Summit plc

Interim Report & Accounts

For the six months ended 31 July 2012

Highlights

Corporate

- Strategic re-focussing of business on development of clinical-stage programmes (see separate announcement made today)
- Mr Glyn Edwards appointed as Chief Executive Officer

Scientific & Commercial

- Initiation of Phase I clinical trial of SMT C1100 in healthy volunteers for the treatment of Duchenne Muscular Dystrophy following approval by UK regulators; results from trial expected by end of 2012
- Technical milestone achieved in SMT C1100 Phase I clinical trial triggered final payment from $1.5 million agreement with US DMD organisations
- Novel antibiotic SMT 19969 for the treatment of *C. difficile* infections expected to enter human clinical trials in H2 2012 following successful completion of preclinical development studies

Financial

- Cash position at 31 July 2012 £4.8 million (31 July 2011: £3.7 million)
- Operational expenditure in-line with budget
- £5.0 million fund raise through the placing of 167 million new Ordinary shares with new and existing investors
- Exceptional items include non-cash impairment of intangible assets of £0.9 million and release of provision of £0.2 million
- Operating loss for the six months ended 31 July 2012 of £1.7 million excluding exceptional items (31 July 2011: £1.6 million)
- Net loss for the six months ended 31 July 2012 of £2.2 million (31 July 2011: £1.4 million)

Chief Executive Officer's Statement

Introduction

Summit's strategy is now focused on the development of two high-value clinical-stage programmes, the first targeting Duchenne Muscular Dystrophy ('DMD') and the second *C. difficile* infection ('CDI'). The change in strategy will place greater emphasis on clinical development and curtail internal discovery stage research activities (see separate announcement made today).

This change will provide greater focus and allow Summit to capitalise on the strength of the respective programmes and means your Company will have the opportunity to develop two high-value franchises in the DMD and *C. difficile* therapy areas to maximise the therapeutic and commercial potential of these two programmes.

In my first interim results statement to shareholders, I am pleased to report that both programmes have made good progress during the period under review.

Duchenne Muscular Dystrophy Programme

One of our cornerstone programmes targets the fatal muscle wasting disease Duchenne Muscular Dystrophy ('DMD') and our most advanced candidate, SMT C1100 entered a Phase I clinical trial in May 2012. A positive outcome from this healthy volunteer study would represent an important milestone for this potential breakthrough treatment.

DMD is a disease predominantly affecting boys that is caused by a number of different genetic faults that result in boys being unable to make dystrophin, a protein essential in maintaining the healthy function of skeletal and other muscles such as the heart and diaphragm. Our approach is to develop small molecule utrophin promoters that work by increasing production of a naturally occurring protein called utrophin to substitute for the missing dystrophin. This has the potential to treat all patients, regardless of the specific underlying genetic fault causing their illness. Our scientific approach builds on the research of Professor Dame Kay Davies FRS at Oxford University, a world-leading academic and pioneer of utrophin as a therapeutic approach for DMD.

The on-going trial of SMT C1100 is being supported by a $1.5 million agreement with a group of US-based DMD foundations and the trial achieved a dosing milestone in June 2012. The results of the Phase I trial are expected to be reported by the end of 2012.

Clostridium difficile Infections Programme

Our second key programme is developing novel antibiotics for the treatment of infections caused by the superbug, Clostridium difficile. The programme has made excellent progress during the period with our lead candidate, SMT 19969, expected to enter human clinical trials by the end of 2012. Formal preclinical development studies were completed in April of this year and showed that the small molecule antibiotic has an excellent safety profile and support it advancing into human clinical trials.

Chief Executive Officer's Statement

C. difficile infection ('CDI') is a major healthcare issue affecting hospitals, long-term care homes and increasingly in the wider community. It is a serious illness that is caused by infection of the colon by the bacteria *C. difficile*, which produces toxins that cause inflammation, severe diarrhoea and in the most serious cases it can be fatal. CDI typically develops following disruption to the natural gut flora. This disruption allows the proliferation of *C. difficile* bacteria. Broad spectrum antibiotics used to treat CDI cause further disruption to the natural balance of the gut flora and are associated with recurrent episodes of the disease, the key issue facing clinicians.

SMT 19969 combines high potency with selectivity for *C. difficile* whilst also displaying an excellent resistance profile. This narrow but potent spectrum of activity affords the potential to treat initial and recurrent disease and differentiates our programme from other marketed drugs or programmes in development.

Other Activities

Summit remains enthusiastic about the potential of Seglins and in particular the OGA inhibitor programme that targets a group of dementias, including Alzheimer's disease, called tauopathies. To build on the positive progress reported during the period, the OGA programme will continue to be developed as planned through to an important technical milestone after which the Company will evaluate its options for taking this forward.

Summit will however be unable to sustain the general development of the Seglin technology platform or other programmes and will seek alternative ways to realise value for shareholders from these assets.

Summit also has a number of agreements covering legacy assets. One agreement with Evolva for the programmes targeting infectious diseases associated with bioterrorism was ended during the period after expiry of the option period. It is our expectation that the remaining agreements will have limited long-term value to shareholders.

Financial review: In-line with expectations

The Group's cash position at 31 July 2012 was £4.75 million (31 Jul 2011: £3.68 million). The financial position of the Company was strengthened in April 2012 following the placing of 166.7 million new Ordinary shares to raise £5.0 million before expenses. The additional resources will be used to support the development of the two clinical programmes, as well as advancing the OGA inhibitor programme to treat various dementias including Alzheimer's disease through to a technical milestone. The updated strategy will curtail internal discovery-stage research that is undertaken by half of the Company's workforce and a consultation period with affected members of staff has been initiated.

Revenue for the period increased to £1.01 million (31 July 2011: £0.64 million). The increase reflects recognition of income from the US muscular dystrophy foundations to support the Phase I clinical trial of SMT C1100, and from the Wellcome Trust for work completed on the CDI programme. All monies from these agreements have now been received.

In addition, the Group also received £0.21 million in research and development tax credits in respect of the year ended 31 January 2012 (31 January 2011: £0.27 million).

Chief Executive Officer's Statement

Investment in research and development was £1.9 million (31 July 2011: £1.4 million) with the rise principally due to the on-going Phase I DMD clinical trial and completion of preclinical development on SMT 19969 for the treatment of CDI. General and administrative expenses were £0.73 million (31 July 2011: £0.79 million).

With our focus on the development of two clinical-stage programmes, and the decision to end the option agreement with Evolva, we have provided fully against the value of intangible assets resulting from the acquisition of key assets from MNL Pharma in 2006. The amount provided against intangible assets was £0.90 million and there is an associated reduction in the provision of this contingent consideration of £0.21 million. Both of these are exceptional items.

As a consequence, the operating loss for the period excluding the two exceptional items was £1.7 million (31 July 2011: £1.6m) and the net loss for the period was £2.2 million (31 July 2011: £1.4 million).

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

Board Changes

In April I was pleased to be appointed to the Company's Board with Dr Barry Price reassuming his role as Non-Executive Chairman. The Company also signalled its intent to make further changes to the Board and work towards accomplishing this as part of our updated corporate strategy is continuing to progress well.

Summary

The Company has entered an exciting and important period in its development with our two clinical-stage assets expected to reach important technical milestones over the coming months. The strategic decision to focus on their development will further enhance the opportunity to add value to these programmes and potential to generate returns for shareholders.

I would like to thank all our shareholders for their continuing support and interest and look forward to reporting on our future progress on the DMD and *C. difficile* programmes.

Glyn Edwards
Chief Executive Officer
5 September 2012

Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended 31 July 2012

	Note	**Six months ended 31 July 2012 £000s**	Six months ended 31 July 2011 £000s	Year ended 31 January 2012 £000s
Revenue		**1,014**	642	1,765
Cost of sales		**-**	-	-
Gross profit		**1,014**	642	1,765
Other operating income		**-**	22	-
Administrative expenses				
Research and development		**(1,854)**	(1,352)	(3,043)
General and administration		**(733)**	(789)	(1,474)
Depreciation and amortisation		**(67)**	(103)	(188)
Impairment of intangibles	2	**(899)**	-	-
Release of provision	2	**205**	-	-
Share-based payment		**(48)**	(29)	(62)
Total administrative expenses		**(3,396)**	(2,273)	(4,767)
Operating loss		**(2,382)**	(1,609)	(3,002)
Finance income		**4**	5	7
Finance costs		**-**	(1)	(3)
Loss before taxation		**(2,378)**	(1,605)	(2,998)
Taxation		**148**	166	304
Loss and total comprehensive income and expense for the period		**(2,230)**	(1,439)	(2,694)
Basic and diluted loss per Ordinary share	3	**(0.80)p**	(0.85)p	(1.51)p

All of the activities of the Group are classified as continuing.

Consolidated Statement of Financial Position (unaudited)

As at 31 July 2012

	Note	31 July 2012 £000s	31 July 2011 £000s	31 January 2012 £000s
ASSETS				
Non-current assets				
Intangible assets		**169**	1,100	1,104
Property, plant and equipment		**154**	186	149
		323	1,286	1,253
Current assets				
Trade and other receivables		**175**	491	293
Current tax		**212**	135	274
Cash and cash equivalents		**4,754**	3,683	2,076
		5,141	4,309	2,643
Total assets		**5,464**	5,595	3,896
LIABILITIES				
Current liabilities				
Trade and other payables		**(685)**	(1,876)	(1,285)
Total current liabilities		**(685)**	(1,876)	(1,285)
Non-current liabilities				
Provisions		**-**	(205)	(205)
Total non-current liabilities		**-**	(205)	(205)
Total liabilities		**(685)**	(2,081)	(1,490)
Net assets		**4,779**	3,514	2,406
EQUITY				
Share capital		**8,788**	7,098	7,121
Share premium account		**33,686**	30,707	30,798
Share-based payment reserve		**1,343**	1,262	1,295
Merger reserve		**(1,943)**	(1,943)	(1,943)
Retained earnings		**(37,095)**	(33,610)	(34,865)
Equity attributable to the owners of the parent		**4,779**	3,514	2,406

Consolidated Statement of Cash Flows (unaudited)

For the six months ended 31 July 2012

	Note	**Six months ended 31 July 2012**	Six months ended 31 July 2011	Year ended 31 January 2012
	Note	**£000s**	£000s	£000s
Cash flows from operating activities				
Loss before tax from continuing activities		**(2,378)**	(1,605)	(2,998)
Total loss before tax		**(2,378)**	(1,605)	(2,998)
Adjusted for:				
Finance income		**(4)**	(5)	(7)
Finance cost		**-**	1	3
Foreign exchange loss		**-**	4	12
Depreciation		**27**	57	95
Amortisation of intangible fixed assets		**41**	46	93
Loss on disposal of assets		**-**	40	22
Impairment provision	2	**899**	-	-
Release of provision for contingent consideration	2	**(205)**	-	-
Share-based payment		**48**	29	62
Adjusted loss from operations before changes in working capital and provisions		**(1,572)**	(1,433)	(2,718)
(Increase)/ decrease in trade and other receivables		**118**	(249)	(49)
Increase/(decrease) in trade and other payables		**(600)**	669	77
Cash used by operations		**(2,054)**	(1,013)	(2,690)
Taxation received		**210**	269	269
Net cash used in operating activities		**(1,844)**	(744)	(2,421)
Investing activities				
Purchase of property, plant and equipment		**(32)**	(1)	(2)
Purchase of intangible assets		**(5)**	(68)	(119)
Interest received		**4**	1	11
Net cash (used in)/generated from investing activities		**(33)**	(68)	(108)
Financing activities				
Proceeds from issue of share capital		**5,000**	1,346	1,462
Transaction costs on share capital issued		**(445)**	(100)	(102)
Interest paid		**-**	(1)	(3)
Net cash (used in)/received from financing activities		**4,555**	1,245	1,357
Net (decrease)/increase in cash and cash equivalents		**2,678**	433	(1,174)
Cash and cash equivalents at beginning of period		**2,076**	3,250	3,250
Cash and cash equivalents at end of period		**4,754**	3,683	2,076

Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 31 July 2012

Six months ended 31 July 2012

Group	Share capital £000s	Share premium account £000s	Share-based payment reserve £000s	Merger reserve £000s	Retained earnings £000s	Total £000s
At 1 February 2012	7,121	30,798	1,295	(1,943)	(34,865)	2,406
Loss for the period from continuing operations	-	-	-	-	(2,223)	(2,223)
Total comprehensive income and expense	-	-	-	-	(2,223)	(2,223)
New share capital issued	1,667	3,333	-	-	-	5,000
Transaction costs on share capital issued	-	(445)	-	-	-	(445)
Share-based payment	-	-	48	-	-	48
At 31 July 2012	**8,788**	**33,686**	**1,343**	**(1,943)**	**(37,088)**	**4,786**

Twelve months ended 31 January 2012

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

Six months ended 31 July 2011

Group	Share capital £000s	Share premium account £000s	Share-based payment reserve £000s	Merger reserve £000s	Retained earnings £000s	Total £000s
At 1 February 2011	6,930	29,629	1,233	(1,943)	(32,171)	3,678
Loss for the period from continuing operations	-	-	-	-	(1,439)	(1,439)
Total comprehensive income and expense	-	-	-	-	(1,439)	(1,439)
New share capital issued	168	1,178	-	-	-	1,346
Transaction costs on share capital issued	-	(100)	-	-	-	(100)
Share-based payment	-	-	29	-	-	29
At 31 July 2011	**7,098**	**30,707**	**1,262**	**(1,943)**	**(33,610)**	**3,514**

Notes to the Financial Statements

For the six months ended 31 July 2012

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 2013 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 2012 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 2013.

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 2012 does not constitute the full statutory accounts for that period. The Annual Report and Accounts for 31 January 2012 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Accounts for 2012 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. Exceptional items

An impairment of intangible assets of £0.89 million and reduction in provision of contingent consideration of £0.21 million were recognised and relate to the acquisition of key assets from MNL Pharma in 2006. These exceptional, non-cash charges are a consequence of the Group’s strategy being focussed on the development of the Duchenne Muscular Dystrophy and *C. difficile* infection programmes, and the decision to end the option agreement with Evolva.

3. Loss per share calculation

The loss per share has been calculated by dividing the loss for the period by the weighted average number of shares in issue during the six month period to 31 July 2012: 278,081,122 (for the six month period ended 31 July 2011: 168,827,606; for the year ended 31 January 2012: 177,884,127).

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

4. Issue of share capital

On 24 April 2012 the number of Ordinary shares in issue increased to 354,088,450 following the placing of 166,666,670 Ordinary 1p shares. The shares rank *pari passu* with existing Ordinary shares. The equity placing raised net proceeds of £4.56 million.

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 2012 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 2012 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, Chartered Accountants
Southampton
United Kingdom
5 September 2012

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

Company Secretary
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