Summit plc
Annual Report and Accounts
For the year ended 31 January 2008

Summit plc is a leading UK biotechnology company with a broad drug pipeline, two world-leading technology platforms and an innovative business model to generate sustainable value for shareholders.

2007/08 Highlights

Revenue

£3.0m

(2006/07: £1.0m)

R&D investment

£8.4m

(2006/07: £3.0m)

Cash reserves at 31 January 2008

£10.1m

(2006/07: £18.3m)

Drug Pipeline Progress

- Clinical and preclinical programmes targeting unmet medical need
  - > Positive result from Phase I trial of SMT D002 for treatment of seborrhoea (excessive sebum production) in acne and Parkinson's disease
  - > SMT D001 entered Phase II clinical trial for the treatment of sialorrhoea (excessive drooling)
- Advances made in preclinical programmes
  - > SMT C1100 selected as the lead candidate in Duchenne muscular dystrophy programme
  - > Positive preclinical results showing SMT C1100 improves the strength and function of muscles
- Multiple discovery stage programmes to replenish drug pipeline

Targeting Early Stage Programme Deals

- $10 million programme collaboration deal signed with Evolva Biotech for SMT 14400 in infectious diseases

Profitable Technology Platforms

- Services business profitable and growing
- Client list expanded and includes seven of the top 10 pharmaceutical companies

Corporate Development

- Acquisition of two UK biotechnology companies for a combined £16.5 million in all share transactions to consolidate world-leadership position in zebrafish biology and carbohydrate chemistry
- Strategic evaluation and integration of new assets to create a stronger, focused business
- Re-branding of Company to Summit plc from VASTox plc

Financial Highlights

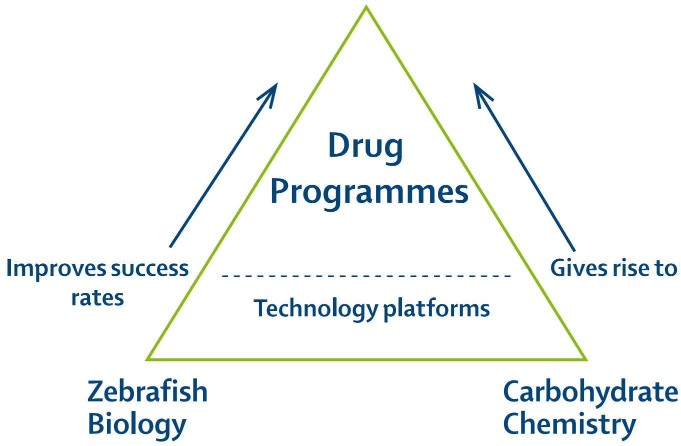
- Trebling of revenues to £3.0 million (2006/07: £1.0 million)
- R&D investment increased to £8.4 million (2006/07: £3.0 million)
- Cash position of £10.1 million at 31 January 2008 (2006/07: £18.3 million)

Summit: At a Glance

Summit's vision is to build a biotechnology business that will generate significant and sustainable value for investors.

Our strategy to achieve this is through the development of high-quality drug programmes that target unmet medical needs. Value from this pipeline will be generated by out-licensing attractive programmes at a late-preclinical or early clinical stage in return for upfront, milestone and royalty payments.

The Company aims to benefit from the future potential of its programmes while avoiding the risks and costs associated with running late-stage and pivotal clinical trials. Two world-leading and innovative technology platforms in zebrafish biology and carbohydrate chemistry support our drug pipeline. As part of Summit's sustainable, robust and lower-risk business model, these technology platforms generate revenues through our profitable services business.



Investment opportunity

Summit's approach presents multiple opportunities to generate significant and sustainable value for investors:

1. Pharmaceutical services

> £3.0 million revenues delivered in 2007/08, a trebling of revenues generated during 2006/07

> Increase revenues by developing engagements with major pharmaceutical companies

> Opportunities from both technology platforms to sign longer-term and higher-value service deals

Profitable and growing

2. Technology collaborations

> Potential million dollar, longer-term collaborations

> Many partnering opportunities from within both of Summit's innovative technology platforms

> Significant long-term potential as the pharmaceutical industry increasingly recognises our highly innovative and value adding technologies

Due in 2008

3. Drug programme licensing deals

> Multi-million dollar headline deals with attractive upfront, milestone and royalty payments

> Summit's strong drug pipeline provides several opportunities to sign programme deals now

> A focused strategy to maintain a strong drug pipeline and enable Summit to deliver future programme deals

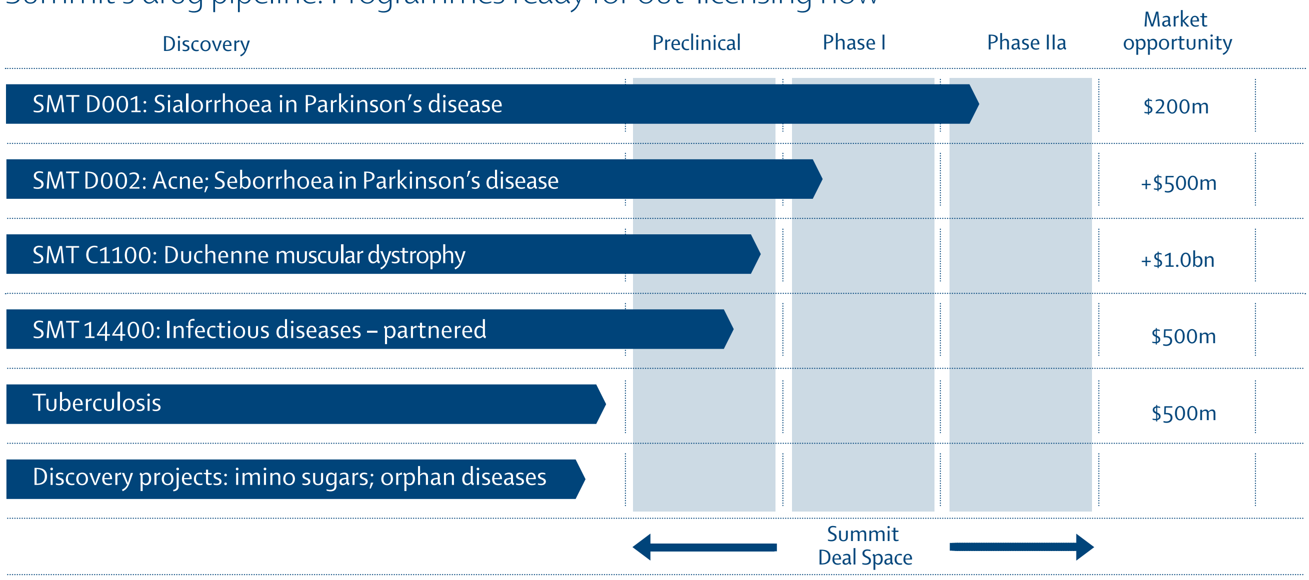
Due in 2008

Increasing value

Drug programmes: Targeting early stage deals to generate value

In line with the Company's strategy, our drug programmes will be developed up to and including Phase IIa clinical trial stage. Summit will not expose itself to the risks and costs associated with running Phase IIb and pivotal Phase III trials. Summit's drug pipeline includes clinical, preclinical and discovery stage programmes. This portfolio uses the Company's scientific expertise to target a range of therapeutic areas including neurological disorders and infectious diseases.

Summit's drug pipeline: Programmes ready for out-licensing now



Technology platforms: Innovative, profitable and growing

Summit is the world leader in two technology platforms that underpin its drug discovery and development pipeline and generates profitable revenues.

Zebrafish biology
Whole organism safety screening and efficacy disease models:

> Accelerate the drug discovery and development process
> Reduce attrition rates and lower development costs
> Summit has the world's largest and most sophisticated zebrafish facilities

Carbohydrate chemistry
An increasingly important technology capability:

> A rich source of unique naturally occurring drug-like molecules
> A rich source of new drugs free from Intellectual Property and patent issues
> Summit has a unique capability that has broad use from early stage drug discovery through to manufacture

Chairman's Statement

"It is my belief that Summit has matured into a robust business with a focused strategy that places the Company in a strong position to deliver sustainable value for shareholders."

Dr Barry Price – Chairman

Over the past 18 months, your Company has undergone a period of considerable growth and consolidation and, as a result, is now well positioned to generate significant and sustainable value for shareholders.

The activities have resulted both in the strengthening of our drug pipeline and of Summit confirming its world-leading position in two innovative and valuable technology platforms which, I believe, have the potential to make a major contribution to the drug discovery and development process.

Consequently, the business is now in a strong position to capitalise on the potential of these exciting assets and technologies to realise our ambition of improving the risk-reward ratio traditionally associated with investing in the biotechnology sector.

To reflect the progress made in building the business, we changed our Company name from VASTox plc to Summit Corporation plc in July 2007. Our new identity reflects the aspirations we have for the business and provides a mature, professional image that accommodates all the future needs of the Company.

Growth through acquisition

All areas of the business were significantly strengthened early in 2007 following the acquisition of two UK companies, DanioLabs and Dextra Laboratories, for a combined total of £16.5 million in new shares. The two companies were a synergistic fit with our existing capabilities and provided Summit with a pipeline of clinical, preclinical and discovery stage programmes that enhanced our existing drug candidate portfolio. These acquisitions also strengthened our market-leading position in two innovative technology platforms, zebrafish biology and carbohydrate chemistry, which underpin the development of our pipeline and form the basis of our profitable pharmaceutical service business.

Targeting early stage deals

One of our strategies for generating long-term and sustainable value is to develop multiple, high-quality programmes as far as clinical Phase IIa, thus making them attractive, early licensing opportunities for partners in the pharmaceutical and biotechnology industry.

This strategy has been developed to capitalise on a trend Summit recognised within the pharmaceutical industry which in recent years has seen programme deals being signed at increasingly early stages of development in order to meet the industry's urgent need to replenish existing drug pipelines.

Importantly, this approach means Summit focuses on doing what it does best: selecting and developing the most promising drug candidates to early clinical stage while avoiding the high costs and risks associated with running Phase IIb and pivotal Phase III clinical trials.

We have a number of promising programmes at this stage in development and have intensified our out-licensing activities accordingly.

Growing revenues streams

Revenues from our pharmaceutical services business trebled during the period due to a combination of organic growth and the enhanced capabilities added through our acquisitions. The industry continuously seeks to invest in innovative technologies that can reduce costs and improve success rates in drug discovery and development. Increasingly the advantages and value our two technologies can bring to the process are being recognised by the industry and is reflected in our client list, which includes several of the world's largest pharmaceutical companies.

Year at a glance

March 2007
Acquisition of DanioLabs and Dextra to become world-leaders in two innovative technology platforms

May 2007
SMT C1100 nominated as lead candidate in Duchenne muscular dystrophy programme

July 2007
$10 million co-development deal signed with Evolva Biotech in infectious diseases

October 2007
$450,000 zebrafish safety screening deal signed with a top five pharma company

April 2008
Positive results reported from Phase I trial in acne programme

April 2008
Positive preclinical results reported in DMD programme showing SMT C1100 improves strength and function of muscles

Board changes

During the past year, we have taken the opportunity to review the size and composition of our Board of Directors to ensure not only that we have a well-balanced team with the expertise and experience to oversee the next phase of Summit's development, but also that it is appropriate for a Company such as Summit.

Andrew Richards and George Elliott joined the Board during March 2007 and April 2007 respectively, while Sir Brian Richards, David Norwood and James Taylor stepped down on 31 January 2008. I would like to formally welcome our new directors and extend the Company's gratitude and best wishes to Brian, David and James.

Outlook

It is my belief that Summit has matured into a robust business with a focused strategy that places the Company in a strong position to deliver sustainable value for shareholders.

I recognise though that the pharmaceutical and biotechnology sector has been a difficult area for investors. Various factors have undermined the perceived value of the sector including a decline in the number of new drugs reaching the market, higher regulatory hurdles and high-profile issues with marketed products. The current problems in the global financial markets are further exacerbating the situation leading investors into more defensive stocks.

However, the need to discover and develop new medicines remains as strong as ever with many serious and fatal diseases lacking adequate treatment. I firmly believe Summit is a business with the expertise and technologies capable of meeting some of these challenges for the benefit, in different ways, of patients, their families and our shareholders.

The coming year will be an important and exciting time for Summit and I look forward to reporting later in the year on the continued progress being made within our drug pipeline, service business and most significantly, progress towards a significant licensing deal.

Finally, I would like to thank all members of staff for their efforts and dedication in helping to create a business that is capable of fulfilling our vision of developing new medicines to treat serious diseases.

Barry Price, PhD
Chairman

3 June 2008

Chief Executive's Review

"In the past year, we have worked hard on building and consolidating a robust business with multiple opportunities to generate value and this has been accomplished through a strategy of focused acquisitions and solid organic growth."

Dr Steven Lee – Chief Executive Officer

The past 18 months has been a period of substantial growth and consolidation within the business and your Company is now poised to deliver our vision of building significant and sustainable value for shareholders.

Our strategy focuses on advancing multiple drug programmes in areas of high unmet medical need to an early stage of development and signing licensing deals with partners to further develop these promising candidates towards the market. This approach aims to improve the risk-reward ratio normally associated with biotechnology companies by not exposing the business to the high costs and risks associated with later stage Phase IIb and pivotal Phase III clinical trials. Underpinning our drug discovery and development capabilities and programmes are two world-leading and innovative technology platforms in zebrafish biology and carbohydrate chemistry. These technologies both improve the chances of success in our existing programmes and will give rise to new programmes to maintain our strong drug pipeline.

Building value

In the past year we have worked hard on building and consolidating a robust business with multiple opportunities to generate value and this has been accomplished through a strategy of focused acquisitions and solid organic growth.

The acquisition of DanioLabs in March 2007 strengthened our drug pipeline with a selection of clinical, preclinical and discovery stage programmes while its zebrafish technology fitted synergistically with our existing capabilities to form the world's largest and most sophisticated zebrafish technology platform.

At the same time, we acquired Dextra Laboratories to enhance our carbohydrate technology platform; Summit now has drug discovery and development capabilities from the earliest stages of discovery up to and including the production of GMP material suitable for use in Phase II clinical trials. Following the acquisition, Dextra became the brand name for our carbohydrates service business.

Since completion of the deals, the Company has been focused on fully evaluating the acquired assets and ensuring that those that enhance our business are seamlessly integrated into our operations. The outcome from these efforts has been to create a strong, efficient business that is now well placed to deliver value.

Pipeline progress

A key component in the successful execution of our strategy of signing early stage deals is a strong drug pipeline and 2007/08 saw solid progress being made in this area. During the year, we entered two programmes into Phase I and Phase IIa clinical trials, respectively.

A Phase I trial was successfully completed with our clinical candidate SMT D002 for the treatment of seborrhoea or excess sebum production, a condition that is a primary cause of acne and also a non-motor symptom of Parkinson's disease. In March 2008, the results from this Phase I trial met the primary endpoints and proved statistically significant with SMT D002 suppressing levels of sebum production by up to 90%. This new data supported an earlier Phase I study to further enhance the value of this programme as we actively seek to find a commercial partner to support the candidate's future development.

Our most advanced clinical programme is SMT D001, a candidate that targets the treatment of sialorrhoea or excessive drooling in Parkinson's disease. In January 2008, this candidate entered into a Phase IIa clinical trial in 40 patients and the results from this trial are anticipated during 2009. A Phase I study with this candidate indicated that SMT D001 reduces saliva production by up to 40%.

In addition, Summit currently has programmes advancing through preclinical development. In May 2007 we nominated SMT C1100 as our lead candidate for the treatment of the fatal genetic disease Duchenne muscular dystrophy (DMD). Selecting this lead candidate was a major achievement within this programme and also for the Company as it demonstrated that we can take novel academic research and transform it, entirely in-house, into an exciting and valuable commercial opportunity.

This candidate is currently making excellent progress through preclinical development with data being produced that shows this candidate significantly improves the strength and function of muscles in *in vivo* models. Our plan is to conclude preclinical development towards the end of 2008 and enter human clinical trials shortly afterwards.

Our other preclinical programme is in the therapeutic area of infectious diseases and uses the candidate SMT 14400. This candidate is a carbohydrate-based compound known as an imino sugar, and is a type of molecule that is believed to be an active pharmaceutical component in herbal medicines. SMT 14400 is being developed in the infectious diseases area in partnership with a Swiss company, Evolva Biotech, and is discussed later on. We are further investigating the potential of SMT 14400 in other indications.

To maintain our healthy clinical and preclinical pipeline, Summit is evaluating a range of exciting discovery stage projects from which it expects new commercial opportunities to emerge. One discovery stage programme that has made great strides during the past 12 months targets tuberculosis (TB). In 2007, we identified several series of novel compounds that are active against (i.e. kill) the bacteria that cause TB, and have subsequently identified possible lead compounds with improved efficacy. We are actively seeking a major commercial partner to take forward the development of this programme.

Chief Executive's Review (continued)

"Our challenge for the coming year is to sign a major programme licensing deal from within our drug pipeline and with a focused and experienced commercial team actively engaging with potential partners, I am confident we can deliver on this commitment."

Targeting early deals

This year saw good progress being made towards our objective of signing early stage licensing deals from within our drug pipeline. In July 2007, a $10 million co-development deal for SMT 14400 in infectious diseases was signed with Evolva Biotech. Evolva has been granted over $50 million of funding from the Defense Threat Reduction Agency (DTRA), a US government-funded body that targets new treatments for use against biological weapons. Evolva's remit is to find novel candidates with the potential to protect against a range of biological agents, including anthrax, ebola, and *E. coli*; Evolva identified SMT 14400 as one such candidate.

Under the terms of the agreement, Summit received an upfront payment and will be entitled to development funding for SMT 14400 while retaining 50% ownership of the programme in a multi-billion dollar indication as well as exclusive rights for its use in other indications. Summit will always look to sign creative deals with external partners to maximise the potential of our drug pipeline and this is highlighted through this deal.

Our challenge for the coming year is to sign a major programme licensing deal from within our drug pipeline and with a focused and experienced commercial team actively engaging with potential partners, I am confident we can deliver on this commitment.

Technology platforms: adding value

Underpinning our drug discovery and development capabilities and pipeline are our two world-leading and innovative technology platforms in zebrafish biology and carbohydrate chemistry. These platforms both support current programmes by helping to improve the chances of success while they will also be used to identify future programmes to replenish our pipeline.

In addition, these technologies form the basis of our profitable services business, whereby third-party clients from the pharmaceutical and life sciences industries can pay to access our expertise and capabilities to enhance their own development pipelines.

In 2007/08, this business generated revenues of £3 million, three times what it made in the previous year. The growth of this business is a significant validation of the potential that both these technologies bring to the discovery and development of new drugs. During the year, we worked with 30 customers, including some of the world's largest pharmaceutical companies.

Carbohydrate platform

Dextra, our carbohydrate chemistry subsidiary, made a sizeable impact to our revenues for the year following its integration into Summit. Importantly, Dextra signed its first royalty paying deal in May with a US healthcare company for which the Company earned $450,000 in fees and will receive a 5% royalty on product supply from 2009. This deal provides longer-term revenue visibility for the business and is indicative of the type of service deals we will be seeking to sign over the coming months.

In July, our scale-up and GMP (Good Manufacturing Practice) synthetic chemistry laboratory became operational, which is capable of producing high-grade material in sufficient quantities to support clients' projects from early discovery through to Phase II clinical trials. This facility is of importance to Summit as it will not only further enhance our carbohydrate chemistry platform but will also serve to reduce internal costs and development times by using the manufacturing capability to advance our own drug programmes.

Zebrafish platform

In zebrafish biology, we signed a number of higher-value service agreements with pharma and biotech customers. This demonstrates an increasing recognition within the industry of the potential benefits the use of this technology can bring throughout the early stages of drug discovery and development. We have now engaged with seven of the world's top 10 pharmaceutical companies with a $450,000 pilot study signed in October 2007, being our largest zebrafish deal to date. Our challenge for the coming year is to translate these promising early interactions into higher-value, longer-term contracts and I am pleased to report that progress is already being made on this front.

Outlook

The coming year will be an exciting and challenging period for Summit. Our efforts to date have been focused on building the infrastructure of the business following the acquisitions of DanioLabs and Dextra in 2007 and of the key assets of MNL Pharma in 2006. Our commitment to shareholders is to deliver substantial value through commercial success from the business that we have created. A major programme deal from our drug pipeline is our primary objective for 2008 and there are several opportunities that I believe make this both a very realistic and achievable target. In addition, I anticipate that our two technology platforms will generate more value through the signing of creative collaboration deals, which will supplement the expected continued growth in service revenues.

I would like to thank all members of staff at Summit for the dedication and hard work that has been essential to achieve the progress the business has made this year. Finally, I would like to thank all Summit shareholders for their continued support and I look forward to reporting to you in the future about our further growth and success.

Steven Lee, PhD
Chief Executive Officer

3 June 2008

Financial Review

"Summit's cash generative and profitable services business is an important, differentiating component of our robust business model and it allows the Company to support our investment in our proprietary R&D pipeline."

Darren Millington ACMA – Chief Financial Officer and Company Secretary

Financial Highlights

- Revenues trebled to £3.0m (2006/07: £1.0m)
- Research and development investment of £8.4m (2006/07: £3.0m)
- Cash and short-term deposits of £10.1m (2006/07: £18.3m)

The aim of every good business is to be cash generative and profitable and during the last 18 months, Summit has made good progress towards this objective, recognising the need for continuing investment in our R&D activities. The Company operates in an industry where significant value can be built in relatively short periods of time and our two technology platforms are demonstrating that innovative, value-adding services can quickly generate industry excitement. On a stand-alone basis this service division is already profitable and this will continue into 2008/09. Our internal drug programmes represent the most likely source of significant medium- and long-term value and we are conscious that this part of the business is currently loss-making. The Board regularly reviews the expenditure in this area and makes decisions based on the expected return on investment.

Business performance

Acquisitions

In March 2007, Summit completed two acquisitions that had the immediate effect of enhancing the value of our drug pipeline with two clinical development programmes and consolidating our position as world leaders in two technology platforms.

DanioLabs Limited was acquired on 21 March 2007 for £15.0 million in an all-share transaction (10% of the transaction price was deferred for 12 months from the date of transaction and has now been paid in full). DanioLabs, a UK-based biotechnology company, focused on developing new technologies for the use of zebrafish in safety pharmacology, an emerging market for the life sciences industry.

Dextra Laboratories Limited was acquired on 21 March 2007 for £1.5 million in an all-share transaction. Dextra has been based in Reading, UK since 1989 and has become a recognised expert in the provision of highly specialised, carbohydrate chemistry based services to the pharmaceutical and life science industries. As a result of its acquisition and subsequent integration into the Summit Group, all of our carbohydrate chemistry services now operate out of our state-of-the-art Reading facility. This division of the Group has been profitable since acquisition.

Revenues

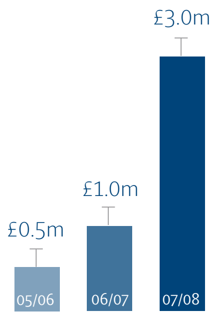
Total revenues for the year ended 31 January 2008 were £3.03 million (2006/07: £1.03 million). The majority of these revenues were generated from our profitable pharmaceutical services business, which is based on our two technology platforms. We have worked hard to attract clients from around the world and have seen revenues split evenly between the UK, Continental Europe and the USA. The rapid growth of the services business has been pleasing and has been built mainly on pilot or trial projects as clients validate our innovative technologies. In the coming year, our aim is to convert these pilot projects into higher-value, longer-term collaborations.

Summit's cash generative and profitable services business is an important, differentiating component of our robust business model and it allows the Company to support our investment in our proprietary R&D pipeline.

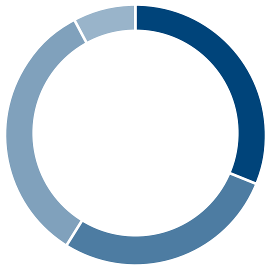
Losses

The Company's losses after taxation of £10.1 million (2006/07: £3.0 million) were in line with our expectations and are primarily due to the R&D investment that was necessary to advance our drug programmes. This included our programme targeting sialorrhoea, a distressing symptom of Parkinson's disease entering Phase II clinical trials; our programme in seborrhoea, a primary cause of acne and also a symptom of Parkinson's disease successfully completing a Phase I trial. In addition our Duchenne muscular dystrophy programme started preclinical development.

Revenue



Revenue by Geography



R&D expenditure over the coming period is anticipated to fall when the current and future development status across all our drug programmes is reviewed.

Taxation

The Group continues to maximise the benefits of UK Research and Development tax credit regime by electing to take the cash equivalent amount, rather than increase the deferred tax benefit. For the year to 2007/08 the Group will seek to reclaim £0.72 million (2006/07: £0.5 million).

Cash flow

Our cash and short-term deposits at 31 January 2008 were £10.1 million (2006/07: £18.3 million). Net cash outflow during the year due to capital expenditure was £1.8 million (2006/07: £1.6 million). Summit made a number of one-off capital investments during the year to further strengthen our services business. The most significant investment was the commissioning of a new GMP-compliant facility at our Dextra business unit, enabling the Company to produce high-quality drug compounds for preclinical research and clinical trials (up to Phase II). This new facility represents an important differentiator to our carbohydrate service offerings and allows us to immediately attract higher-margin work.

We retain a tight control over cash flow and operating costs and future capital expenditure in the services business units will be supported only when we are confident of a high return on investment in a short period of time. Our capital expenditure for R&D purposes is largely complete with future investment made only to replace or repair existing assets.

Interest received decreased from £0.79 million to £0.78 million, due to the decrease in funds during the period.

IFRS

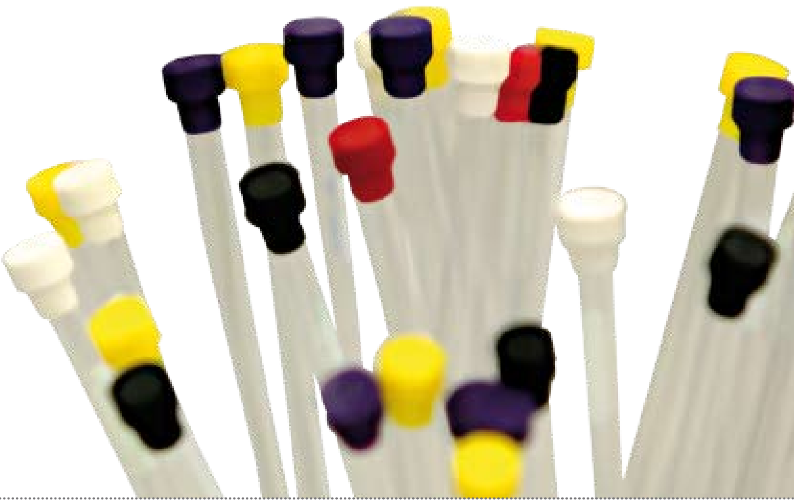
This set of accounts is the Group's first produced under International Financial Reporting Standards (IFRS). The transition to IFRS from UK Financial Reporting Standards was monitored throughout the year by the Company's Audit Committee. The Group has borne one-off costs in relation to the adoption of IFRS and these have been expensed through administration costs.

Post-balance sheet events

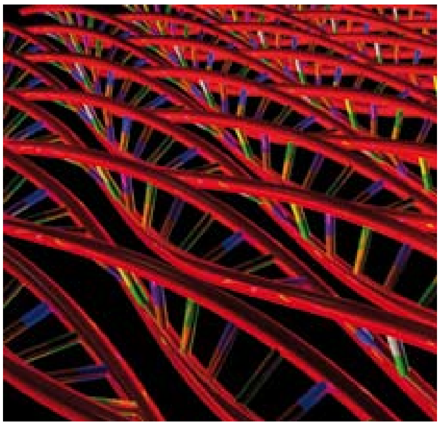
On 27 March 2008 the Group issued 1,173,233 new ordinary 10p shares in relation to the final deferred payment to the vendors of DanioLabs Limited.

Darren Millington, ACMA
Chief Financial Officer and
Company Secretary

3 June 2008



In Focus: Drug Programmes



A key aspect of Summit's business strategy is the development of a strong pipeline of attractive drug programmes to create multiple early stage licensing opportunities for partners in the pharmaceutical industry. The Company currently has several programmes that could generate value through such out-licensing deals and this section looks in more detail at these.

Programmes

Name:	SMT D001
Therapeutic area:	Sialorrhoea (drooling) in Parkinson's disease and other indications
Status:	Phase II
Market opportunity:	$200 million

Sialorrhoea is a common and distressing non-motor symptom of Parkinson's disease characterised by the overproduction of saliva and uncontrolled drooling. This condition is also a symptom of several other diseases including cerebral palsy, stroke, muscular dystrophy and oesophageal cancer.

The estimated treatable population within the major pharmaceutical markets (US, EU, Japan, Canada and Australia) is in excess of three million patients.

SMT D001 is a therapy combining two re-profiled small molecule drugs that entered into Phase II clinical trials in 2008. Results are expected in H1 2009. An earlier Phase I trial of the clinical candidate in healthy volunteers indicated a 40% reduction in saliva production.

Name:	SMT D002
Therapeutic area:	Seborrhoea in acne and Parkinson's disease
Status:	Phase I
Market opportunity:	+$500 million

Seborrhoea or excessive sebum production, is considered to be one of the primary causes of acne. Acne is a multi-billion dollar market and it is estimated that there are 54 million patients in the developed world with the condition. Approximately eight million acne sufferers are also resistant to current topical retinoid acne treatments and therefore any new and effective treatment is anticipated to gain a sizeable share of this high-value market. In addition, seborrhoea is a non-motor symptom of Parkinson's disease that affects a large proportion of patients.

SMT D002 is being developed as a novel treatment for acne and in April 2008, Summit reported positive results from a Phase I clinical trial in 18 healthy volunteers. Summit is developing a topical formulation of SMT D002 to further evaluate its efficacy in the treatment of acne. The Company is actively seeking a licensing partner to further develop this programme.

Name:	SMT C1100
Therapeutic area:	Duchenne muscular dystrophy
Status:	Preclinical development; orphan drug status
Market opportunity:	+$1 billion

Duchenne muscular dystrophy (DMD) is a fatal genetic disorder that affects about one in 3,500 newborn males. Currently there is no cure for DMD. The disease is caused by a specific gene defect that means patients are not able to produce an important protein called dystrophin, which is crucial to maintaining muscle integrity. The absence of dystrophin causes severe muscle deterioration, and confines patients to wheelchairs by their teens and with an average life expectancy of 25 years.

Summit is developing a unique therapeutic approach that aims to address the absence of dystrophin in DMD patients. The Company has identified SMT C1100, a small molecule that stimulates the increased production of a functionally similar protein called utrophin, which compensates for the missing dystrophin. A major advantage of this approach is that it has the potential to be an effective treatment for all DMD patients, whereas a number of other approaches currently being developed are expected to target only specific groups of patients.

As there is no effective treatment for this disease, Summit's DMD programme has received orphan status from the European Medicines Agency (EMEA). This status will enable the clinical and regulatory development of promising drug candidates to be fast-tracked and could reduce the time taken to get a new drug to market and available to patients.

Summit expects to conclude preclinical development work on SMT C1100 towards the end of 2008 and commence human clinical trials shortly afterwards.

Name:	SMT 14400
Therapeutic area:	Infectious diseases
Status:	Preclinical development
Market opportunity:	$500 million

SMT 14400 is a small molecule imino sugar identified from the Company's unique library of imino sugars and it is an immunomodulator, i.e. it modifies a patient's immune system to enable it to mount a better defence against disease.

In July 2007, Summit signed a $10 million co-development collaboration with the Swiss firm, Evolva Biotech to develop SMT 14400 as a treatment for a range of infectious diseases, including viruses and bacteria relating specifically to bio-defence targets such as anthrax, ebola and other infectious diseases such as HIV and influenza. Both parties retain equal ownership of the programme, including any value from future commercial deals.

Summit continues to investigate SMT 14400 as an immunotherapy for other indications including oncology and the Company retains exclusive rights for any further indications identified for this development candidate.

Discovery projects

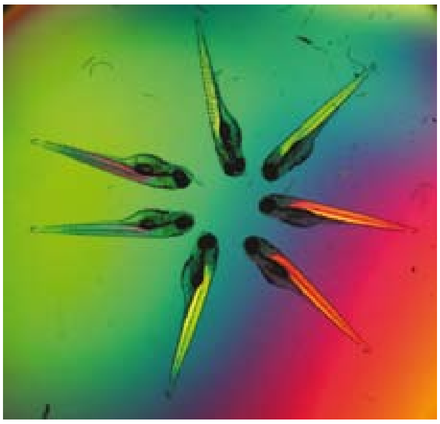
Therapeutic areas:	Neuromuscular diseases, infectious diseases, imino sugars (orphan diseases and oncology)

Summit's strategy for creating sustainable value is to develop a strong pipeline of drug candidates and to sign multiple, early stage licensing deals for these candidates in their respective indications.

Summit's discovery projects are carefully selected from both internal and external sources and target serious diseases with unmet medical need and therefore have strong commercial potential. The Company uses its expertise in drug discovery and development as well as its technology capabilities to accelerate the progress of these projects and add value.

Current discovery stage projects target opportunities in neuromuscular and infectious diseases. Included in this is Summit's tuberculosis programme, which has identified compounds that are active against the bacteria that causes the disease. In addition, Summit's proprietary imino sugar library is also being assessed to identify targets for these unique biologically active molecules in infectious diseases and additionally in orphan diseases such as lysosomal storage disorders (LSDs), and also oncology.

In Focus: Technology Platforms



Summit's drug discovery and development programmes are underpinned by two world-leading technology platforms in **zebrafish biology** and **carbohydrate chemistry**. These platforms support Summit's existing drug programmes, are important in generating future programmes to replenish our drug pipeline, and also generate service revenues.

Zebrafish

What is the zebrafish platform?

It is a new technology that Summit is pioneering for use in the discovery and development of new drugs. Zebrafish are small tropical fish that originate from North India and have a rapid breeding and development cycle. These attributes allow them to be used to quickly screen compounds against a range of uses including target identification, therapeutic activity and safety and toxicity. Screening only uses zebrafish embryos within five days of fertilisation during which they are less than 1mm in length.

Why does the industry need Summit's zebrafish technology platform?

In drug discovery, any new drug candidate will only be tested in a large number of living animals when it reaches the later stages of human clinical trials. Historically there have been many examples where a drug has failed during clinical development or even been withdrawn from the market due to concerns over its safety. The cost to the pharmaceutical industry of a late-stage failure is estimated to run to several hundred million dollars. Consequently, new technologies are sought that provide better safety and efficacy information from an earlier stage to help reduce the time, cost and risks associated with developing new medicines.

What advantages do zebrafish offer compared with traditional *in vivo* models?

There are other animal models available but Summit believes the zebrafish has the best overall set of attributes to make them amenable for use in drug discovery. They are sociable fish that breed easily: one pair of zebrafish produces 200-300 embryos every week. With all testing using the embryos, large numbers can be screened in an automated, high-throughput manner to generate data rapidly.

The embryos are transparent, develop fully in only five days and as any effect on the fish can be visually recorded, the results are available very quickly. Importantly, testing on embryos only requires micrograms of drug candidates meaning it is extremely cost-effective; there are no high costs associated with having to produce large quantities of compounds purely for early stage testing.

Zebrafish embryos can be used to screen the safety, pharmacology and efficacy of all potential new drugs in a high-throughput manner from the very earliest stages of the discovery process. The *in vivo* data produced is invaluable as they provide new information that allow scientists to make rational decisions as to which compounds should be advanced through the drug development process.

Can zebrafish provide data that is relevant to humans?

Yes, while the zebrafish may appear very different to humans there is in fact a strong genetic and developmental similarity that makes them ideal for use in drug discovery. Zebrafish are vertebrates and have a number of key organs conserved with humans including the heart, brain, liver, kidney and eyes. These common features mean they can be used to assess how a drug candidate interacts with all these organs simultaneously and Summit has developed a multitude of screens that are designed to do exactly this.

Traditionally, this level of *in vivo* data would not be available until later stage human clinical trials due to the time, cost and ethical issues associated with assessing candidates in statistically meaningful numbers of other higher animal models.

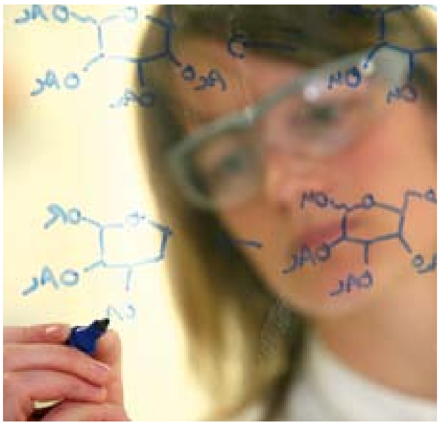
In addition to assessing safety, are there other areas where zebrafish can be used?

Yes, zebrafish can be used to identify new drug compounds. Owing to its well-characterised genetics, it is possible to create zebrafish models of specific human disease and identify new drug candidates by screening libraries of compounds for efficacy through these models. Summit is developing models for diseases including osteoporosis and muscular dystrophy, and these will be used to identify starting points for the development of future drug programmes.

What makes Summit world-leaders in using zebrafish in drug discovery?

Summit believes it has assembled, through internal development and acquisition, the most sophisticated and comprehensive zebrafish platform in the world. The Company has the capacity to test several thousand compounds per week and state-of-the-art automation laboratories provide rapid data generation and analysis. Summit's expertise is recognised by the wider industry with the Company working with seven of the top 10 pharmaceutical companies in the world as well as many other companies in the sector.

In this section, Dr Richard Storer, Chief Scientific Officer at Summit will answer some key questions as to what makes these two emerging technologies so exciting and valuable.



Carbohydrates

What is your carbohydrate chemistry platform?
Carbohydrates are sugar molecules that play a pivotal role in human physiology. Summit's carbohydrate platform is a unique capability that can identify new carbohydrate-based drugs and targets, develop these through the drug discovery process and manufacture quantities of candidates that are suitable for use in human clinical trials.

Why are carbohydrates important?
Nature uses carbohydrate molecules to control many essential processes including cell-to-cell communication, immunity and inflammation, infection and the progression of cancer. DNA and RNA have small carbohydrate molecules as an essential component of their structure.

As carbohydrates control many functions within the human body, it is possible to exploit their biological function to design and develop drugs that interact in pathways associated with many therapeutic areas.

If carbohydrates play such a vital role, why are carbohydrates not already widely used in drug discovery?
There are examples of drugs that are derived from carbohydrates but in general, they represent a major unexplored area in the search for new drug candidates. Carbohydrates form very complex structures with simple sugars such as glucose existing in many different structural forms.

The rich, structural diversity gives carbohydrates their attractive biological properties as the body is able to recognise the difference between the carbohydrate structures but this complexity has also been their main disadvantage. Making carbohydrate compounds synthetically in labs is a very difficult task and requires specialist skills and until recently, the pharmaceutical industry has focused its attention on other areas in the search for new drugs.

Why is the Industry changing its perception of carbohydrates?
The need to discover and develop new and better medicines remains strong with many diseases still very poorly treated but the world's pharmaceutical companies are finding it increasingly difficult to replenish their existing pipelines. The traditional compound libraries used to identify candidates have been exhaustively screened and this has led to the need to identify new and structurally different compound libraries. The attractive biological properties of carbohydrates combined with their under-exploitation by the pharmaceutical industry has led to their emergence as one potential new source of drugs. Summit recognised this opportunity and consequently developed a world-leading carbohydrate drug discovery and development technology platform.

What makes Summit world leaders in carbohydrates?
As mentioned, realising the potential of carbohydrates as sources of new drugs requires specialist expertise and know-how. To meet this requirement, Summit has developed an unparalleled, technology platform in carbohydrates. Our platform includes proprietary carbohydrate compound libraries from which candidates will be identified, sophisticated synthetic techniques and know-how to develop candidates through the discovery and development process, and a GMP manufacturing facility capable of producing large quantities of compounds suitable for use in human clinical trials.

In addition, Summit has unrivalled access to world-leading academic and industrial carbohydrate chemists and the Company strongly believes this unique capability has the power to identify and develop multiple carbohydrate-based drugs.

Does the carbohydrate platform generate revenues?
Summit operates a profitable carbohydrate services business under the brand name "Dextra". Dextra is an established brand in carbohydrate chemistry, and has contracts with many companies in the pharmaceutical and healthcare industries. Dextra offers clients a broad range of services including a specialist catalogue of carbohydrate compounds, product development and manufacture.

Dextra uses its specialist knowledge to have an intellectual input into many of its clients' projects, and can negotiate attractive higher-value and longer-term deals. For example, in May 2007 Dextra signed its first royalty paying deal with a US healthcare company for which the Company earned $450,000 in fees and will receive a 5% royalty on product supply from 2009. This deal provides longer-term revenue visibility for the business and is indicative of the creative service deals Summit seeks to sign.

What does the future hold for Summit's carbohydrate platform?
Summit believes carbohydrates have a very exciting future and it is our ambition to generate significant value from them. Our libraries of unique sugars will be used to identify and develop new drug candidates to first replenish our drug pipeline and then be developed into attractive commercial licensing opportunities. Also, these libraries will provide opportunities to sign attractive, high-value collaboration deals with partners in the pharmaceutical industry as they seek new sources of drug candidates.

Board of Directors

Barry Price, PhD
Non-executive Chairman
Dr Price (65) joined Summit plc 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. Previously, he spent over 25 years with the Glaxo Group of companies and held several executive positions including Managing Director of Glaxochem Ltd. Since 1996, Dr Price has been a Non-executive Director of Shire plc and during his time in the position, he has seen Shire develop into one of the UK's largest life science companies. Dr Price is also currently Chairman of Antisoma plc and in recent years has held directorships at Chiroscience plc, Celltech Group plc, Pharmagene plc and BioWisdom Ltd.

Steven Lee, PhD
Chief Executive Officer
Dr Lee (41) joined Summit plc as CEO in September 2004. Prior to this, he held a number of senior commercial and business development roles with major UK biotechnology companies including British Biotech plc, PA Consulting Group, Chiroscience plc and Datamonitor plc. From 2001 until 2004, Dr Lee was Executive Director of Life Sciences at the commercialisation specialists IP2IPO Ltd (now IP Group plc). He has also acted as a consultant on product strategy to major pharmaceutical companies including Zeneca, Glaxo Wellcome, Novartis and Johnson & Johnson. Dr Lee holds a PhD in parasite epidemiology from Kings College, London.

Darren Millington, ACMA
Chief Financial Officer & Company Secretary
Mr Millington (32) joined Summit plc in April 2005 as Head of Finance and Company Secretary. He was subsequently appointed to the Board of Directors as Chief Financial Officer in May 2006 and retains his position as the Company Secretary. He is a Chartered Management Account. Having worked in the Audit and Advisory Divisions at Arthur Andersen (later acquired by Deloitte & Touche), he joined IP2IPO Ltd (now IP Group plc) as Group Financial Controller. Mr Millington holds a Masters degree in Theoretical Physics from the University of London.

Richard Storer, DPhil
Chief Scientific Officer
Dr Storer (61) was appointed to the Board of Directors as Chief Scientific Officer in May 2006. His career in the pharmaceutical industry has spanned over 30 years and he 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 is a Fellow of the Royal Society of Chemistry.

Professor Stephen Davies
Non-executive Director
Professor Davies (58) co-founded Summit plc in January 2003. He was Chairman of Summit until September 2006, guiding the Company through a successful flotation in 2004. In 1992, Professor Davies founded Oxford Asymmetry and Oxford Diversity which later combined for the IPO of Oxford Asymmetry International and was subsequently acquired in 2000 by Evotec for £316 million. He has been a 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, Professor Davies has received numerous awards for his contribution to organic chemistry. Professor Davies currently holds directorships with Oxeco plc, Oxray Ltd and Sci-ink Ltd.

Colin Wall, PhD
Senior Independent Non-executive Director
Dr Wall (58) was appointed to the Summit plc Board as the Senior Independent Non-executive Director in September 2006 and also chairs the Company's Remuneration Committee. He has a PhD in Forensic Chemistry and subsequently worked with Blue Circle Industries as Head of Cement Chemistry and in venture capital before founding his own company, Copley Wall & Associates in 1991. Dr Wall acted as Chairman for 17 years at Copley Wall before becoming a partner at the global executive search company Odgers Ray & Berndtson. He is also a Non-executive Director of TTP Group plc.

Andrew Richards, PhD
Non-executive Director
Dr Richards (48) was appointed to the Summit plc 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, BioWisdom Ltd, Pharmakodex Ltd, Theradeas Ltd, Aitua Ltd, Cancer Research Technology Ltd (the commercial arm of CR-UK), Babraham Bioscience Technology Ltd and is Chairman of Altacor Ltd. He is also a founding member of the Cambridge Angels, a founding investor in LibraryHouse, a member of the Council of the BBSRC and a Director of the Bioindustry Association (BIA). Dr Richards is a Cambridge graduate with a PhD in enzyme chemistry.

George Elliott, CA
Non-executive Director
Mr Elliott (55) joined the Summit plc Board of Directors in April 2007. For seven years, Mr Elliott served as Chief Financial Officer and Finance Director of the international technology company, 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 Chairman of MicroEmissive Displays Group plc and Craneware Ltd and holds directorships with Clearspeed plc, Corsair Memory Inc and SFX Technologies Ltd. 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 and Business Review

For the year ended 31 January 2008

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 2008.

Principal activities

The principal activity of the Group is proprietary drug discovery in areas of unmet medical need and the provision of services for the life sciences industry in carbohydrate chemistry and zebrafish biology.

Directors

The directors who served during the period were:

Executive

Steven Lee, PhD	Chief Executive Officer
Darren Millington, ACMA	Chief Financial Officer
Richard Storer, PhD	Chief Scientific Officer
James Taylor	Chief Commercial Officer, resigned 31 January 2008

Non-executive

Barry Price, PhD	Chairman
Professor Stephen Davies	Non-executive Director
George Elliott, CA	Non-executive Director, appointed 23 April 2007
David Norwood	Non-executive Director, resigned 31 January 2008
Andrew Richards, PhD	Non-executive Director, appointed 22 March 2007
Sir Brian Richards	Non-executive Director, resigned 31 January 2008
Colin Wall, PhD	Senior Independent Non-executive Director

Details of the directors' interests, share options and service contracts are shown in the Directors' Remuneration Report on pages 21 to 25.

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

Biographical details of the directors are available on page 16.

Principal risks and uncertainties

Intellectual property

In common with all drug-development companies, Summit faces the risk that the intellectual property rights necessary to exploit R&D 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.

R&D risk

There is always a risk that drugs under development will possibly fail for a number of possible reasons. Potential drugs could fail to show reproducible results in clinical trials, produce unacceptable side affects that do not outweigh any clinical benefits 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.

Commercial risk

The Group's two platform technologies in zebrafish screening and carbohydrate chemistry may be superseded by direct competitors. Alternative technologies could be developed that undermine the Group's services business or make our current technologies 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 R&D operations.

Results and dividends income statement

The consolidated income statement for the year is set out on page 28. The Group's loss for the financial year after taxation was £10,122,000 (2006/07: loss of £3,020,000).

The directors do not recommend the payment of a dividend.

Charitable and political donations

The Group made no charitable or political donations during the year (2006/07: £Nil).

Financial information

The Group produces detailed budgets and cash flow projections quarterly and yearly 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. Sales forecasts are produced on a weekly basis for review by the Executive Management Committee.

Directors' Report and Business Review

For the year ended 31 January 2008

Financial Key Performance Indicators (KPIs)

The directors consider cash, revenues and R&D investment to be the Group's KPIs. These are detailed in the Financial Review on pages 10 to 11.

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 2008, the number of creditor days outstanding for the Group was 75 days (2006/07: 51 days). The Company had no trade creditors at 31 January 2008 or 31 January 2007.

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 creditors 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 20 Financial Investments in the notes to the accounts for IFRS 7 disclosure regarding financial instruments.

Substantial shareholdings

On 16 May 2008 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	%
Professor Stephen Davies	6,208,748	12.2
Morstan Nominees Limited	4,470,000	8.8
IP2IPO Limited	4,040,400	8.0
Professor Kay Davies	3,838,380	7.6
The First Cambridge Gateway General	3,285,735	6.5
Chase Nominees Limited	2,119,519	4.2
Cenkos Channel Islands Nominee	1,498,389	3.0

Annual General Meeting

Accompanying this report is the Notice of the Annual General Meeting together with the notes on the proposed resolutions. The meeting will be held at 9.30am on 9 July 2008 at the offices of the Company's Public Relations advisers at Citigate Dewe Rogerson, 3 London Wall Buildings, London Wall, London EC2M 5SY.

Auditors

BDO Stoy Hayward LLP has expressed their willingness to continue in office as auditors for the year. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

Darren Millington, ACMA
Company Secretary

3 June 2008

Corporate Governance Report
For the year ended 31 January 2008

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

The Board
At 31 January 2008, the Board comprised five non-executive directors, including the Chairman and three executive directors. This composition follows the resignation on 31 January 2008 of James Taylor, an Executive Director, David Norwood and Sir Brian Richards, both Non-executive Directors. With the exception of Andrew Richards who was appointed as a Non-executive Director on 22 March 2007 and George Elliott who was appointed as a Non-executive Director on 23 April 2007, all directors served throughout the period under review. Directors' biographies are on page 16.

The Board is responsible to the shareholders for the proper management of the Group and meets formally at least 10 times a year to set the overall direction and strategy of the Group, to review scientific, operational and financial performance and to advise on management appointments. All key operational and investment decisions are subject to Board approval. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

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

Of the five current non-executive directors, four are considered to be independent (Barry Price, Colin Wall, Andrew Richards and George Elliott). The Board considers that all the non-executive directors are of sufficient competence and calibre to add strength and objectivity to the Board. The Senior Independent Director is Colin Wall.

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.

The Company has directors' and officers' liability insurance in place.

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

Board committees
The Board has established an Audit Committee, a Remuneration Committee and a Nominations Committee, each of which has formal terms of reference approved by the Board. In addition, the Board established a Risk Committee to develop, implement and monitor a risk management strategy.

The 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 Professor Stephen Davies (until 19 July 2007), David Norwood, Sir Brian Richards and George Elliott (from 19 July 2007). Until 19 July 2007 the Committee was chaired by Professor Stephen Davies, after this date George Elliott acted as Chairman. The Chief Executive Officer 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 reappointment of the external auditors, reviewing their terms of engagement, and monitoring the external auditors' independence, objectivity and effectiveness.

The Audit Committee met three times in 2007/08.

Remuneration Committee
During the financial year the Remuneration Committee comprised Colin Wall (Chairman), David Norwood (until 19 July 2007), Professor Stephen Davies (until 19 July 2007), George Elliott (from 19 July 2007) and Andrew Richards (from 19 July 2007). 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 each executive director; and 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 options.

The Directors' Remuneration Report is presented on pages 21 to 25.

Corporate Governance Report

For the year ended 31 January 2008

Nominations Committee

The Nominations Committee comprised Sir Brian Richards, Colin Wall and is chaired by Barry Price. Other directors can attend the meeting by invitation only. On 31 January 2008, Sir Brian Richards resigned and his position on the Nominations Committee was taken by Professor Stephen Davies.

The Combined Code requires there to be a formal, rigorous and transparent procedure for the appointment of new directors, which should be meritocratic and made against objective criteria. The Nominations Committee meets at least once per year and is responsible for reviewing the composition, balance and skills of the Board and making recommendations to the Board on these matters, on the appointment of new directors and on the re-appointment and orderly succession of existing directors.

The terms of reference for all committees are available on request from the Company Secretary.

Attendance at Board meetings and committees

The directors attended the following Board meetings and committees during the year:

Attendance	Board	Remuneration	Nominations	Audit
Barry Price	10/10	–	2/2	–
Steven Lee	9/10	–	–	–
Richard Storer	10/10	–	–	–
Darren Millington	10/10	–	–	–
James Taylor	10/10	–	–	–
Stephen Davies	10/10	3/3	–	2/3
David Norwood	9/10	–	–	3/3
Brian Richards	7/10	3/3	2/2	3/3
Colin Wall	10/10	3/3	2/2	–
Andrew Richards – appointed 22 March 2007	7/7	–	–	–
George Elliott – appointed 23 April 2007	7/7	–	–	3/3

Risk management and internal control

The Risk Committee, established by the Board during the financial year, is responsible for the development of a risk management strategy within the Group. The Committee is also responsible for overseeing the implementation of the requirements of this strategy.

The Risk Committee is chaired by George Elliott and comprises of Andrew Richards, Richard Storer and senior staff representing human resources and finance.

Summit has an organisational structure with clearly defined lines of reporting and responsibility. The structure is reviewed regularly to ensure appropriate levels of delegation and authority. All Group employees are required to adhere to specified codes of conduct, policies and procedures.

Although the Company does not have an internal audit function, the Board has reviewed the effectiveness of internal financial, operational and compliance controls during the year and is satisfied that these have been followed during the year.

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 it remains accountable to shareholders. Our website, www.summitplc.com, has a section dedicated to investor matters and provides useful information for the Company's owners.

The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, while the Chairman and Chief Executive ensure that the views of the shareholders are communicated to the Board as a whole. The Board ensures that the Group's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholder value. Interim statements and fully audited annual reports will be sent to shareholders and posted 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 Annual General Meeting at which the directors will be available to discuss aspects of the Group's performance and question management in more detail. The Senior Independent Director is available to shareholders if contact through the normal channels is inappropriate or has failed to resolve concerns.

Directors' Remuneration Report

For the year ended 31 January 2008

Unaudited information

As an AIM-listed company, Summit is not obliged to comply with the provisions of the Remuneration Report Regulations 2002 but as part of the Board's commitment to good governance, the Company has prepared this Remuneration Report in line with that required by companies listed on the main market.

Remuneration Committee

The Remuneration Committee (the "Committee") is responsible for:

- establishing and recommending to the Board the policy for executive remuneration;
- determining, on behalf of the Board and shareholders, the level and structure of remuneration packages of the executive directors and selected senior executives; and
- reviewing the structure of share schemes, and the policy for remuneration across the wider organisation.

The remuneration arrangements for the Chairman and non-executive directors are determined by the Board. No director is involved in discussions relating to his own remuneration.

The members of the Committee during the year were:
Colin Wall (Chairman)
Brian Richards (until 19 July 2007)
Stephen Davies (until 19 July 2007)
George Elliott (from 19 July 2007)
Andrew Richards (from 19 July 2007)

The Committee meets at least twice a year and met three times during the period. A table of attendance records is given on page 20.

During the year the Committee received guidance on executive remuneration from the Non-executive Chairman and the Chief Executive Officer, except on matters relating to their own remuneration. The Committee also worked with specialist consultants who have been appointed by the Committee to provide independent, external advice. The Chief Financial Officer provided administrative support.

Remuneration policy

The Remuneration Committee sets the remuneration philosophy which aims to:

- align executive director and senior management remuneration with shareholders' interests; and
- attract and retain the best talent for the benefit of the Group.

Summit's executive remuneration arrangements are designed to ensure that they are competitive and appropriate for a company of Summit's size and structure, and that policy reflects current best practice. As a result of this review, the Committee adopts a remuneration policy involving:

- competitive base salaries broadly anchored around median; and
- total remuneration packages that follow the fortunes of the Company as closely as possible.

Consistent with this policy, salaries are benchmarked against the median for UK companies of comparable size and sector. Performance-related incentives are targeted at upper quartile levels for outstanding performance to produce a highly leveraged package if the Company's growth objectives are attained.

The policy will result in decreased remuneration for below average performance and increased remuneration for above average performance and balances the mix of incentives towards long-term performance.

Elements of executive director remuneration

The remuneration of executive directors during the year 2007/08 comprised the following:

- Base salary.
- Annual performance bonus.
- Share options.
- Pension contribution.
- Other benefits.

In addition, executive directors are required to build up a share ownership equal in value to their base salary. Until this requirement is met, executive directors have to retain 50% of their vested share options as shares.

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 provided by independent remuneration consultants, and each executive's performance and contribution to the Company during the year.

The Committee assesses the market competitiveness of pay primarily in terms of total remuneration, with less emphasis on base salary.

Directors' Remuneration Report

For the year ended 31 January 2008

Bonuses

Annual bonuses are based on achievement of stretching Company financial and strategic targets and personal performance objectives. Maximum opportunities will be 50% and 100% of salary for executive directors and the Chief Executive respectively.

In line with the desire to see Summit executives holding shares in the Company, the Committee wishes to encourage executives to commit a portion of their earned annual bonus into Summit shares. To support this, the Company introduced a voluntary bonus co-investment plan that provides an opportunity to earn up to three matching shares for each invested share-based on three year Total Shareholder Return (TSR). TSR is defined as the return on investment a shareholder receives over a specified period of time, including any change in share price and dividends received. The Company believes TSR is the most appropriate measure of Summit's overall performance at this time.

The key features of the new bonus co-investment plan are as follows:

- Voluntary commitment or purchase of up to 100% of any earned annual bonus into Summit shares.
- Invested shares to be held for a period of three years.
- Opportunity to earn up to three matching shares for each invested share-based on stretching 3-year TSR targets.
- Number of matching shares for the first cycle to be based on a straight line from a one for one match for TSR of 10% p.a. to a three for one match for TSR of at least 30% p.a.
- Matching shares to be forfeited if an executive resigns or withdraws their investment within three years of the start of the performance period.
- Dividends to be accrued over the performance period and paid at the time of vesting, on shares that vest.

Share options

The Company believes that share options continue to be an appropriate mechanism to incentivise staff and allow valued employees to share in the success of the Company.

Executive directors are awarded share options at the discretion of the remuneration committee. Share options are generally granted at the closing mid-market value of the Company's ordinary shares on the day prior to grant. Option awards made prior to the year to 31 January 2008 generally vest in three equal portions on the first, second and third anniversaries after grant, except in the case of awards for directors which may have alternative vesting arrangements. These are discussed below. Following a review by the Committee in the prior financial year, the Company has now adopted an annual option award policy, whereby executives will be eligible to receive an annual award of options of up to 100% of salary, the value of which will be determined as the number of options at the assigned exercise price, equalling 100% of salary. The extent to which these options vest will be based on 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 at least 20% p.a.

The Committee believes long-term TSR relative to a sector index is an objective measure of the Company's success that is strongly aligned with shareholders interests. It is proposed that the Committee reviews the continued validity of the comparator index at the beginning of each performance cycle.

All employees are generally offered share options under the Company's EMI share option scheme after 12 months' service. Option awards for employees are recommended by the executive directors and approved by the remuneration committee.

The market price of the Company's shares at 31 January 2008 was 89 pence. During the year from 1 February 2007, the market price of the Company's shares has ranged from 89 pence to 133 pence.

Pension

The Group operates a defined contribution pension scheme which is available to all employees. The assets of the scheme are held separately from those of the Company in independently administered funds.

Other benefits

All staff are eligible for life assurance and private medical insurance after a probationary period.

In exceptional circumstances, the Company may offer a relocation allowance to new directors or key employees.

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

Executive directors' service contracts and termination provisions

The Company's policy in entering into service contracts with executive directors is to offer a contract that enables the recruitment and retention of high calibre leaders and to protect the Company against sudden departure, particularly to competitor companies. 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 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
Darren Millington	9 May 2006	12 months
James Taylor†	12 July 2006	12 months

†James Taylor resigned on 31 January 2008.

Non-executive directors' service contracts and remuneration

The remuneration of the non-executive directors is determined by the Board, with regard to market comparatives. The non-executive directors do not participate in discussions about their own remuneration. Independent advice is sought to ensure parity is maintained with similar businesses. The basic annual fee for non-executive directors was increased during the year in line with market comparatives and commensurate with the growth in the size of the Company. The basic annual fee for non-executives is £27,500 with an additional £3,000 for fulfilling a committee chairman or Senior Independent non-executive role. The Chairman's basic fee was also increased to £66,000, with no additional committee fees.

In order to align the interests of non-executives with shareholders and executives, the Company has decided to introduce a non-executive share ownership requirement of 25% of cumulative fees. Non-executives have the option to receive up to all of their fee in Summit shares. Non-executives must receive at least 25% of their fee in Summit shares (unless the shareholding requirements are already met) and are not permitted to sell shares until the guideline is met.

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

	Date of contract
Barry Price	26 September 2006
Stephen Davies	17 February 2003
David Norwood†	17 February 2003
Brian Brichards†	7 October 2005
Colin Wall	26 September 2006
Andrew Richards	22 March 2007
George Elliott	23 April 2007

†David Norwood and Brian Richards resigned as directors on 31 January 2008.

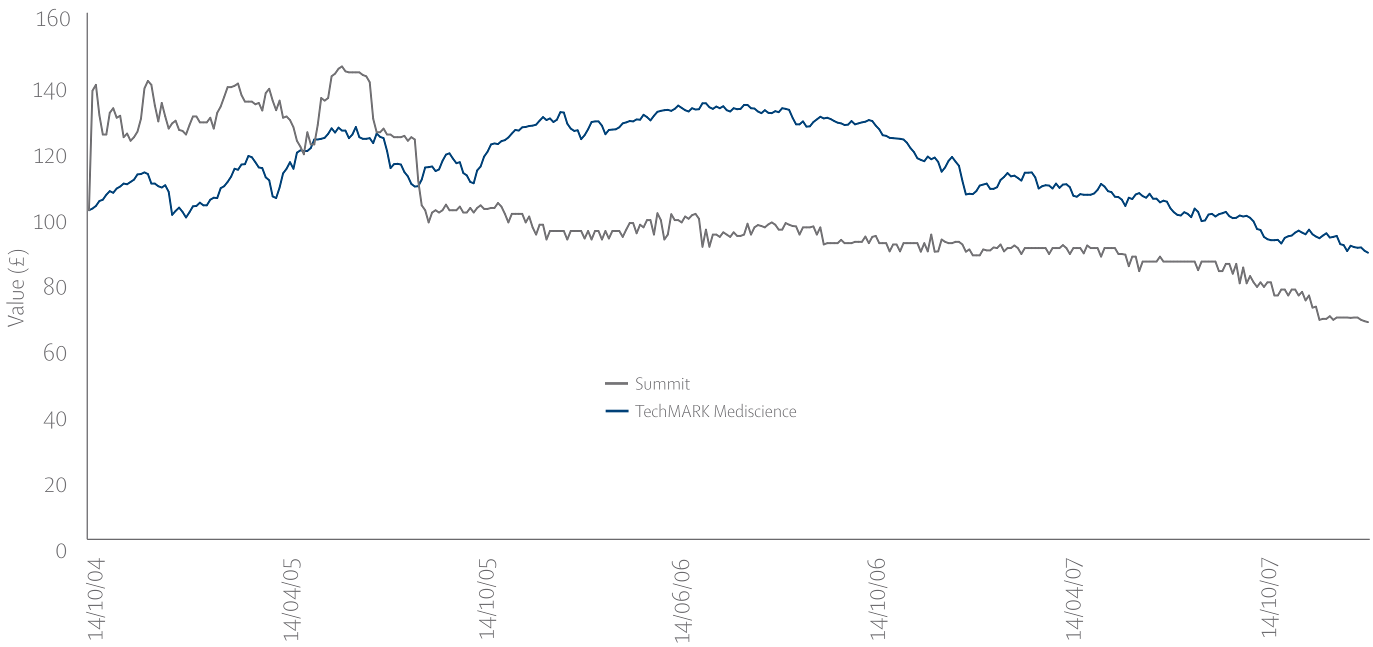
Non-executives have contracts that have a term of three years, but can be terminated without notice by either party.

Performance graph

The graph below shows a comparison between the Company's total shareholder return performance compared with the companies in the techMARK MediScience index of the London Stock Exchange. The graph covers the period from the Company's admission to AIM on 14 October 2004 to 31 January 2008 and shows the relative value of £100 invested in Summit and the AIM index from this date. The directors have selected the TechMARK MediScience index as a comparison as it contains a number of companies of similar size and/or operating in Summit's sector.

The market price of the Company's shares at 31 January 2008 was 89 pence. During the year from 1 February 2007, the market price of the Company's shares has ranged from 89 pence to 133 pence.

The graph below shows the value to 31 January 2008 of £100 invested in Summit plc when the Company floated on AIM on 14 October 2004, compared with the techMARK MediScience index over the same period.



Directors' Remuneration Report

For the year ended 31 January 2008

Directors' remuneration (forming part of the financial statements)

Audited information

The following information has been audited by the Company's auditors, BDO Stoy Hayward LLP.

The directors received the following remuneration during the year:

Director	Salary and fees £	Bonuses £	Taxable benefits £	Emoluments 2007/08 £	Pensions contributions £	Total 2007/08 £	Emoluments 2006/07 £	Pension contributions 2006/07 £	Total 2006/07 £
Executive									
Steven Lee	200,000	160,000	200	360,200	–	360,200	381,425	–	381,425
Richard Storer	175,000	78,270	449	253,719	8,750	262,469	173,373	6,562	179,935
Darren Millington	100,000	38,239	176	138,415	5,000	143,415	83,234	3,854	87,088
James Taylor(1)	140,000	42,061	245	182,306	7,000	189,306	88,203	3,500	91,703
Non-executive									
Barry Price	66,000	–	–	66,000	–	66,000	21,154	–	21,154
Stephen Davies	27,500	–	–	27,500	–	27,500	12,500	–	12,500
George Elliott(2)	22,721	–	–	22,721	–	22,721	–	–	–
John Montgomery(3)	–	–	–	–	–	–	4,167		4,167
David Norwood(4)	26,042	–	–	26,042	–	26,042	12,500	–	12,500
Brian Richards(5)	27,500	–	–	27,500	–	27,500	25,000	–	25,000
Andrew Richards(6)	23,657	–	–	23,657	–	23,657	–	–	–
Colin Wall	33,500	–	–	33,500	–	33,500	8,718	–	8,718
	841,920	318,570	1,070	1,161,560	20,750	1,182,310	810,274	13,916	824,190

As well as the above, James Taylor received emoluments of £155,300 and a pension contribution of £19,820 in compensation on the termination of his contract.

(1) James Taylor resigned on 31 January 2008
(2) George Elliott was appointed on 23 April 2007
(3) John Montgomery resigned on 22 September 2006
(4) David Norwood resigned on 31 January 2008
(5) Brian Richards resigned on 31 January 2008
(6) Andrew Richards was appointed on 22 March 2007

Directors' share options

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

Director	Date of grant	At 1 February 2007	Granted during the period	Exercised during the period	At 31 January 2008	Price per share (p)	Date from which exercisable	Expiry date
Steven Lee	02-Sept-04	2,020,000	–	–	2,020,000	0.495	Note (i)	02-Sep-14
	02-Dec-05	550,000	–	–	550,000	171.5	Note (ii)	02-Dec-16
	28-Aug-07	–	200,000	–	200,000	118.5	Note (iii)	28-Aug-10
		2,570,000	200,000	–	2,770,000			
Richard Storer	02-May-06	540,120	–	–	540,120	165.0	Note (iv)	02-May-16
	02-May-06	59,880	–	–	59,880	167.0	Note (v)	02-May-16
	28-Aug-07	–	175,000	–	175,000	118.5	Note (iii)	28-Aug-10
		600,000	175,000	–	775,000			
Darren Millington	01-Jul-05	60,000	–	–	60,000	169.5	Note (vi)	01-July-15
	02-Dec-05	60,000	–	–	60,000	171.5	Note (vi)	02-Dec-15
	02-Nov-06	250,000	–	–	250,000	135.0	Note (vi)	02-Nov-16
	28-Aug-07	–	100,000	–	100,000	118.5	Note (iii)	28-Aug-10
		370,000	100,000	–	470,000			
James Taylor	18-Aug-06	300,000	–	–	300,000	141.0	Note (vi)	18-Aug-16
	28-Aug-07	–	140,000	–	140,000	118.5	Note (iii)	28-Aug-10
		300,000	140,000	–	440,000			

Notes:
(i) These options were awarded prior to the Company's flotation at an exercise price equal to the share price at the Company's formation. All shares have vested.
(ii) These options vest 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 share options were granted at the closing mid-market value of the shares on 30 November 2005.
(iii) These options are performance related, with all share options vesting 28 August 2010 subject to the performance of the Group's share price compared with the TechMARK Mediscience index. The details of the scheme are provided in the share options section of the remuneration report.
(iv) Vesting in the following proportions: 40,120 on 2 May 2007; 200,000 on 2 May 2008 and 300,000 on 2 May 2009.
(v) All share options vest on 2 May 2007.
(vi) These share options vest in three equal proportions on the first, second and third anniversaries of their grant. The share options were granted at the closing mid-market price of the shares on the day prior to the award of the options.

Directors' Remuneration Report

For the year ended 31 January 2008

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 2007	Ordinary shares at 31 January 2008
Executive		
Steven Lee	148,148	182,492
Richard Storer	–	16,229
Darren Millington	1,111	5,168
James Taylor	–	–
Non-executive		
Barry Price	–	10,081
Stephen Davies	6,208,748	6,208,748
David Norwood	–	14,381
Brian Richards	–	8,088
Colin Wall	36,000	74,000
Andrew Richards	–	–
George Elliott	–	3,127
	6,394,007	6,522,314

On behalf of the Board

Colin Wall, PhD

Chairman of Remuneration Committee

3 June 2008

Statement of Directors' Responsibilities
For the year ended 31 January 2008

Directors' responsibilities
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements
International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

Steven Lee, PhD
Chief Executive Officer

3 June 2008

Independent Auditors' Report

To the Shareholders of Summit Corporation plc (formerly VASTox plc)

We have audited the Group and parent company financial statements (the "financial statements") of Summit Corporation plc for the year ended 31 January 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Where a company is fully listed there are additional responsibilities contained in the Companies Act 1985 relating to the preparation of a Directors' Remuneration Report; Summit Corporation plc has voluntarily complied with these requirements.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion
In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 January 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 January 2008;
- the consolidated and parent company financial statements have been properly prepared in accordance with the Companies Act 1985;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the provisions of Schedule 7A of the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Southampton

3 June 2008

Consolidated Income Statement

For the year ended 31 January 2008

	Note	Year ended 31 January 2008 £000s	Year ended 31 January 2007 (Restated) £000s
Revenue	6	3,030	1,034
Cost of sales		(1,623)	(304)
Gross profit		1,407	730
Other operating income		1,079	80
Administrative expenses			
Research and development		(8,407)	(2,952)
General and administration		(2,622)	(950)
Sales and marketing		(1,091)	(510)
Depreciation and amortisation		(1,650)	(376)
Share-based payment		(486)	(404)
Total administrative expenses	7	(14,256)	(5,192)
Operating loss		(11,770)	(4,382)
Finance income		775	879
Finance costs		(38)	(6)
Loss before taxation	9	(11,033)	(3,509)
Taxation	11	911	489
Loss for the year attributable to equity shareholders of the parent		(10,122)	(3,020)
Basic and diluted loss per ordinary share	12	(21.13 p)	(8.29p)

All of the activities of the Company are classed as continuing.

The notes on pages 32 to 51 form part of these financial statements.

Consolidated Balance Sheet

At 31 January 2008

	Note	Year ended 31 January 2008 £000s	Year ended 31 January 2007 (Restated) £000s
ASSETS			
Non-current assets			
Goodwill	13	9,767	–
Intangible assets	14	8,131	1,458
Property, plant and equipment	15	4,268	2,624
		22,166	4,082
Current assets			
Inventories	16	337	188
Trade and other receivables	17	1,581	645
Current tax		719	472
Cash and cash equivalents		10,088	18,289
		12,725	19,594
Total assets		34,891	23,676
LIABILITIES			
Current liabilities			
Trade and other payables	18	(3,226)	(1,382)
Borrowings	19	(188)	(66)
Total current liabilities		(3,414)	(1,448)
Non-current liabilities			
Provisions	21	(1,180)	(1,180)
Borrowings	19	(1,222)	(598)
Deferred tax	22	(1,879)	–
Total non-current liabilities		(4,281)	(1,778)
Total liabilities		(7,695)	(3,226)
Net assets		27,196	20,450
EQUITY			
Share capital	23	4,967	3,722
Share premium account		22,750	22,327
Shares to be issued		1,443	–
Share-based payment reserve	24	964	478
Merger reserve		11,328	(1,943)
Retained earnings		(14,256)	(4,134)
Total equity attributable to the equity shareholders of the parent		27,196	20,450

The notes on pages 32 to 51 form part of these financial statements.

Approved by the Board of Directors and authorised for issue

Steven Lee, PhD
Chief Executive Officer

3 June 2008

Darren Millington, ACMA
Company Secretary

3 June 2008

Consolidated Cash Flow Statement

For the year ended 31 January 2008

	Note	Year ended 31 January 2008 £000s	Year ended 31 January 2007 £000s
Cash flows from operating activities			
Loss before tax		(11,033)	(3,509)
Adjusted for:			
Finance income		(775)	(879)
Finance cost		38	6
Depreciation		766	340
Amortisation of intangible fixed assets		884	36
Share-based payment		486	404
Adjusted loss from operations before changes in working capital and provisions		(9,634)	(3,602)
Decrease in trade and other receivables		(189)	(171)
Increase in inventories		(79)	(160)
Increase in trade and other payables		1,376	727
Cash used by operations		(8,526)	(3,206)
Taxation received		454	168
Net cash used in operating activities		(8,072)	(3,038)
Investing activities			
Acquisition of businesses net of cash acquired	5	406	(255)
Purchase of property, plant and equipment		(1,846)	(1,648)
Purchase of intangible assets		(97)	(71)
Interest received		775	790
Net cash used in investing activities		(762)	(1,184)
Financing activities			
Proceeds from issue of share capital		142	9,971
Proceeds from receipt of loan		600	–
Repayment of debt during the period		(71)	(93)
Interest paid		(38)	
Net cash generated from financing activities		633	9,878
Net (decrease)/increase in cash and cash equivalents		(8,201)	5,656
Cash and cash equivalents at beginning of period		18,289	12,633
Cash and cash equivalents at end of year		10,088	18,289

The notes on pages 32 to 51 form part of these financial statements.

Short-term deposits have been included within the IAS 7 definition of cash equivalents. Under the previous UK GAAP presentation these were separately shown.

Consolidated Statement of Changes in Equity

Year ended 31 January 2008

	Share capital £000s	Share premium account £000s	Shares to be issued £000s	Share-based payment reserve £000s	Merger reserve £000s	Retained earnings £000s	Total £000s
At 1 February 2007	3,722	22,327	–	478	(1,943)	(4,134)	20,450
New share capital issued	1,245	423	–	–	–	–	1,668
Share-based payment	–	–	–	486	–	–	486
New shares to be issued	–	–	1,443	–	–	–	1,443
Share issue eligible for merger relief	–	–	–	–	13,271	–	13,271
Loss for the period	–	–	–	–	–	(10,122)	(10,122)
At 31 January 2008	4,967	22,750	1,443	964	11,328	(14,256)	27,196

Year ended 31 January 2007

	Share capital £000s	Share premium account £000s	Share-based payment reserve £000s	Merger reserve £000s	Retained earnings £000s	Total £000s
At 1 February 2006	3,131	12,947	74	(1,943)	(1,114)	13,095
New share capital issued	591	9,380	–	–	–	9,971
Share-based payment	–	–	404	–	–	404
Loss for the year	–	–	–	–	(3,020)	(3,020)
At 31 January 2007	3,722	22,327	478	(1,943)	(4,134)	20,450

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 taken to the share premium reserve. Summit Corporation plc shares have a nominal value of 10p per share.

Shares to be issued

Shares to be issued of £1,443k relates to the acquisition of Summit (Cambridge) Limited, formerly DanioLabs Limited. The consideration comprised the issue of 11,732,360 ordinary Summit Corporation plc shares issued at 123p of which 10% was deferred until 22 March 2008.

Share-based payment reserve

The share-based payment reserve arises as the expense of issuing share-based payments is recognised over time. The reserve will fall as share options vest and are exercised, and the impact of the subsequent dilution of earnings crystallise, 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 the nominal and fair value of shares issued in business combinations using the acquisition method of accounting.

The reserve established in the year of £13,271k relates to the premium arising on shares issued to acquire Summit (Cambridge) Limited and Dextra Laboratories Limited in March 2007.

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 profits arising from the date of acquisition are included.

Notes to the Annual Report

1. Basis of accounting

As from 1 February 2007, these financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union and implemented in the UK. Accordingly, this is the first year when the financial statements have been prepared under IFRS and the comparatives for 2007 have been restated from UK Generally Accepted Accounting Practice (UK GAAP) to comply with IFRS. The date of transition is 1 February 2006, i.e. the opening balance sheet date of 31 January 2007.

Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have, therefore, prepared the financial information contained herein on a going concern basis. The financial statements do not reflect any adjustments that would be required to be made if they were to be prepared on a basis other than the going concern basis.

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 in the year are included in the consolidated income statement from the effective date of acquisition. 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".

Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

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.

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

Patents (once awarded):	Over the period of the relevant patents
Drug programmes:	Over the period of the relevant patents
Licences:	Over the period of the licence agreement

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

Impairment of assets

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 the cash generating unit level. Goodwill, other individual assets or cash-generating units that include goodwill and other intangible assets are tested for impairment at least annually.

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 14 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
Computer equipment	3-5 years
Laboratory equipment	3-10 years
Fixtures and fittings	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. The provisions held at the year end relate to contingent consideration arising from the acquisitions of MNL Pharma in the year ending 31 January 2007.

Revenue recognition

Group revenue comprises the value of sales from products and income (excluding VAT and taxes, trade discounts and intra-group transactions) derived from contracts for services. Revenue from product sales is recognised when the risks and rewards of ownership have been transferred to the customer. Where the Group is to undertake R&D 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.

Grant income

Grant related income is shown in the income statement as other income, so as to match it against the expenditure that 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 balance sheet date. All differences are taken to the income statement.

Inventories

Inventories consist of chemical compounds held for resale or for further processing, both in the services and carbohydrate businesses, and are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred on completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Employee benefits

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

Leased assets

Costs in respect of operating leases are charged to the income statement 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 benefits 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. For the purposes of the Cash Flow Statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Notes to the Annual Report

1. Basis of accounting (continued)

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 income statement 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 balance sheet 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.

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 a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet 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 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 balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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

Segmental analysis

The Company has taken advantage of the option to early adopt the provisions of IFRS 8. Segmental analysis is provided in line with internal management information as required by the senior management committee. Details of the approach are set out in note 6 on pages 39-41.

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 on 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 comprises revenues from the provision of screening services and from catalogue sales. The Group enters a variety of arrangements with its customers from which it may earn all, or some of, these revenue streams. The application of the Group's revenue recognition policy set out in note 1 to its more complex agreements, 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.

Impairment

The Group tests annually whether goodwill, intangible assets or property plant and equipment have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The estimates used in impairment testing as at 31 January 2008 and 2007 are presented in note 14.

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 for contingent consideration

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 21.

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 24, 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 balance sheet date, and any adjustment to tax payable in respect of previous years. The ultimate receivable for any issues arising may vary from the amounts provided, and is dependent upon negotiations with the relevant tax authorities.

3. Future changes to accounting policies

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee 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
IFRS2*	Share-based payment (Amendment)	01/01/2009
IAS1*	Presentation of Financial Statements (Amendment)	01/01/2009
IAS23*	Borrowing Costs (Amendment)	01/01/2009
IAS32*	Financial Instruments: Presentation (Amendment)	01/01/2009
IAS1*	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)	01/01/2009
IFRS3*	Business combinations (Amendment)	01/07/2009
IAS27*	Consolidated and separate financial statements	01/07/2009

International Financial Reporting Interpretations (IFRIC)		Effective date
IFRIC11	IFRS 2 – Group and Treasury Share Transactions	01/03/2007
IFRIC12*	Service Concession Arrangements	01/01/2008
IFRIC13*	Customer Loyalty Programmes	01/07/2008
IFRIC14*	IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their interaction	01/01/2008

* Not endorsed by the EU as at the date of approval of these financial statements.

The IASB has completed the second phase of its business combinations project by issuing a revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements. The new requirements take effect on 1 July 2009, subject to being endorsed by the EU. If this standard were to be applied retrospectively, acquisition expenses incurred of £452k would have been expensed, rather than included in Goodwill.

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

4. Reconciliation of UK GAAP to IFRS

The tables on the following pages show the reconciliations of the Consolidated Income Statement for the year ended 31 January 2007, and the Consolidated Balance Sheet as at 31 January 2007 and at 1 February 2006 (opening balance at the date of transition).

Consolidated income statement

	Ref	UK GAAP Year ended 31 January 2007 £000s	Adj. £000s	IFRS Year ended 31 January 2007 £000s
Revenue		1,034	–	1,034
Cost of sales		(304)	–	(304)
Gross profit		730	–	730
Other operating Income		80	–	80
Administrative expenses				
Research and development	1.1	(2,937)	(15)	(2,952)
General and administration	1.2	(1,830)	880	(950)
Sales and marketing	1.3	–	(510)	(510)
Depreciation and amortisation	1.4	–	(376)	(376)
Share-based payment		(404)	–	(404)
Total administrative expenses		(5,171)		(5,192)
Operating loss		(4,361)	(21)	(4,382)
Finance income		879	–	879
Finance costs		(6)	–	(6)
Loss on ordinary activities before taxation		(3,488)	(21)	(3,509)
Taxation		489	–	489
Loss for the year attributable to equity shareholders of the parent		(2,999)	(21)	(3,020)

Notes to the Annual Report

4. Reconciliation of UK GAAP to IFRS (continued)

Explanation of IFRS adjustments:

	Year ended 31 January 2007 Adj. £000s
Ref 1.1 – Research and development	
Holiday pay accrual (Research and development related)	(15)
Ref 1.2 – General and administration	
Reclassification as below	883
Holiday pay accrual (General and administration related)	(3)
	880
Ref 1.3 – Sales and marketing	
Reclassification from General and administration expenses	(507)
Holiday pay accrual (Sales and marketing related)	(3)
	(510)
Ref 1.4 – Depreciation and amortisation	
Reclassification from General and administration expenses	(376)

Consolidated balance sheet

	Ref	UK GAAP Year ended 31 January 2007 £000s	Adj. £000s	IFRS Year ended 31 January 2007 £000s	UK GAAP Year ended 1 February 2006 £000s	Adj. £000s	IFRS Year ended 1 February 2006 £000s
ASSETS							
Non-current assets							
Goodwill	2.1	115	(115)	–	–	–	–
Intangible assets	2.2	263	1,195	1,458	28	–	28
Property, plant and equipment		2,624	–	2,624	1,261	–	1,261
		3,002	1,080	4,082	1,289	–	1,289
Current assets							
Inventories		188	–	188	27	–	27
Trade and other receivables		645	–	645	542	–	542
Current tax		472	–	472	–	–	–
Cash and cash equivalents		18,289	–	18,289	12,633	–	12,633
		19,594	–	19,594	13,202	–	13,202
Total assets		22,596	1,080	23,676	14,491	–	14,491
LIABILITIES							
Current liabilities							
Trade and other payables	2.3	(1,361)	(21)	(1,382)	(639)	–	(639)
Borrowings		(66)	–	(66)	(66)	–	(66)
Total current liabilities		(1,427)	(21)	(1,448)	(705)	–	(705)
Non-current liabilities							
Provisions	2.4	(100)	(1,080)	(1,180)	–	–	–
Borrowings		(598)	–	(598)	(691)	–	(691)
Total non-current liabilities		(698)	(1,080)	(1,778)	(691)	–	(691)
Total liabilities		(2,125)	(1,101)	(3,226)	(1,396)	–	(1,396)
Net assets		20,471	(21)	20,450	13,095	–	13,095
Equity							
Share capital		3,722	–	3,722	3,131	–	3,131
Share premium account		22,327	–	22,327	12,947	–	12,947
Share-based payment reserve	2.5	478	–	478	–	74	74
Merger reserve		(1,943)	–	(1,943)	(1,943)	–	(1,943)
Retained earnings	2.6	(4,113)	(21)	(4,134)	(1,040)	(74)	(1,114)
Total equity attributable to the equity shareholders of the parent		20,471	(21)	20,450	13,095	–	13,095

4. Reconciliation of UK GAAP to IFRS (continued)

Explanation of IFRS adjustments:

	Year ended 31 January 2007 Adj. £000s	Year ended 1 February 2006 Adj. £000s
Ref 2.1 – Goodwill		
Goodwill recognised in prior year, reclassified as an intangible asset in respect of provisional business combination values being updated within the year ended 31 January 2008	(115)	–
Ref 2.2 – Intangible assets		
Prior year adjustment to other intangible assets in respect of provisional business combination values being updated within the year ended 31 January 2008	1,195	–
Ref 2.3 – Trade and other payables		
Holiday accrual established under IAS 19	(21)	–
Ref 2.4 – Provisions		
Prior year adjustment to Provisions in respect of provisional business combination values being updated within the year ended 31 January 2008	(1,080)	–
Ref 2.5 – Share-based payment reserve		
Presentation of Share-based payment as a separate class of equity reserve	–	74
Ref 2.6 – Retained earnings		
Presentation of Share-based payment as a separate class of equity reserve	–	(74)
Holiday accrual established under IAS 19	(21)	–
	(21)	(74)

5. Acquisition of subsidiaries and businesses

On 22 March 2007 the Group acquired 100% ownership of Summit (Cambridge) Limited (formerly DanioLabs Limited) and Dextra Laboratories Limited.

Summit (Cambridge) Limited

Summit (Cambridge) Limited is a biotechnology company based in Cambridge that has clinical drug programmes in neurodegeneration, commercial services and complementary zebrafish expertise. 100% ownership was acquired for consideration of £14.9 million, of which £14.5 million was in the form of shares. The transaction incurred legal and professional fees of £256k.

Dextra Laboratories Limited

Dextra Laboratories Limited is based in Reading and has world-leading expertise in industrial carbohydrate chemistry. 100% ownership was acquired for consideration of £1.5 million in the form of shares. The transaction incurred legal and professional fees of £196k.

MNL Pharma

On 14 December 2006, Summit Corporation plc acquired the trade and certain assets from MNL Pharma Limited. Provisional values were reported in the 2006/07 Annual Report, with the valuation and classification revised in the period to 31 January 2008.

Notes to the Annual Report

5. Acquisition of subsidiaries and businesses (continued)

Year ended 31 January 2008

	Summit (Cambridge) Limited Recognised value and carrying amount £000s	Dextra Laboratories Limited Recognised value and carrying amount £000s	Total £000s
Cash	983	48	1,031
Inventories	–	70	70
Trade and other receivables	150	246	396
Property, plant and equipment	209	37	246
Trade and other payables	(342)	(125)	(467)
	1,000	276	1,276
Intangible assets established on acquisition	7,460	–	7,460
Tangible assets established on acquisition	100	–	100
Goodwill on acquisition	8,389	1,378	9,767
Deferred tax on intangible assets	(2,089)	–	(2,089)
	14,860	1,654	16,514
Satisfied in cash	429	196	625
Satisfied in shares	12,988	1,458	14,446
Deferred share consideration	1,443	–	1,443
Consideration paid	14,860	1,654	16,514

The following table presents the prior year adjustment to the valuation of the acquisition of the business of MNL Pharma, in respect of provisional business combination values being updated within the year ended 31 January 2008:

	Year ended 31 January 2007 (Restated) £000s
Property, plant and equipment	55
Intangible assets established on acquisition	1,380
	1,435
Satisfied in cash	255
Contingent cash consideration	1,180
Consideration paid	1,435

In-process research and development costs were capitalised on acquisition, and relate to various ongoing drug programmes. The fair value of these programmes is estimated by discounting the expected future cash flows of the programme, adjusted for outcome probability at each potential stage of the programme. These assets are amortised on a straight-line basis over a period equal to the residual life of the relevant patents held.

Fair value of consideration paid for Summit (Cambridge) Limited

The fair value of consideration comprised:

- The issue of 10,559,128 ordinary Summit shares at 123p, a total value of £13.0 million.
- A deferred amount of 1,173,233 ordinary Summit shares that was allocated in consideration at 123p per share.
- An additional amount of £173k payable to a US investor who could not legally receive Summit shares.
- Transaction fees of £256k, including £86k stamp duty.

The consideration figure and deferred element was reached through a fundamental analysis by Summit Corporation plc of Summit (Cambridge) Limited's drug programmes, together with negotiation between the two parties.

Fair value of consideration paid for Dextra Laboratories Limited

The fair value of consideration comprised:

- The issue of 1,185,771 shares in Summit at a market price of 123p in a share for share exchange, at a total value of £1.5 million.
- Transaction fees of £196k.

5. Acquisition of subsidiaries and businesses (continued)

Contribution to consolidated report and accounts

In the period from acquisition, Dextra Laboratories Limited contributed £1.5 million turnover and £123k profit after tax. Had the company been acquired at 1 February 2007, the contribution to revenue would have been £1.3 million, and a reduction to loss before tax of £300k.

In the period from acquisition, Summit (Cambridge) Limited contributed no turnover and £3.6million loss after tax. Had the company been acquired at 1 February 2007, the contribution to revenue would have been £0.2 million, and a total loss before tax of £4.1 million.

6. Segmental reporting

For the year ended 31 January 2008	Carbohydrate Services £000s	Zebrafish Services £000s	Discovery Services £000s	Corporate and Other £000s	Total £000s
Segment revenue	2,004	977	49	–	3,030
Segment result	123	27	(9,314)	(958)	(10,122)
At 31 January 2008					
Segment assets and liabilities					
Non-current assets					
Goodwill	1,378	8,389	–	–	9,767
Intangible assets	–	–	8,131	–	8,131
Property plant and equipment	1,148	539	2,377	204	4,268
	2,526	8,928	10,508	204	22,166
Current assets					
Inventories	70	222	45	–	337
Trade and other receivables	356	22	622	581	1,581
Current tax	–	–	719	–	719
Cash and cash equivalents	375	–	269	9,444	10,088
	801	244	1,655	10,025	12,725
Current liabilities					
Trade and other payables	(462)	(233)	(2,297)	(234)	(3,226)
Borrowings	–	(66)	(122)	–	(188)
	(462)	(299)	(2,419)	(234)	(3,414)
Non-current liabilities					
Provisions	–	–	(1,180)	–	(1,180)
Borrowings	–	(532)	(690)	–	(1,222)
Deferred tax	–	–	(1,879)	–	(1,879)
	–	(532)	(3,749)	–	(4,281)
Information about profit or loss for the year					
Interest revenue	109	53	3	610	775
Interest expense	(1)	–	(31)	(6)	(38)
Depreciation	(106)	(187)	(432)	(41)	(766)
Amortisation	–	–	(884)	–	(884)
Share option charge	–	–	–	(486)	(486)
Taxation	–	–	(911)	–	(911)
Additions to non-current assets					
Goodwill	1,378	8,389	–	–	9,767
Intangibles assets	–	–	6,673	–	6,673
Property, plant and equipment	361	179	1,550	320	2,410

Notes to the Annual Report

6. Segmental reporting (continued)

For the year ended 31 January 2007	Carbohydrate Services £000s	Zebrafish Services £000s	Discovery Services £000s	Corporate and Other £000s	Total £000s
Segment revenue	480	554		–	1,034
Segment result	(90)	131	(2,857)	(204)	(3,020)
Segment assets					
Non-current assets					
Intangible assets	66	32	1,360	–	1,458
Property plant and equipment	407	202	1,801	214	2,624
	473	234	3,161	214	4,082
Current assets					
Inventories	87	101	–	–	188
Trade and other receivables	299	346	–	–	645
Current tax	–	–	472	–	472
Cash and cash equivalents	–	–	–	18,289	18,289
	386	447	472	18,289	19,594
Current liabilities					–
Trade and other payables	(194)	(144)	(974)	(70)	(1,382)
Borrowings	–	(66)	–	–	(66)
	(194)	(210)	(974)	(70)	(1,448)
Non-current liabilities					–
Provisions	–	–	(1,180)	–	(1,180)
Borrowings	–	(598)	–	–	(598)
	–	(598)	(1,180)	–	(1,778)
Information about profit or loss for the year					
Interest revenue	26	31	–	822	879
Interest expense	–	–	–	(6)	(6)
Depreciation	(54)	(27)	(234)	(25)	(340)
Amortisation	(6)	(3)	(27)	–	(36)
Share option charge	–	–	–	(404)	(404)
Taxation	–	–	(489)	–	(489)
Additions to non-current assets					
Intangibles assets	35	17	1,229	–	1,281
Property, Plant & Equipment	255	126	1,195	127	1,703

Summit Group comprises five legal trading entities as described in note 37. The business of Dextra Laboratories Limited comprises the Carbohydrate Services segment. The business carried out within Summit (Wales) Limited and Summit (Cambridge) Limited is entirely attributable to the Discovery Services segment, as they are engaged in the generation of early to mid-phase drug programmes. The business carried out by the Group holding company, Summit Corporation plc is entirely attributable to the Corporate and Other segment and generally comprises non-cash, non-revenue generating costs such as share-based payments and the amortisation of intangible assets. The business carried out within Summit (Oxford) Limited, however, comprises a revenue generating Zebrafish Services element, a Discovery Services element and a Corporate and Other element. The Corporate and Other segment is not re-allocated for internal purposes to the other business segments, as it is monitored and managed separately as a cost centre.

Zebrafish screening services and carbohydrate chemistry comprise Summit's core revenue generating business, and is based upon two world leading technology platforms. These platforms support Summit's existing drug programmes, and will give rise to future programmes currently in the discovery phase. In order to allow these to function, the Corporate and Other segment comprises the non-allocated costs incurred in providing Facilities, Finance, Human Resource and Information Technology services to each of the business divisions.

Basis of allocation of Summit (Oxford) Limited activity

A number of allocation bases have been employed in determining the reportable segment profit or loss, and the assets utilised by each. Certain costs can be traced directly to a segment activity, and wherever possible, this has been the allocation base. Where costs are shared or incurred on a basis which does not vary directly in line with activity, a number of allocation bases have been established:

Per capita: certain costs and assets vary, to a certain extent, by headcount. Costs and assets relating to information technology, for example, can vary both directly and indirectly by headcount, and are allocated on a direct basis.

Activity per square metre: Utility, facility and other building usage costs are allocated on the basis of the area occupied by each segment.

Personnel costs: Where costs are based on salaries, these are allocated on an individual by individual basis to the relevant segment.

6. Segmental reporting (continued)

Revenue derivation

Carbohydrate segment

The carbohydrate platform derives its revenues from the sale of carbohydrate products (£252k of revenue) and the provision of bespoke services (£1,752k of revenue) to its clients in the pharmaceuticals and healthcare industries predominantly in the UK, but also in the USA and Europe.

There are three major customers comprising 51% (£1,018k) of total carbohydrate revenue in the year, of which £292k, £300k and £426k is derived from the UK, Europe, and USA respectively.

Zebrafish segment

The zebrafish platform provides a screening service to test the safety and efficacy of any potential new drug. It derives its revenues from customers predominantly in Europe, but also in the UK and USA.

There are two major customers comprising 31% (£306k) of total zebrafish revenue in the year, of which £106k and £200k is derived in Europe and USA respectively.

For detailed discussion of the services provided by each segment, refer to pages 14 to 15 of this report.

Geographical segmentation

As discussed above, 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 2008 £000s	Year ended 31 January 2007 £000s
UK	948	323
USA	837	286
Europe	1,016	347
Rest of the world	229	78
	3,030	1,034

7. Administrative expenses

Included within administrative expenses are items incurred in the period following the Group acquisitions that will not recur in future periods. These items comprised the cost of rebranding the parent company and its subsidiaries under the brand name "Summit", including the legal, marketing and administrative costs that accompanied this exercise. In addition, costs were incurred for directors whose services were no longer required in the reorganised Group structure. Rebranding costs totalled £116k, and termination costs totalled £343k.

8. Directors and employees

The average number of employees, including executive directors, during the year was:

	31 January 2008 £000s	31 January 2007 £000s
Technical, research and development	112	37
Administration and overheads	23	11
	135	48

The parent company had no employees in the current or previous financial years. At the end of the year the Group employed 147 employees. Their aggregate remuneration comprised:

	31 January 2008 £000s	31 January 2007 £000s
Wages and salaries	5,325	1,942
Social security costs	607	218
Pension costs	168	54
	6,100	2,214

In respect of directors' remuneration, the Company has taken advantage of the permission in paragraph 1(6) of Schedule 6 to the Companies Act 1985 to omit aggregate information that is capable of being ascertained from the detailed disclosures in the audited section of the Remuneration Report on pages 24 to 25, which form part of these financial statements.

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

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8. Directors and employees (continued)

	Year ended 31 January 2008 £000s	Year ended 31 January 2007 £000s
Short-term employee benefits	1,161	810
Post-employment benefits	21	14
Other long-term benefits	–	–
Termination benefits	175	–
Share-based payment	263	134
	1,620	958

9. Loss before taxation

	Note	Year ended 31 January 2008 £000s	Year ended 31 January 2007 £000s
Non-recurring items			
Administration costs	7	459	–
Other			
Share-based payments	24	486	404
Employer pension contributions	8	168	54
Other employee benefits		58	20
Amortisation of intangible assets	14	884	36
Depreciation of tangible assets	15	766	340
Operating lease rentals		840	337

10. Auditors' remuneration

Services provided by the Group's auditor and network firms

It is the Group's policy to employ the auditors on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally tax advice and due diligence reporting on acquisitions, or where they are awarded assignments on a competitive basis.

During the year the Group obtained the following services from its auditors as detailed below:

	Year ended 31 January 2008 £000s	Year ended 31 January 2007 £000s
Fees payable to the Company's auditors for the audit of the consolidated financial statements	25	27
Fees payable to the Company's auditors for the audit of the Company's subsidiaries	19	5
Audit-related regulatory reporting	10	7
Total audit fees	54	39
Further assurance services	1	–
Tax advisory services	46	10
Total non-audit fees	47	10
Total fees payable	101	49

11. Taxation

Analysis of charge in period	Year ended 31 January 2008 £000s	Year ended 31 January 2007 £000s
United Kingdom corporation tax at 30% (2007 – 19%)		
Current tax credit	(720)	(489)
Prior year adjustment	19	–
Deferred tax	(210)	–
Taxation	(911)	(489)

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

Profit on ordinary activities before tax	(11,033)	(3,509)
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom (Current tax) of 30% (2007 – 19%), and deferred tax at 28% (2007 – Nil)	(3,310)	(667)
Effect of:		
Non-deductible expenses	177	95
Enhanced deductions for R&D expenditure	(536)	(187)
Losses surrendered for R&D tax credits	630	–
Difference in rate regarding R&D tax credits	–	89
Capital allowances in excess of depreciation (not recognised)	94	(256)
Increase in losses to carry forward (not recognised)	1,982	451
Movement in short-term temporary differences (not recognised)	18	3
Impact of rate change on deferred tax (recognised in the accounts)	15	–
Prior year adjustments	19	(17)
Total taxation	(911)	(489)

There are no current tax liabilities as at 31 January 2008 (2007 – Nil). The change in tax rate in the year is due to the growth of the Group, to the extent that the full tax rate of 30% is now applicable.

The charge for deferred tax is the result of temporary differences arising on the recognition of Intangible assets on the acquisition of Summit (Cambridge) Limited. The deferred tax liability shown on the face of the Balance Sheet is the result of this transaction.

12. Loss per share

The loss per share has been calculated by dividing the loss for the year of £10,122k (for the year ended 31 January 2007: restated loss of £3,020k) by the weighted average number of shares in issue during the year to 31 January 2008: 47,902,499 (for the year ended 31 January 2007: 36,420,113). Since the Group has reported a net loss, diluted loss per share is equal to basic loss per share. Potentially dilutive shares issued on 22 March 2008 totalled 1,173,236 as per the Consolidated Statement of Changes in Equity. Potentially dilutive shares capable of vesting under the share options currently in issue totalled 7,152,990 as at 31 January 2008 (4,750,184 as at 31 January 2007).

Notes to the Annual Report

13. Goodwill

Cost	Summit (Cambridge) Limited £000s	Dextra Laboratories Limited £000s	Total £000s
At 1 February 2007	–	–	–
Goodwill established on acquisition	8,389	1,378	9,767
At 31 January 2008	8,389	1,378	9,767
Net book value			
At 1 February 2007	–	–	–
At 31 January 2008	8,389	1,378	9,767

Cost	MNL Pharma £000s
At 1 February 2006	–
Initial assessment of classification and value on acquisition of business	115
At 31 January 2007	115
Transfer to intangible assets as a result of updating provisional business combination values during the year ended 31 January 2008	(115)
At 31 January 2007 as restated	–
Net book value	
At 1 February 2006	–
At 31 January 2007 as restated	–

Goodwill represents the difference between the amount paid in consideration for the tangible net assets of the companies acquired, less the intangible assets for which values have been clearly identified and defined. The goodwill arising on the Summit (Cambridge) Limited acquisition represents the value of intangible assets for which a value cannot be readily assigned within the definition of IAS 38. Goodwill in this instance represents the value of the accumulated years of scientific knowledge and applied research which allows the business to seamlessly continue as a "ready– made" research and development business, rather than a start-up business, and the considerable synergies achievable when combined with the existing zebrafish facilities of Summit (Oxford) Limited. This combination immediately increased the Group's ability to offer a broader selection of screening services, and reduces the risk for the Group overall by providing an extended zebrafish gene pool as well as the ability to cross-locate fish groups in the event of facility compromise.

Goodwill for the Summit (Cambridge) Limited programmes has been allocated to the Group's discovery related cash generating unit (CGU), with the recoverable amount of this CGU being tested for impairment by a value in use discounted cash flow forecast calculation based on latest available financial information. A discount rate of 12% has been used over a forecast period of five years. The forecasts have been prepared on future predicted revenues and costs.

This model has also been prepared using a number of key assumptions:

The key assumptions used in this model are as follows:

- Growth in revenues.
- No increase in the amount of zebrafish-related R&D expenditure.

The amount by which the forecast exceeds the carrying amount of goodwill is £7.3 million.

The key assumption for valuation purposes is the revenue figure. In order for the goodwill's recoverable amount to be equal to its carrying value revenues would have to fall to less than 60% of their forecast amount.

The goodwill arising on the acquisition of Dextra Laboratories Limited can be similarly ascribed: the ability of the Company to integrate with other Group companies with minimal further investment or management supervision. This represents the scientific and business acumen built up prior to acquisition. The scientific expertise of the workforce has a value which cannot clearly be valued under IAS 38.

Goodwill for the Dextra Laboratories programmes has been allocated to the Group's carbohydrate services cash generating unit, with the recoverable amount of this CGU being tested for impairment by review of the cash flow forecast for the coming year, which forecasts income of £0.8 million. It is clear that this will generate a Net Present Value (NPV) greater than the goodwill figure within three to five years. The forecasts have been prepared on future predicted outcomes.

The information indicates no signs of impairment at the current time.

14. Intangible assets

Cost	Drug programmes relating to Summit (Cambridge) Limited £000s	Drug programmes relating to MNL Pharma £000s	Patents and licences £000s	Total £000s
At 1 February 2007	–	1,380	127	1,507
Additions	7,460	–	97	7,557
At 31 January 2008	7,460	1,380	224	9,064
Amortisation and impairment				
At 1 February 2007	–	(11)	(38)	(49)
Provided in the year	(750)	(90)	(44)	(884)
At 31 January 2008	(750)	(101)	(82)	(933)
Net book amount				
At 31 January 2007 as restated	–	1,369	89	1,458
At 31 January 2008	6,710	1,279	142	8,131

	MNL Pharma £000s	Patents and licences £000s	Total £000s
Cost			
At 1 February 2006	–	41	41
Transfer into intangible assets as a result of updating business combination provisional value during the year ended 31 January 2008	115	–	115
Prior year adjustment to other intangible assets in respect of provisional business combination values being updated within the year ended 31 January 2008	1,265	–	1,265
Additions	–	86	86
At 31 January 2007 as restated	1,380	127	1,507
Amortisation and impairment			
At 1 February 2006	–	(13)	(13)
Provided in the year	(11)	(25)	(36)
At 31 January 2007	(11)	(38)	(49)
Net book amount			
At 31 January 2006	–	28	28
At 31 January 2007 as restated	1,369	89	1,458

Intangible assets recognised on acquisition of Summit (Cambridge) Limited

The most valuable of Summit (Cambridge) Limited's assets are its drug development programmes with the main value represented by the patents that protect the use of the compounds for the sialorrhoea and seborrhoea indications. Provided that these patents are granted in the major pharmaceutical markets and are robust in the face of potential competitors, the programmes will continue to have value.

Summit management have assigned a value to these programmes in the form of a discounted cash flow calculation which assesses the potential cash flows arising from the programmes over an expected development timeline, which are then adjusted for outcome probability at each potential stage of the programme. Management have also assessed ongoing valuation of these assets, and have decided that a straight-line amortisation from the date of filing is the fairest way of reflecting the value of the patents, and therefore the programmes, over their life. The patents are due to expire on 31 January 2016 and 30 June 2016 giving amortisation periods of 8 years and 8.4 years respectively.

Both programmes have been reviewed for evidence of impairment. For example, if key patents were not awarded in all major territories, or clinical results were negative then Summit would review the case for an accelerated write-down.

Intangible assets recognised on acquisition of the business of MNL Pharma

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 believes that the most reliable method to value this asset is 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 MNL Pharma is best estimated as the price paid less any sums clearly highlighted for other assets.

Notes to the Annual Report

14. Intangible assets (continued)

This approach would value the SMT 14400 assets at £1,380,800 being the fair value of consideration less the sum paid for fixed assets.

SMT 14400 has filed for a first medical use patent, which is a key asset in the therapeutic programme and therefore management believes that the most appropriate treatment is to amortise the intangible asset over the life of this patent. The patent in question is due to expire on 23 January 2023, giving an amortisation period of 16 years.

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

15. Property, plant and equipment

Cost	Leasehold improvements £000s	Laboratory equipment £000s	Office and IT equipment £000s	Total £000s
At 1 February 2007	1,756	1,206	130	3,092
Additions	493	1,439	132	2,064
Acquisitions	33	275	38	346
At 31 January 2008	2,282	2,920	300	5,502
Depreciation				
At 1 February 2007	(226)	(197)	(45)	(468)
Charge for the year	(241)	(434)	(91)	(766)
At 31 January 2008	(467)	(631)	(136)	(1,234)
Net book value				
At 1 February 2007	1,530	1,009	85	2,624
At 31 January 2008	1,815	2,289	164	4,268

Cost	Leasehold improvements £000s	Laboratory equipment £000s	Office and IT equipment £000s	Total £000s
At 1 February 2006	829	494	66	1,389
Additions	927	712	64	1,703
At 31 January 2007	1,756	1,206	130	3,092
Depreciation				
At 1 February 2006	(73)	(41)	(14)	(128)
Charge for the year	(153)	(156)	(31)	(340)
At 31 January 2007	(226)	(197)	(45)	(468)
Net book value				
At 1 February 2006	756	453	52	1,261
At 31 January 2007	1,530	1,009	85	2,624

16. Inventories

	Year ended 31 January 2008 £000s	Year ended 31 January 2007 £000s
Raw materials	267	188
Finished goods	70	–
	337	188

The amount of inventory expense included in cost of sales for the year is £32k, there was no write down in value of inventories in the period, nor any reversal of write downs from a previous period.

17. Trade and other receivables

	Year ended 31 January 2008 £000s	Year ended 31 January 2007 £000s
Trade receivables	189	283
Other receivables	547	243
Prepayments and accrued income	845	119
	1,581	645

18. Trade and other payables

	Year ended 31 January 2008 £000s	Year ended 31 January 2007 £000s
Trade payables	1,813	1,151
Other taxes and social security costs	49	79
Accruals and deferred income	1,279	131
Other creditors	85	21
	3,226	1,382

19. Borrowings

	2008 £000s	2007 £000s
Loans	1,410	664

The Group has two loan commitments with one of its landlords.

The first loan, received on 27 September 2006, attracts no interest (and is in substance a lease incentive) and is repayable over the term of the Group's lease, as follows:

	2008 £000s	2007 £000s
Debt due within one year	66	66
Debt due in second year	66	66
Debt due in third to fifth years inclusive	199	199
Debt due after five years	267	333
	598	664

The second loan, entered into on 30 September 2007 has been recognised at fair value, using an interest rate of 11%, and is repayable over the term of the Group's lease, as follows:

	2008 £000s	2007 £000s
Debt due within one year	141	–
Debt due in second year	141	–
Debt due in third to fifth years inclusive	423	–
Debt due after five years	670	–
	1,375	
Less future finance charges	(563)	
	812	–

20. Financial instruments

	Note	Year ended 31 January 2008 £000s	Year ended 31 January 2007 £000s
Loans and receivables			
Trade and other receivables	17	1,581	645
Other liabilities			
Trade and other payables	18	3,226	1,382
Borrowings	19	1,410	664
		4,636	2,046

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 balance sheet, all of which mature within one year.

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

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

Notes to the Annual Report

20. Financial instruments (continued)

Interest rate risk

The main risk arising from the Group's financial instruments is interest rate risk. Summit holds no derivative instruments to manage interest rate risk; instead the Group places 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:

	31 January 2008 £000s	31 January 2007 £000s
On dated deposit – fixed rate	7,622	15,080
On short-term deposit – floating rate	–	107
On current account	2,466	3,102
	1 0,088	18,289

The interest rates for dated deposits are 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 2008, the dated deposit facility returned an average rate after fees of 5.46% (2006/07: 5.68%).

The Group's exposure to interest rate risk is illustrated with regard to the opening and closing cash balances and the difference an increase or decrease of 1% in interest rates would have made based on the average cash balance of £14,189k in the year:

Year ended 31 January 2008	–1%	Actual	+1%
Interest rate	4.46	5.46	6.46
Interest received (£000s)	633	775	917

Year ended 31 January 2007	–1%	Actual	+1%
Interest rate	4.68	5.68	6.68
Interest received (£000s)	724	878	1,033

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.

Foreign exchange risk arises when future commercial transactions, recognised assets, liabilities and net investments in subsidiaries are denominated in a currency that is not the subsidiary's functional currency. 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 2008 are all fully recoverable. Of the £189k trade receivables, an amount of £32k debt was overdue based on our normal terms of business.

The Group's revenues from product sales are mainly derived from agreements with major pharmaceutical companies and relationships with pharmaceutical wholesale distributors and retail pharmacy chains. For the year to 31 January 2008, there were three customers in the US who accounted for 71% of the Group's total revenues. However, such clients typically have significant cash resources and as such the risk from concentration of credit is considered minimal. The Group has taken positive action to manage any credit risk associated with these transactions, operating clearly defined credit evaluation and debtor collection procedure.

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 from a variety of financial institutions with strong credit ratings. These investments typically bore minimal credit risk in the year. Recent events in the banking industry will require Summit to review its investment policy for the coming 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, and the treasury rates available to us in placing larger balances with any particular institution have been extremely favourable.

Liquidity risk

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

20. Financial instruments (continued)

The Group ordinarily finances its activities through cash generated from operating activities, as well as 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.

Of all the financial liability categories, only borrowings can be analysed for maturity (see note 19). Provisions are amounts contingent upon events taking place, and the recognition of deferred taxation is dependent upon future profits arising.

21. Provisions

Cost	MNL Pharma deferred consideration on acquisition £000s
At 31 January 2008 and at 1 February 2007 as restated	1,180

Cost	MNL Pharma deferred consideration on acquisition £000s
At 1 February 2006	–
Additions	100
At 31 January 2007	100
Prior year adjustment to Provisions in respect of provisional business combination values being updated within the year ended 31 January 2008	1,080
At 31 January 2007 as restated	1,180

On 13 December 2006, Summit Corporation plc acquired the 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 (previously known as MNLP462a and now known as SMT 14400), a library of imino sugars and all 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 imino sugar library. 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.

Of the above payments, an initial provision of £100,000 was made for in 2007, however, this value has been reassessed, and a revised fair value of £1,180k has been assigned. The precise timing of these payments is unpredictable, and would be dependent on decisions to be made by the senior management of the Group.

22. Deferred tax

	Total £000s
At 1 February 2007	–
Additions due to temporary differences arising on the potential taxable balances from Intangible assets established on acquisition	2,089
Amount written off to the Income statement in line with intangible asset amortisation rates	(210)
At 31 January 2008	1,879

Deferred income tax assets of £17k (2007 – Nil) relating to provisions and £2.9m (2007 – £280k) 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 £646k (2007 – £489k) in respect of accelerated capital allowances are not recognised as we would expect to offset these against future trading losses.

Notes to the Annual Report

23. Share capital

	31 January 2008 £000s	31 January 2007 £000s
Authorised		
60,000,000 ordinary shares of 10p each	6,000	6,000
Alloted, called up and fully paid		
49,668,428 ordinary shares of 10p each	4,967	3,722

Share capital increased in the period from 37,217,070 to 49,668,428 due to the placing of 11,744,890 ordinary 10p shares on 22 March 2007, 158,548 ordinary 10p shares on 4 April 2007, 505,432 ordinary 10p shares on 18 April 2007 and 42,488 ordinary 10p shares on 17 August 2007. The shares rank pari passu with existing shares. The equity placing raised £15.3 million.

24. Share Option Scheme

At 31 January 2008 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					
	30 Sep 04	135.0	66,663	30 Sep 05	30 Sep 14
	17 Jul 05	169.5	58,997	17 Jul 06	17 Jul 15
	02 Dec 05	171.5	423,236	02 Dec 06	02 Dec 15
	22 May 06	167.0	59,880	22 May 07	22 May 16
	18 Aug 06	141.0	70,921	18 Aug 07	18 Aug 16
	13 Oct 06	136.0	165,900	13 Oct 07	13 Oct 16
	28 Nov 06	136.0	10,000	28 Nov 07	28 Nov 16
	28 Mar 07	131.0	51,394	28 Mar 08	28 Mar 17
	30 Mar 07	0 .7	234,049	30 Mar 08	30 Mar 17
	21 Nov 07	114.0	1,002,630	21 Nov 08	21 Nov 17
Unapproved scheme					
	02 Sep 04	0 .5	2,020,000	02 Sep 04	02 Sep 14
	17 Jul 05	169.5	1 ,003	17 Jul 06	17 Jul 15
	02 Dec 05	171.5	586,764	02 Dec 06	02 Dec 15
	22 May 06	165.0	540,120	22 May 07	22 May 16
	18 Aug 06	141.0	229,079	18 Aug 07	18 Aug 16
	13 Oct 06	136.0	120,000	13 Oct 07	13 Oct 16
	02 Nov 06	135.0	250,000	02 Nov 07	02 Nov 16
	28 Mar 07	131.0	6,630	28 Mar 08	28 Mar 17
	30 Mar 07	0.5	194,554	30 Mar 08	30 Mar 17
	30 Mar 07	0.7	46,324	30 Mar 08	30 Mar 17
	21 Jun 07	121.5	97,293	21 Jun 08	21 Jun 17
	28 Aug 07	118.5	615,000	28 Aug 08	28 Aug 17
	21 Nov 07	114.0	302,553	21 Nov 08	21 Nov 17
			7,152,990		

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)	31 January 2008	Weighted average exercise price (p)	31 January 2007
Outstanding at 1 February	91	4,750,184	65	3,283,884
Granted during the year	106	2,622,840	149	1,466,300
Lapsed during the year	121	(177,548)	–	–
Exercised during the year	74	(42,486)	–	–
Number of outstanding options at 31 January	95	7,152,990	91	4,750,184

As at 31 January 2008, 3,281,963 share options were capable of being exercised (2007: 2,567,217). The options outstanding at 31 January 2008 had a weighted average exercise price of 95p (2007: 91), and a weighted average remaining contractual life of 8.2 years (2007: 8.5 years).

The Group operates a number of share-based incentive schemes. The fair value per award granted and the assumptions used in the calculations are as follows:

24. Share Option Scheme (continued)

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 Sep 04	Unapproved	2,020,000	0.5	0.5	–	2.1	4.9%
30 Sep 04	EMI	66,663	135.0	135.0	36	2.1	4.8%
17 Jul 05	EMI	58,997	169.5	169.5	43	3.0	4.2%
17 Jul 05	Unapproved	1,003	169.5	169.5	43	3.0	4.2%
02 Dec 05	EMI	423,236	171.5	168.5	41	3.0	4.2%
02 Dec 05	Unapproved	586,764	171.5	168.5	41	3.0	4.2%
22 May 06	EMI	59,880	167.0	167.0	44	3.0	4.2%
22 May 06	Unapproved	540,120	165.0	167.0	45	3.0	4.6%
18 Aug 06	EMI	70,921	141.0	135.3	33	3.0	4.6%
18 Aug 06	Unapproved	229,079	141.0	135.5	33	3.0	4.6%
13 Oct 06	EMI	165,900	136.0	136.0	36	3.0	4.6%
13 Oct 06	Unapproved	120,000	136.0	136.0	36	3.0	4.6%
02 Nov 06	Unapproved	250,000	135.0	135.0	35	3.0	4.6%
28 Nov 06	EMI	10,000	136.0	136.0	36	3.0	4.5%
28 Mar 07	EMI	51,394	136.0	129.0	45	3.0	4.9%
28 Mar 07	Unapproved	6,630	0.100	129.0	1.21	3.0	4.9%
30 Mar 07	EMI	234,049	0.741	131.0	77	3.0	5.0%
30 Mar 07	Unapproved	194,554	0.450	131.0	96	3.0	4.9%
30 Mar 07	Unapproved	46,324	0.741	131.0	77	3.0	4.9%
21 Jun 07	Unapproved	97,293	121.5	121.5	46	3.0	5.5%
28 Aug 07	Unapproved	615,000	118.5	118.5	44	3.0	5.1%
21 Nov 07	Unapproved	302,553	114.0	114.0	42	3.0	4.6%
21 Nov 07	EMI	1,002,630	114.0	114.0	42	3.0	4.6%
		7,152,990					

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 615,000 unapproved share options made on 28 August 2007 is performance related, as described in the Remuneration Report, and has been modelled using a Monte Carlo methodology.
c. A figure in the range 18-32% has 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.

25. Capital commitments

At 31 January 2008 the Group had capital commitments totalling £43k (2006/07: £Nil), all due within one year.

26. Leasing commitments

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

	Land and buildings	
Leases which expire	31 January 2008 £000s	31 January 2007 £000s
Not later than one year	882	334
Later than one year and not later than five years	3,289	4,042
Later than five years	205	334
	4,376	4,710

27. Related party transactions

David Norwood, who is a Non-executive Director, is also a director of IP2IPO Limited which holds 4,040,000 shares in Summit Corporation plc.

Transactions with companies connected to related parties were as follows:

Name	Relationship	Company	Status	Amount
Colin Wall	Senior Independent Non-executive Director	Copley Wall & Associates	Supplier	£13K

This amount was not outstanding at the year end.

28. Post balance sheet events

On 25 March 2008, the Group issued 1,173,233 ordinary 10p shares as final settlement for the acquisition of DanioLabs Limited. The new ordinary shares rank pari passu with existing ordinary shares.

Summit Corporation plc individual financial statements

Company Balance Sheet

At 31 January 2008

	Notes	31 January 2008 £000s	31 January 2007 Restated £000s
Fixed assets			
Investments	31	19,497	2,498
Current assets			
Debtors – due after more than one year	32	23,701	24,195
Debtors – due within one year	32	351	2
		24,052	24,197
Net current assets		43,549	26,695
Current liabilities due within one year	33	(32)	–
Net assets		43,517	26,695
Capital and reserves			
Called up share capital	34	4,967	3,722
Share premium account	35	22,750	22,327
Shares to be issued	35	1,443	–
Share-based payment reserve	35	964	478
Merger reserve	35	13,271	–
Profit and loss account	35	122	168
Equity shareholder's funds	36	43,517	26,695

The notes on pages 53 to 54 form part of these financial statements.

Approved by the Board of Directors and authorised for issue.

Steven Lee, PhD
Chief Executive Officer

3 June 2008

Darren Millington, ACMA
Company Secretary

3 June 2008

Notes to the Individual Financial Statements
of Summit Corporation plc

29. 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 37. These are held at cost, being the fair value at the date of exchange of assets acquired, liabilities incurred or assumed, and the equity instruments issued by the Company in exchange for control, plus directly attributable costs.

Deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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 balance sheet 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 income statement 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 balance sheet 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 24 above.

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

30. Profit of the parent company
Loss in the year
No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985. The Company's loss for the year was £46k (2006/07: £Nil).

Directors' remuneration
Directors remuneration is disclosed in the Directors Remuneration Report on pages 24 to 25.

Auditors' remuneration
Auditors' remuneration is disclosed in note 10.

31. Investments

	Investment in subsidiaries £000s	Capital contributions for share option £000s	Total £000s
Cost and net book value at 1 February 2007	2,020	478	2,498
Additions	16,513	486	16,999
Cost and net book value at 31 January 2008	18,533	964	19,497

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.

32. Debtors

	31 January 2008 £000s	31 January 2007 £000s
Amounts owed by group undertakings	23,701	24,195
Payments due from former directors relating to share options vesting on acquisition of investments	351	–
Other debtors	–	2
	24,052	24,197

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

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33. Creditors

	31 January 2008 £000s	31 January 2007 £000s
Other creditors	32	–

34. Share capital

	31 January 2008 £000s	31 January 2007 £000s
Authorised		
60,000,000 ordinary shares of 10p each	6,000	6,000
Alloted, called up and fully paid		
49,668,428 ordinary shares of 10p each	4,967	3,722

Share capital increased in the period from 37,217,070 to 49,668,428 due to the placing of 11,744,890 ordinary 10p shares on 22 March 2007, 158,548 ordinary 10p shares on 4 April 2007, 505,432 ordinary 10p shares on 18 April 2007 and 42,488 ordinary 10p shares on 17 August 2007. The shares rank pari passu with existing shares. The equity placing raised £15.3 million.

35. Reserves
Year ended 31 January 2008

	Share premium account £000s	Shares to be issued '000s	Share-based payment reserve £000s	Merger reserve £000s	Profit and loss account £000s	Total £000s
At 1 February 2007	22,327	–	478	–	168	22,973
New share capital issued	423	–	–	–	–	423
Shares to be issued	–	1,443	–	–	–	1,443
Share-based payment	–	–	486	–	–	486
Share issue eligible for merger relief	–	–	–	13,271	–	13,271
Loss for the period	–	–	–	–	(46)	(46)
At 31 January 2008	22,750	1,443	964	13,271	122	38,550

Information pertaining to the share options issued in the period are analysed in note 22 above. The share-based payment reserve is borne on behalf of the underlying subsidiaries. See note 24 Share option scheme for details of share options issued in the year.

36. Reconciliation of movement in shareholders' funds

	31 January 2008 £000s	31 January 2007 £000s
Opening shareholders' funds	26,695	16,320
Shares issued during the year	1,245	590
Shares to be issued	1,443	9,381
Share premium on issued shares (net of expenses)	423	–
Merger reserve established on acquisition of investments	13,271	–
Share-based payment	486	404
Loss for the financial year	(46)	–
Closing shareholders' funds	43,517	26,695

37. 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
Dextra Laboratories Limited	Great Britain	100%	103,600 £1 ordinary shares
Summit Discovery 1 Limited	Great Britain	100%	1,000 £1 ordinary shares
Summit Discovery 2 Limited	Great Britain	100%	1,000 £1 ordinary shares

The principal activities of Summit (Oxford) Limited, Summit (Wales) Limited and Summit (Cambridge) Limited are the provision of zebrafish screening services and proprietary drug discovery. Dextra Laboratories is primarily engaged in the sale of carbohydrate catalogue products and the provision of bespoke carbohydrate products and related services.

Summit Discovery 1 Limited and Summit Discovery 2 Limited are dormant companies.

Company Information

Directors

B Price, PhD	Non-executive Chairman
S Lee, PhD	Chief Executive Officer
R Storer, DPhil	Chief Scientific Officer
D Millington, ACMA	Chief Financial Officer
Professor S Davies	Non-executive Director
C Wall, PhD	Senior Independent Non-executive Director
A Richards, PhD	Non-executive Director
G Elliott, CA	Non-executive Director

Company Secretary
D Millington, ACMA

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Notes

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