise price of 32 pence (31 January 2010: 39 pence), and a weighted average remaining contractual life of 8.4 years (31 January 2010: 7.7 years).

Notes to the Financial Statements

For the year ended 31 January 2011

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	495,073	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	33,900	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%
28 Aug 07	Unapproved	175,000	118.5	118.5	44	3.0	5.1%
21 Nov 07	Unapproved	10,000	114.0	114.0	42	3.0	4.6%
21 Nov 07	EMI	49,533	114.0	114.0	42	3.0	4.6%
27 Oct 09	EMI	3,255,000	5.4	5.1	3	5.0	2.7%
10 Jun 10	EMI	3,430,000	4.5	4.6	3	5.0	2.4%
		8,253,711					

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 28 August 2007, and the EMI awards made on 27 October 2009 and 10 June 2010 are performance related, as described in the Directors' Remuneration Report, and have been modelled using a Monte-Carlo methodology.
c. Figures in the range 18-32% 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 2011 the Group had no capital commitments (31 January 2010: 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 2011 £000**	Year ended 31 January 2010 £000
Not later than one year	**212**	160
Later than one year and not later than five years	**468**	675
Later than five years	**–**	5
	680	840

22. Related party transactions

There were no transactions with related parties that require disclosure.

See Note 6 for details of key management emoluments.

Summit Corporation plc individual financial statements (Company Number 5197494)

Company Balance Sheet

As at 31 January 2011

	Note	31 January 2011 £000	31 January 2010 £000
Fixed assets			
Investments	25	**3,107**	3,033
Current assets			
Debtors – due after more than one year	26	**8,447**	8,409
Debtors – due within one year	26	**–**	35
		8,447	8,444
Net current assets		**11,554**	11,477
Current liabilities due within one year	27	**(10)**	(12)
Net assets		**11,544**	11,465
Capital and reserves			
Called up share capital	28	**6,930**	6,910
Share premium account	29	**29,629**	29,633
Share-based payment reserve	29	**1,233**	1,159
Profit and loss account	29	**(26,248)**	(26,237)
Equity shareholder's funds	30	**11,544**	11,465

The notes on pages 46 to 48 form part of these financial statements.

Approved by the Board of Directors and authorised for issue.

Barry Price, PhD
Executive Chairman

29 March 2011

Summit Corporation plc individual financial statements

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 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. 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 £10,944 (2009/10: £2,413,417).

Directors' remuneration

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

Auditors' remuneration

Auditors' remuneration is disclosed in Note 8 on page 35.

25. Investments

Cost	Investment in subsidiaries £000	Capital contributions for share options £000	Total £000
At 1 February 2010	16,878	1,124	18,002
Additions	–	74	74
As at 31 January 2011	**16,878**	**1,198**	**18,076**
Impairment			
At 1 February 2010 and 31 January 2011	**(14,944)**	**(25)**	**(14,969)**
Net book value			
At 1 February 2010	1,934	1,099	3,033
At 31 January 2011	**1,934**	**1,173**	**3,107**

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 2011 £000	Year ended 31 January 2010 £000
Amounts owed by group undertakings	**8,447**	8,409
Other debtors	**–**	35
	8,447	8,444

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

27. Creditors

	Year ended 31 January 2011 £000	Year ended 31 January 2010 £000
Other creditors	**10**	12

28. Share capital

	Year ended 31 January 2011 £000	Year ended 31 January 2010 £000
Authorised		
225,297,867 Ordinary shares of 1p each	**2,253**	2,253
524,702,133 Deferred shares of 1p each	**5,247**	5,247
	7,500	7,500
Alloted, called up and fully paid		
168,269,806 Ordinary shares of 1p each	**1,683**	1,663
524,702,133 Deferred shares of 1p each	**5,247**	5,247
	6,930	6,910

On 18 January 2011 the number of Ordinary shares increased to 168,269,806 following the exercise of employee share options over 2,020,000 Ordinary 1p shares. The shares rank *pari passu* with existing Ordinary shares. The issue of new Ordinary 1p shares raised net proceeds of £20,200.

Summit Corporation plc individual financial statements

Notes to the Individual Financial Statements

of Summit Corporation plc

29. Reserves

Year ended 31 January 2011

	Share premium account £000	Share-based payment reserve £000	Retained earnings £000	Total £000
At 1 February 2010	29,633	1,159	(26,237)	4,555
Additional costs on share issue in December 2009	(4)	–	–	(4)
Share-based payment	–	74	–	74
Loss for the period	–	–	(11)	(11)
At 31 January 2011	**29,629**	**1,233**	**(26,248)**	**4,614**

Information pertaining to the share options issued in the period are analysed in Note 19 on page 43. The share-based payment reserve is borne on behalf of the underlying subsidiaries.

30. Reconciliation of movement in shareholders' funds

	31 January 2011 £000	31 January 2010 £000
Opening shareholders' funds	**11,465**	8,734
Shares issued during the year	**20**	1,313
Share premium on issued shares (net of expenses)	**(4)**	3,848
Share-based payment	**74**	(17)
Loss for the financial year	**(11)**	(2,413)
Closing shareholders' funds	**11,544**	11,465

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	Executive Chairman
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, BSc, ACA

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Registered number
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Maritime Walk
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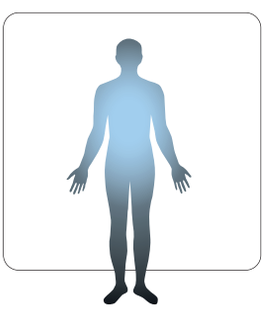

New Targets

New Chemistry

New Medicines

Spine is nominal 5mm width