

Summit plc
Interim Report
2010



Highlights

Programme Assets

- SMT 19969 targeting *C. difficile* shown to be superior to existing therapies in non-clinical efficacy studies (see today's separate announcement)
- SMT C2100 confirmed as potential treatment for malignant melanoma following new findings from independent *in vivo* studies
- Positive results generated in diabetes programme with proof of concept established for SMT 14224 in *in vivo* studies
- Strategy to progress SMT C1100 in-place following decision by former partner to return all commercial rights

Seglin™ Technology Platform

- Further validation of the power of Seglin™ technology as a potential source of new medicines following identification of hits against intractable targets including NS3 helicase (hepatitis C)
- Multiple active compounds identified targeting range of other high-value therapy areas including Alzheimer's disease and rare diseases

Commercial

- Seglin™ technology showcased at international conference resulting in potential collaborators evaluating and assessing platform and programme assets
- The Board is targeting the completion of a commercial deal in H1 2011 and a second deal in H2 2011

Financial

- Operational expenditure in-line with expectations with cash resources until at least December 2011, beyond the expected receipt of payments from new deals
- Cash position at 31 July 2010: £4.5m (31 January 2010: £6.1m)
- Net loss for six months ended 31 July 2010 reduced to £1.8 m (31 July 2009: £2.95m)

Chairman and Chief Executive's Statement

Introduction

We are pleased to report the technical and commercial advances made by Summit during the period under review. The Board believes that your Company has taken significant steps towards achieving the objectives of delivering tangible commercial results over the coming months for the benefit of all stakeholders and to help create a sustainable business.

A Differentiating Strategy

Summit's differentiating strategy for creating value for our investors focuses on actively targeting multiple early-stage programme and technology based deals. These deals will generate upfront cash, remove future development costs from the Company, while crucially retaining valuable upside potential through development and regulatory milestone payments and sales royalties.

By focusing on the early-stages of the drug discovery process, Summit aims to mitigate the risks traditionally associated with only advancing one or two programmes through to late-stage clinical development.

The Board believes that Summit's drug programme assets and innovative Seglin™ technology platform could form the basis for multiple new commercial transactions with major drug companies that are seeking novel approaches to unmet medical needs. To underline this belief, your Board is targeting the completion of one commercial deal in both the first half and second half of 2011.

Review of Drug Programme Assets

During the period under review, good progress has been made with a number of our drug programme assets.

Infectious diseases: SMT 19969 for *C. difficile*

As announced separately today, Summit's *C. difficile* programme, which is funded by a prestigious Wellcome Trust grant, has made excellent progress with positive results generated from non-clinical efficacy studies. In summary, these findings show SMT 19969 displays superiority to existing treatment options and has the potential to become a differentiated front-line antibiotic.

Cancer: SMT C2100 for malignant melanoma

We are pleased to be able to report new findings with our preclinical development candidate, SMT C2100, showing positive therapeutic effect in a malignant melanoma model. Melanoma is the most dangerous form of skin cancer and is responsible for approximately 80% of skin cancer related deaths. With only limited treatment options available, it remains an area of high unmet medical need.

During the period, this immunomodulator was independently assessed in *in vivo* studies and preliminary results have indicated that it is effective in preventing the development of tumours. These results both supplement and support a strong data package that has been generated from previous work.

Chairman and Chief Executive's Statement

Metabolic diseases: SMT 14224 for diabetes

Our main programme in metabolic diseases targets type II diabetes, an area of high unmet medical need with a global market in excess of \$30 billion per annum. The lead compound in our diabetes programme is SMT 14224 and positive results from a number of *in vivo* and *in vitro* studies were announced during the period. These results demonstrated that SMT 14224 has the ability to increase levels of insulin *via* a glucose dependant mechanism to potentially enable diabetic patients to better control their blood-glucose levels. Further studies intended to increase the value of this programme are on-going.

Rare diseases: SMT C1100 for Duchenne Muscular Dystrophy

The risk mitigating element of our differentiating strategy was demonstrated following the decision by our former partner BioMarin Pharmaceuticals Inc., ('BioMarin') to discontinue their development of our clinical candidate SMT C1100 targeting the fatal genetic disease Duchenne Muscular Dystrophy ('DMD'). The decision was taken after completion of a BioMarin funded Phase I trial in healthy volunteers, and from which no safety issues or adverse events were reported. Summit benefited from an original payment of \$7 million from BioMarin following the licensing, in 2008, of the rights to SMT C1100, and since their decision, all intellectual property and programme rights have been returned to Summit.

Summit remains committed to working in DMD as the Board believes that SMT C1100 still has significant potential and that an appropriate formulation of it may produce a *viable* medicine. Therefore, Summit is actively seeking both commercial and charitable partners to progress SMT C1100 into further clinical studies.

Seglin™ Technology: Identifying medicines from new chemistry space

Underpinning our business strategy is our innovative Seglin™ technology platform. The development of Seglins has accelerated during the period, while the profile and understanding of the technology platform's potential as a source of new medicines has also risen significantly within the wider pharmaceutical industry.

Seglins are Second Generation Leads from Iminosugars and they have the potential to access many drug targets in major therapy areas that cannot be explored using traditional drug discovery approaches. This potential was exemplified during the period following multiple Seglin hits being identified against NS3 helicase, a hepatitis C target that has proved intractable for over a decade despite the efforts of the pharmaceutical industry.

In addition to this progress, a number of other early-stage opportunities have been identified that target commercially attractive therapy areas. This includes identification of Seglin hits against the Alzheimer's disease target OGA, an area that is currently generating significant interest with major pharmaceutical companies. A second exciting area is rare or orphan diseases and Summit has identified a number of Seglins targeting different diseases including Cystic Fibrosis. We look forward to reporting more data from these and other on-going activities in the near future.

The profile of the Seglin platform received a boost from the technology being showcased at an international conference in June 2010, and also from the recent acceptance of a number of articles into leading industry and scientific journals, including '*Drug Discovery Today*' and '*Innovations in Pharmaceutical Technology*'. This has stimulated further interest from potential collaborators. A number of these are assessing the technology platform against targets identified by Summit and/or their own proprietary targets and also evaluating specific Summit programme assets.

Chairman and Chief Executive's Statement

Financial review: Expenditure in-line with expectations

The Group's financial results for the period were in-line with our expectations. Further reductions in overheads were realised following the disposal in the 2009/10 financial year of non-core activities.

The Group's cash position at 31 July 2010 was £4.5 million (31 January 2010: £6.1 million).

The business remains funded until at least the end of 2011, beyond the expected receipt of milestone payments from new licensing agreements. It is important to comment that the decision to return the commercial rights to our DMD programme had no impact on our current cash life.

Revenue for the six months ended 31 July 2010 increased to £0.43 million (31 July 2009: £0.11 million). This increase was due to recognition of £0.37 million of the grant from the Wellcome Trust for work completed on the *C. difficile* programme.

Investment into our research and development activities for the six months ended 31 July 2010 was £1.2 million (31 July 2009: £1.2 million) and related to advancing our *C. difficile*, diabetes and hepatitis C programmes, as well as additional work to identify early-stage opportunities for our Seglin technology in other therapy areas. General and administrative expenses were £0.9 million (31 July 2009: £1.5 million). Loss for the period from continuing operations after tax fell to £1.8 million from £3.0 million in the corresponding period last year.

Total cash burn from operational activities for the six month period ended 31 July 2010 was as expected at £1.5 million (31 July 2009: £2.6 million). Total cash burn included research and development tax credits received in respect of the year ended 31 January 2010 of £0.35 million.

In light of the figures reported today, and the projected cash life of the Group, these results have been prepared on a going concern basis.

Summary

The business has made good progress during the first half of the year as we seek to exploit the commercial potential of both our programme assets and innovative Seglin™ technology platform. With the potential of Seglins as a source of new medicines increasingly being recognised by the wider industry, the Board is confident of being able to deliver the commercial success required to create a sustainable business for the benefit of all stakeholders.

On behalf of the Board, we thank our staff for their continuing hard work and commitment. Finally, we thank all our shareholders for their continuing support of the business that we anticipate will have an exciting period ahead of it.

Barry Price, PhD
Chairman

Steven Lee, PhD
Chief Executive Officer

11 October 2010

Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended 31 July 2010

	Note	Six months ended 31 July 2010 £000s	Six months ended 31 July 2009 £000s	Year ended 31 January 2010 £000s
Revenue		432	108	189
Cost of sales		-	-	-
Gross profit		432	108	189
Other operating income		2	104	196
Administrative expenses				
Research and development		(1,219)	(1,182)	(2,302)
General and administration		(911)	(1,535)	(2,863)
Depreciation and amortisation		(243)	(472)	(826)
Accelerated depreciation of leasehold improvements		-	(1,361)	(1,361)
Share-based payment		(49)	31	(4)
Release of loan		-	1,211	1,211
Total administrative expenses		(2,422)	(3,308)	(6,145)
Operating loss		(1,988)	(3,096)	(5,760)
Finance income		8	7	8
Finance costs		(2)	(46)	(67)
Loss before taxation		(1,982)	(3,135)	(5,819)
Taxation		201	183	372
Loss for the period from continuing operations		(1,781)	(2,952)	(5,447)
(Loss) / profit for the period from discontinued operations		-	(232)	28
Loss and total comprehensive income and expense for the period		(1,781)	(3,184)	(5,419)
Basic and diluted loss per Ordinary share for continuing operations	2	(1.07)p	(5.20)p	(8.13)p
Basic and diluted (loss)/ profit per Ordinary share for discontinued operations	2	-	(0.41)p	0.04p

Consolidated Statement of Financial Position (unaudited)

As at 31 July 2010

	Note	31 July 2010	31 July 2009	31 January 2010
		£000s	£000s	£000s
ASSETS				
Non-current assets				
Intangible assets		4,396	4,650	4,535
Property, plant and equipment		227	534	335
		4,623	5,184	4,870
Current assets				
Inventories		-	227	-
Trade and other receivables		167	317	246
Current tax		129	886	306
Cash and cash equivalents		4,544	861	6,082
Assets of disposal group classified as held-for-sale		-	1,341	-
		4,840	3,632	6,634
Total assets		9,463	8,816	11,504
LIABILITIES				
Current liabilities				
Trade and other payables		(826)	(619)	(1,104)
Borrowings		-	(15)	-
Liabilities of disposal group classified as held-for-sale		-	(401)	-
Total current liabilities		(826)	(1,035)	(1,104)
Non-current liabilities				
Provisions		(1,180)	(1,180)	(1,180)
Deferred tax		(915)	(970)	(942)
Total non-current liabilities		(2,095)	(2,150)	(2,122)
Total liabilities		(2,921)	(3,185)	(3,226)
Net assets		6,542	5,631	8,278
EQUITY				
Share capital		6,910	5,830	6,910
Share premium account		29,629	25,867	29,633
Share-based payment reserve		1,208	1,123	1,159
Merger reserve		(1,943)	12,654	(1,943)
Retained earnings		(29,262)	(39,843)	(27,481)
Equity attributable to the equity shareholders of the parent		6,542	5,631	8,278

Consolidated Statement of Cash Flows (unaudited)

For the six months ended 31 July 2010

	Note	Six months ended 31 July 2010	Six months ended 31 July 2009	Year ended 31 January 2010
		£000s	£000s	£000s
Cash flows from operating activities				
Loss before tax from continuing activities		(1,982)	(3,135)	(5,819)
Loss/(profit) before tax from discontinued activities		-	(232)	28
Total loss before tax		(1,982)	(3,367)	(5,791)
Adjusted for:				
Finance income		(8)	(7)	(8)
Finance cost		2	48	69
Foreign exchange loss		3	22	22
Depreciation		100	1,811	2,045
Amortisation of intangible fixed assets		142	181	323
(Profit)/Loss on disposal of assets		9	(357)	7
Remeasurement of assets in disposal group		-	503	-
Cancellation of loan		-	(1,211)	(1,211)
Share-based payment		49	(53)	(18)
Adjusted loss from operations before changes in working capital and provisions		(1,685)	(2,430)	(4,562)
Decrease in trade and other receivables		79	646	923
(Increase)/decrease in inventories		-	(50)	181
(Decrease) in trade and other payables		(281)	(806)	(451)
Cash used by operations		(1,887)	(2,640)	(3,909)
Taxation received		351	75	815
Net cash used in operating activities		(1,536)	(2,565)	(3,094)
Investing activities				
Proceeds from disposal of discontinued operations		-	-	1,507
Proceeds from disposal of assets		-	525	8
Purchase of property, plant and equipment		(1)	(22)	(48)
Purchase of intangible assets		(3)	(16)	(40)
Interest received		8	7	8
Net cash generated from investing activities		4	494	1,435
Financing activities				
Proceeds from issue of share capital		-	315	5,706
Transaction costs on share capital issued		(4)	-	(552)
Repayment of debt during the period		-	(45)	(53)
Repayment of finance lease costs		-	(7)	(8)
Interest paid		(2)	(48)	(69)
Net cash (used in)/received from financing activities		(6)	215	5,024
Net (decrease)/increase in cash and cash equivalents		(1,538)	(1,856)	3,365
Cash and cash equivalents at beginning of period		6,082	2,717	2,717
Cash and cash equivalents at end of period		4,544	861	6,082

Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 31 July 2010

Six months ended 31 July 2010

Group	Share capital £000s	Share premium account £000s	Share-based payment reserve £000s	Merger reserve £000s	Retained earnings £000s	Total £000s
At 1 February 2010	6,910	29,633	1,159	(1,943)	(27,481)	8,278
Loss for the period from continuing operations	-	-	-	-	(1,781)	(1,781)
Total comprehensive income and expense	-	-	-	-	(1,781)	(1,781)
Transaction costs on prior share capital issued	-	(4)	-	-	-	(4)
Share-based payment	-	-	49	-	-	49
At 31 July 2010	6,910	29,629	1,208	(1,943)	(29,262)	6,542

Twelve months ended 31 January 2010

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

Six months ended 31 July 2009

Group	Share capital £000s	Share premium account £000s	Share-based payment reserve £000s	Merger reserve £000s	Retained earnings £000s	Total £000s
At 1 February 2009	5,597	25,785	1,176	12,654	(36,659)	8,553
Loss for the period from continuing operations	-	-	-	-	(2,952)	(2,952)
Loss for the period from discontinued operations	-	-	-	-	(232)	(232)
Total comprehensive income and expense	-	-	-	-	(3,184)	(3,184)
New share capital issued	233	82	-	-	-	315
Share-based payment	-	-	(53)	-	-	(53)
At 31 July 2009	5,830	25,867	1,123	12,654	(39,843)	5,631

Notes to the Financial Statements

For the six months ended 31 July 2010

1. Basis of accounting

The interim accounts, which are unaudited, have been prepared on the basis of the accounting policies expected to apply for the financial year to 31 January 2011 and have been prepared in accordance with the principles of International Financial Reporting Standards (IFRSs) as endorsed by the European Union and implemented in the UK.

The IFRSs that will be effective in the financial statements for the year to 31 January 2011 are still subject to change and to the issue of additional interpretation(s) and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the IFRS financial statements are prepared at 31 January 2011.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting'. Accordingly, whilst the interim statements have been prepared in accordance with IFRS they cannot be construed as being in full compliance with IFRS.

The financial information for the year ended 31 January 2010 does not constitute the full statutory accounts for that period. The Annual Report and Accounts for 31 January 2010 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Accounts for 2010 was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or 498 (3) of the Companies Act 2006.

2. Loss per share calculation

The loss per share has been calculated by dividing the loss for each period for both the loss attributable to the continuing activities and also the loss attributable to the discontinued operations where relevant by the weighted average number of shares in issue during the six month period to 31 July 2010: 166,249,806 (for the six month period ended 31 July 2009: 56,779,928; for the year ended 31 January 2010: 67,010,402).

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

Independent Review Report to Summit Corporation plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2010 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market 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 our terms of engagement 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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Review Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2010 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

BDO LLP

Southampton
United Kingdom
11 October 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC 305127)

Company Information

Directors

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

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RJ Spencer, ACA

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