summit plc

Summit plc

Interim Report & Accounts

For the six months ended 31 July 2008

Highlights

Delivering Commercial Deals

- Worldwide licensing deal for Duchenne muscular dystrophy (DMD) programme signed with BioMarin Pharmaceutical Inc. in July 2008

Post Period Events:

- Co-development agreement signed with Orient Pharma for SMT D001 in Sialorrhoea programme (September 2008)
- Co-development agreement signed with the Lilly TB Drug Discovery Initiative in Tuberculosis programme (October 2008)
- Technology platform research collaboration signed with Johnson & Johnson PTE Ltd in zebrafish safety screening (October 2008)

Continued Progress with R&D Pipeline

- Preclinical results from DMD candidate showing SMT C1100 improves the function and strength of muscles in *in vivo* studies
- Positive Phase I clinical results in acne trial: SMT D002 reduced sebum production by 90%

Financial Summary

- $7.0m (£3.54m) equity investment from BioMarin as part of licensing agreement
- Loss for the six months ended 31 July 2008 of £7.1m (2007: £3.7m)
- Cash position at 31 July 2008 of £8.0m (31 Jan 2008: £10.1m)
- Reduction in future operational costs through the closure of Cambridge facility

Chairman and Chief Executive Statement

We are pleased to report that Summit has made good progress during 2008. In particular, four commercial licensing or co-development deals have been established which endorse the Group's pipeline and technology platforms while providing financial support and access to additional skills and expertise.

Strategy

Summit's strategy is to develop its drug programmes up to a late preclinical or early clinical stage and then to seek partners to undertake the more expensive registration studies and product commercialisation. The point at which individual programmes will be licensed will be dependent upon the Group's circumstances and the specific needs of the programme.

During the early phases of Summit's development, we have focused on establishing commercial deals at a relatively early stage in the development cycle. This has been important to provide endorsement for Summit's technology platforms and pipeline and to provide financial support, through revenues or the assumption of costs by a partner, for the business. However, Summit's ambition is to invest for longer in some of its programmes, where it has the necessary skills and finances, in order to create additional value for our shareholders prior to establishing a commercial deal.

The Group is a world leader in two proprietary and innovative technology platforms in carbohydrate chemistry and zebrafish drug screening. These platforms will be exploited in two ways. First, particularly in the field of carbohydrate chemistry, Summit's own scientists will generate product opportunities from these platforms. Second, the platforms represent major opportunities, in their own right, to sign valuable platform collaboration deals with partners in the pharmaceutical and life sciences industries that continue to seek new technologies to boost their drug discovery and development capabilities.

Successful Delivery of Commercial Deals

Establishing commercial deals was Summit's key objective for 2008 as described in the last Annual Report. To date, during 2008, Summit has exceeded its objectives and established four new commercial collaborations.

Licensing of SMT C1100 for DMD to BioMarin

In July 2008, Summit entered an exclusive worldwide licensing agreement with the US biotechnology company BioMarin Pharmaceutical Inc for our preclinical candidate SMT C1100. This candidate is under development to treat Duchenne muscular dystrophy (DMD), a fatal genetic disease for which there is currently no cure. Summit is responsible for conducting the preclinical development of SMT C1100 and thereafter, BioMarin is responsible for all future programmes activities and costs, including clinical development, regulatory filing and commercialisation of SMT C1100.

On signature, BioMarin made a $7 million equity investment in Summit at a 25% premium to the share price at that time. As DMD is an area of high unmet medical need, regulatory filing on the basis of pivotal Phase II clinical trial data could be feasible in all major territories. Achieving successful filing in these territories would generate a total of $51 million of milestone payments to Summit.

The total development and commercialisation milestones payable by BioMarin amount to $143 million, in addition to which Summit will receive tiered royalties on sales that rise to a low double-digits percentage.

BioMarin has an excellent track record in developing new drugs for rare (orphan) diseases, having launched three drugs, Aldurazyme, Naglazyme and Kuvan, in the past five years. In the first half of 2008, these three products generated revenues for BioMarin of over $115 million. We chose BioMarin as our partner for this important programme as we believe it has the expertise and commitment to develop our preclinical candidate, SMT C1100, into a medicine in the shortest possible timeframe for the benefit of patients and families as well as our shareholders.

Co-development agreement for SMT D001 with Orient Pharma
In September 2008, Summit entered into a co-development agreement with Orient Pharma (Orient). Under the agreement, Orient will fund the development of a novel buccal formulation of SMT D001, Summit's clinical Phase II candidate targeting sialorrhoea (excessive drooling), a non-motor symptom of Parkinson's disease and other neurological disorders. Orient gains commercial rights over SMT D001 in Asia-Pacific and Australasia and will be responsible for future clinical development, manufacturing and distribution costs of SMT D001 in these territories. Summit will have exclusive access to all clinical trial data produced by Orient, which will be generated under FDA guidelines. Summit will use these data to attract a licensing partner, at the appropriate stage of development, to support the commercial development of the candidate in the World's major territories including Europe and North America.

Co-development agreement with Lilly TB Drug Discovery Initiative
In October 2008, Summit entered into a co-development agreement with the Lilly TB Drug Discovery Initiative (the Initiative), a public-private partnership created by the pharmaceutical company Eli Lilly, to fund the discovery and development of new TB drug candidates. Summit is providing to the Initiative novel compounds that have shown *in vitro* cell-killing activity against *Mycobacterium tuberculosis*, the bacteria that causes TB. The Initiative will be responsible for all future research and development costs worldwide and has rights to commercialise the compounds in the developing world for respiratory diseases. Summit will have exclusive access to the data generated and retains commercial rights to these compounds in all indications for the developed world.

Zebrafish platform: Research agreement with Johnson & Johnson
Also in October 2008, we signed a three year agreement to develop our zebrafish technology with Johnson & Johnson PTE Limited (J&J), a subsidiary of the US pharmaceutical and healthcare company, Johnson & Johnson. The deal is an important progression for Summit and builds on earlier fee-for-service work carried out for J&J. The agreement will see J&J provide the funding for Summit to establish and operate a new zebrafish facility in Singapore that will undertake research into the development of new screening assays. J&J has the right to specify a number of assay development programmes and will receive a preferential rate for all additional work relating to the screening of compounds. All intellectual property relating to assays developed during this project will be owned by Summit. This facility also represents a new opportunity for Summit to provide an enhanced service offering to other third party clients, particularly by extending current zebrafish services into the Far East markets.

Technology Platforms

Summit has world leading capabilities in two innovative and proprietary technology platforms in carbohydrate chemistry and Zebrafish drug screening. The platforms are used by Summit in its internal drug discovery activities and they also form the basis of a revenue generating services business.

Carbohydrates
Carbohydrates are believed to be one of the next major areas of opportunity for drug discovery. This is underpinned by an increased understanding of the importance of the role carbohydrates play in influencing human health and disease.

The foundations of Summit's carbohydrate platform are a strong scientific team with significant expertise and know-how in the synthesis and development of these compounds. The Group also collaborates extensively with world-leading academics and industrial carbohydrate experts.

Our main focus is currently in imino sugars where we have an extensive and proprietary collection of drug-like compounds that have the potential to treat a wide range of diseases. The primary focus of Summit's on-going research is to enlarge and enhance this collection and to screen it against important therapeutic targets. Compounds are already generating promising data from these studies.

The collection has already yielded SMT 14400 and this compound is subject of a co-development agreement with Evolva to treat infectious diseases associated with bio-terrorism. In addition, several further promising drug leads have been identified in a number of therapeutic indications, including lysosomal storage disorders and oncology.

Zebrafish
Summit is the world leader in the use of zebrafish in drug screening and we use our expertise in this technology to support current and future drug discovery activities. The platform has a range of uses including target identification, demonstration of therapeutic activity and safety pharmacology and toxicology screening, and can be employed from the very earliest stages of the discovery and development process. Summit uses the zebrafish in all in-house programmes and also offers access to third parties as part of our services business.

The proprietary zebrafish platform is a powerful tool because it has the potential both to reduce cost and accelerate the drug discovery process. The technology works by allowing *in vivo* testing to be undertaken in zebrafish embryos using very small quantities of material and these studies can be conducted in parallel with traditional *in vitro* testing. The consequence of early *in vivo* testing is that it allows scientists to make better decisions as to the selection of which compounds to advance through the discovery process.
Summit continues to develop all aspects of the technology platform and where possible, will seek partners to provide financial support to this work. This was illustrated by the recent agreement with Johnson & Johnson, which will see the development of new safety screening assays that are expected to increase the overall value of the technology.

Pipeline

SMT C1100: Duchenne muscular dystrophy
SMT C1100 was licensed to BioMarin in July 2008.

A significant factor in securing the collaboration with BioMarin was the latest preclinical data on SMT C1100 that were presented to leading research scientists and companies in the field of neuromuscular diseases at the New Directions in Muscle Biology and Diseases conference, held in New Orleans, USA (April 2008).

In a series of tests using the 'gold standard' preclinical *in vivo* model of DMD, SMT C1100 was shown to increase significantly the strength of muscles when compared to no treatment. A synergistic benefit in reducing muscle fatigue during exercise (ability to walk longer distances) was seen with SMT C1100 and steroid (prednisolone) treatment. Steroids are currently the only frontline therapy for DMD.

Summit is currently carrying out IND-enabling preclinical studies on SMT C1100 after which BioMarin will conduct the clinical development. Phase I testing is expected to start in 2009.

SMT D002: Seborrhoea (acne)

In April 2008, SMT D002, a potential treatment for seborrhoea (excessive sebum production), a primary cause of acne, successfully completed a repeat-dose Phase I study. The study was conducted in 18 healthy volunteers and examined the effect of repeat oral doses of SMT D002 over a four-day period. Sebum levels were measured over six hours following treatment using a Sebumeter, an industry accepted method, and the key findings of the trial were:

a) Statistically significant levels of sebum suppression (primary endpoint) of 90% when compared to the placebo group ($p=0.04$); and

b) SMT D002 proved to be safe with no serious or unexpected adverse side-effects reported.

The results of this trial support a previous Phase I single-dose study conducted in nine volunteers and confirm the potential of SMT D002 as a new therapeutic agent for the treatment of seborrhoea in acne patients.

Summit is currently developing a topical formulation of SMT D002 to improve the way this treatment is administered. In addition, the Group is actively seeking a commercial partner to advance this candidate from the clinic through to the market.

SMT D001: Sialorrhoea a symptom of Parkinson's disease

SMT D001 is targeted at sialorrhoea, a symptom of Parkinson's disease and other diseases characterised by the overproduction of saliva and excessive drooling. In September 2008, a co-development agreement was signed with Orient Pharma in respect of SMT D001 and, as a result, the development plan for SMT D001 was altered.

Under the terms of the agreement, Orient will fund the development of a novel buccal formulation of SMT D001 using its world-class proprietary drug delivery technology at a new FDA-certified manufacturing plant in Taiwan. The new formulation will help deliver SMT D001 directly to the affected areas in patients with the aim of increasing its efficacy in reducing excessive drooling and improving patient compliance. In addition, the development work will extend the intellectual property protection around this programme.

Orient is currently using its drug delivery expertise to develop a number of different formulations including a controlled-release buccal product. These novel formulations will be used in all future clinical trials and, as a result, Summit has suspended its on-going oral Phase II trial.

SMT 14400: Infectious diseases

Studies with the imino sugar SMT 14400, which is being co-developed with our partner Evolva as a treatment against infectious diseases that might represent a bio-terrorism threat, have also made good progress. Results from recent studies that Evolva has conducted indicate that SMT 14400 is effective against infections caused by tularaemia and Ebola.

Financial Review

Income Statement

The fee-for-services operation has had a difficult trading period. Total revenues for the six months ended 31 July 2008 have fallen to £0.74 million (2007: £1.4 million) reflecting the impact that the current economic slow down is having upon many of our customers who are reducing their budgets for external R&D expenditure. Accordingly, we have focused our resources on longer-term collaborative deals that have the potential to bolster the Group's pipeline offering, rather than solely provide fee-for-service. This is evidenced by the three-year research agreement with Johnson & Johnson agreed in October 2008. We are also maintaining our existing customer base to ensure that we are well placed to provide the services our customers require when trading conditions improve. A stronger second half of the year is anticipated from services with revenues likely to be around £1.5 million, which would be in-line with the performance of the equivalent period in the last financial year. In addition, in the longer term, we believe that there is potential for further growth from zebrafish service revenues once the new Singapore facility becomes fully operational towards the end of 2009.

Research and development expenditure for the six months ended 31 July was £3.3 million (2007: £3.4m) and included the costs associated with the acne (SMT D002) and Duchenne muscular dystrophy (SMT C1100) programmes in clinical and preclinical development. This figure is expected to fall in the second half of 2008 and into 2009 as certain R&D costs for our licensed programmes begin to be picked up by our new partners.

Our commitment to prudent use of shareholders resources was reflected in our decision to close the Cambridge research facility and relocate all the assets and key scientific staff to our main site in Oxfordshire. A closure cost of £0.9 million has been incurred in the first half year. The financial benefits from this action will begin to accrue in the second half of the current financial year.

General and Administration expenditure for the half year was £2.6 million (2007: £1.1 million) with the increase due to the inclusion of six months of full operating costs associated with running the Dextra and DanioLabs operations, and a one-off closure cost of £0.9 million pertaining to the Cambridge facility. In addition, an impairment charge of £1.0 million was recognised in the six months ended 31 July 2008 relating to the sialorrhoea and seborrhoea programmes acquired from DanioLabs. This resulted from a change in the underlying revenue assumptions used in the valuation model for the two programmes, including the impact of the co-development agreement signed with Orient in the sialorrhoea programme. Sales and marketing costs for the half year reduced to £0.3 million (2007: £0.4 million) consistent with the reduced sales activity described above.

As a result, the operating loss for the half year was £8.1 million (2007: £4.7 million)

Interest received reduced to £0.2 million (2007: £0.4 million) and resulted from the lower average cash resources when compared with the previous year. The tax credit for the half year of £0.8 million (2007: £0.6 million) includes amounts that are expected to be received under current legislation on research and development tax credits for small and medium sized companies.

The loss for the six months ended 31 July 2008 was £7.1 million (2007: £3.7 million)

Net Cash Flow

The cash outflow in the first six months of the year was £2.1 million and compares to a decrease of £4.1 million for the equivalent half year period the previous year. The cash outflow of £2.1 million resulted from utilisation of £5.6 million in the operations of the business (consistent with the income statement described above) and investing activities (principally capital expenditure) of £0.4 million. These were off-set by the £3.9 million received from the issue of new shares of which £3.5 million was in respect of shares issued to BioMarin. At 31 July 2008, the Group had cash reserves of £8.0 million (31 Jan 2008: £10.1 million).

Working Capital
Summit is a research and development based Group that expects to incur further losses, as its current planned expenditure exceeds its revenues from sales and from collaborative partners. The Group anticipates requiring additional finance at some point in the future to enable its strategy for delivering shareholder value to be implemented in an optimal manner.

The Board has reviewed the working capital requirements of the Group and has identified a number of steps that need to be taken to manage its cash position to ensure it can continue in operation over the longer-term. These actions include reductions to the cost base or delaying spend on pipeline programmes, and raising additional finance from a number of sources, such as a divestment of certain assets, an equity financing or out-licensing programmes at an earlier stage. Accordingly these financial statements have been prepared on a going concern basis.

Board Changes

In August, Darren Millington, Summit's CFO, left Summit's Board of Directors to pursue an alternative career opportunity. Darren was involved in a period of significant growth during his time with the Group and on behalf of the Board, we would like to thank him for his efforts. We intend to appoint a replacement with significant experience and knowledge of the biotechnology sector and expect to make an announcement about this shortly.

Outlook

Summit's business is maturing well as demonstrated by the signing of out-licensing and research agreements for our drug programmes and technology platforms, respectively. We are confident that the good progress made so far in 2008 will continue into the future.

Through our two technology platforms, Summit has the assets in place to help ensure that our pipeline of drug programmes remains strong. It is our belief that new drug programme opportunities will start to emerge from these platforms that will then be developed into potentially lucrative commercial opportunities. In addition, we also expect there to be the potential for longer-term research collaborations in our two innovative technology platforms to support their development and further enhance the value of these key assets for the benefit of shareholders.

We would like to thank all our shareholders for their continuing support. Our focus remains on ensuring your business is run effectively and efficiently to maximise the potential value from our exciting programmes and technologies.

Finally, we would like to take this opportunity to thank all our members of staff for all their hard work and dedication during this period and together we look to forward continuing to deliver value for all our shareholders.

Barry Price, PhD	Steven Lee, PhD
Chairman	Chief Executive Officer

27 October 2008

Consolidated Income Statement (unaudited)

For the six months ended 31 July 2008

	Note	**Six months ended 31 July 2008**	Six months ended 31 July 2007 (Restated)	Year ended 31 January 2008 (Restated)
		£000s	£000s	£000s
Revenue		**742**	1,378	3,030
Cost of sales	4	**(503)**	(481)	(1,264)
Gross profit		**239**	897	1,766
Other operating income		**180**	298	1,079
Administrative expenses				
Research and development	4	**(3,273)**	(3,361)	(7,712)
General and administration	4	**(2,584)**	(1,076)	(3,676)
Sales and marketing		**(276)**	(411)	(1,091)
Depreciation and amortisation		**(1,124)**	(782)	(1,650)
Impairment of intangible assets	5	**(1,034)**	-	-
Share based payment		**(193)**	(257)	(486)
Total administrative expenses		**(8,484)**	(5,887)	(14,615)
Operating loss		**(8,065)**	(4,692)	(11,770)
Finance income		**196**	406	775
Finance costs		**(44)**	-	(38)
Loss before taxation		**(7,913)**	(4,286)	(11,033)
Taxation		**823**	590	911
Loss for the period attributable to equity shareholders of the parent		**(7,090)**	(3,696)	(10,122)
Basic and diluted loss per ordinary share	2	**(13.97p)**	(8.02p)	(21.13p)

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

Consolidated balance sheet (unaudited)

At 31 July 2008

	Note	31 July 2008 £000s	31 July 2007 (Restated) £000s	31 January 2008 (Restated) £000s
ASSETS				
Non-current assets				
Goodwill	4	**9,767**	9,767	9,767
Other intangible assets	5	**6,634**	8,517	8,131
Property, plant and equipment		**4,159**	3,426	4,268
		20,560	21,710	22,166
Current assets				
Inventories		**506**	274	337
Trade and other receivables		**1,312**	1,846	1,581
Current tax		**1,138**	1,111	719
Cash and cash equivalents		**7,996**	14,208	10,088
		10,952	17,439	12,725
Total assets		**31,512**	39,149	34,891
LIABILITIES				
Current liabilities				
Trade and other payables		**(2,697)**	(1,910)	(3,226)
Provisions		**(299)**	-	-
Borrowings		**(214)**	(66)	(188)
Total current liabilities		**(3,210)**	(1,976)	(3,414)
Non-current liabilities				
Provisions		**(1,730)**	(2,665)	(1,180)
Borrowings		**(1,250)**	(564)	(1,222)
Deferred tax	4	**(1,475)**	(1,614)	(1,879)
Total non-current liabilities		**(4,455)**	(4,843)	(4,281)
Total liabilities		**(7,665)**	(6,819)	(7,695)
Net assets		**23,847**	32,330	27,196
EQUITY				
Share capital		**5,597**	4,963	4,967
Share premium account		**25,785**	22,722	22,750
Shares to be issued		**-**	-	1,443
Share based payment reserve		**1,157**	735	964
Merger reserve		**12,654**	11,740	11,328
Retained earnings		**(21,346)**	(7,830)	(14,256)
Equity attributable to the equity shareholders of the parent		**23,847**	32,330	27,196

Consolidated cash flow statement (unaudited)

For the six months ended 31 July 2008

	Note	**Six months ended 31 July 2008 £000s**	Six months ended 31 July 2007 £000s	Year ended 31 January 2008 £000s
Cash flows from operating activities				
Operating loss before tax		**(7,913)**	(4,286)	(11,033)
Adjusted for:				
Provision for Cambridge closure costs	**3**	**882**	-	-
Finance income		**(196)**	(406)	(775)
Finance cost		**44**	-	38
Depreciation		**642**	379	766
Amortisation of intangible fixed assets		**481**	403	884
Impairment of intangible assets	**5**	**1,034**	-	-
Share based payment		**193**	257	486
Adjusted loss from operations before changes in working capital and provisions		**(4,833)**	(3,653)	(9,634)
Increase in trade and other receivables		**(82)**	(528)	(189)
Increase in inventories		**(169)**	(16)	(79)
Decrease/(increase) in trade and other payables		**(558)**	63	1,376
Cash used by operations		**(5,642)**	(4,134)	(8,526)
Taxation received		**-**	-	454
Net cash used in operating activities		**(5,642)**	(4,134)	(8,072)
Investing activities				
Acquisition of businesses net of cash acquired		**-**	493	406
Purchase of property, plant and equipment		**(534)**	(836)	(1,846)
Purchase of intangible assets		**(18)**	(1)	(97)
Interest received		**189**	415	775
Net cash used in investing activities		**(363)**	71	(762)
Financing activities				
Proceeds from issue of share capital		**3,900**	16	142
Proceeds from receipt of loan		**-**	-	600
Repayment of debt during the period		**(31)**	(34)	(71)
Capital finance		**44**	-	-
Interest paid		**-**	-	(38)
Net cash used in financing activities		**3,913**	(18)	633
Net decrease in cash and cash equivalents		**(2,092)**	(4,081)	(8,201)
Cash and cash equivalents at beginning of period		**10,088**	18,289	18,289
Cash and cash equivalents at end of period		**7,996**	14,208	10,088

Consolidated statement of changes in equity (unaudited)

For the six months ended 31 July 2008

Six months ended 31 July 2007

Group	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	1,241	395	-	-	-	-	1,636
Share based payment	-	-	-	257	-	-	257
Share issue eligible for merger relief	-	-	-	-	13,683	-	13,683
Loss for the period	-	-	-	-	-	(3,696)	(3,696)
At 31 July 2007	4,963	22,722	-	735	11,740	(7,830)	32,330

Twelve months ended 31 January 2008

Group	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
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

Six months ended 31 July 2008

Group	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 2008	4,967	22,750	1,443	964	11,328	(14,256)	27,196
New share capital issued	630	3,035	(117)	-	-	-	3,548
Share based payment	-	-	-	193	-	-	193
Share issue eligible for merger relief	-	-	(1,326)	-	1,326	-	-
Loss for the period	-	-	-	-	-	(7,090)	(7,090)
At 31 July 2008	5,597	25,785	-	1,157	12,654	(21,346)	23,847

Notes to the interim results

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 2009 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 31January 2009 and 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 2009.

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 comparative figures for the twelve months ended 31 January 2008 constitute statutory accounts for the purposes of Section 240 of the Companies Act 1985. The auditors' report on those accounts was unqualified, 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 a statement under section 237(2) or 237(3) of the Companies Act 1985. The 31 July 2008 statements were approved by a duly appointed and authorised committee of the Board of Directors on 27 October 2008 and are unaudited.

Going concern

The interim financial information has been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The directors have reviewed the working capital requirements of the Group over the next 12 months and have identified a number of steps that need to be taken to manage the cash position to ensure it can continue in operation for the foreseeable future. These actions include reductions to the cost base or delaying spend on pipeline programmes, and raising additional finance from a number of sources, such as divestment of certain assets, an equity financing or out-licensing programmes at an earlier stage.

The uncertainty in generating future cash resources may cast doubt as to the ability of the Group to continue as a going concern. Nevertheless, the directors believe that this will occur and the Group will have adequate resources to continue, therefore these financial statements have been prepared on a going concern basis.

The financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

2. Loss per share calculation

The loss per share has been calculated by dividing the loss for the period of £7,090k (for the period ended 31 July 2007: £3,696k, and for the year ended 31 January 2008: loss of £10,122k) by the weighted average number of shares in issue during the six month period to 31 July 2008: 50,753,029 (for the six month period ended 31 July 2007: 46,111,292; for the year ended 31 January 2008: 47,902,499).

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

3. Cambridge site closure costs

The treatment of the closure of the Cambridge office has been reviewed under the requirements of IFRS5, Assets held for sale, with regard to its potential classification as a discontinued operation. We have determined that this office closure does not constitute the discontinuation of a major operational or geographical segment: The Zebrafish research and development activities and certain key personnel have relocated to our Oxford site, and work on the major programmes carried out in Cambridge will continue as planned.

The result of this conclusion is that the results of Cambridge are included as continuing operations. The closure, however, does require a provision for a number of committed costs which will continue until the property can be sub-let, or until the lease ends. The lease rentals and business rates due until the cessation of the leases in May 2010 and November 2012 represent £695k of the total provision of £882k. The balance of £187k has been provided against the continuing costs associated with the premises, including final dilapidations. In addition depreciation, relating to the leasehold improvements on the Cambridge site, have been accelerated to write the net book value to £nil and amounted to £160k.

4. Restated comparatives

Following a review of operations it was agreed that overhead costs within G&A would not be charged to cost of sales and that depreciation charges would not be charged to R&D expenditure with a corresponding credit to G&A. In the 6 months ended 31 July 2007 cost of sales has been reduced by £50k, research and development by £276 with a corresponding increase in general and administration of £326k. In the 12 months ended 31 January 2008 cost of sales has been reduced by £359k, research and development by £695k with a corresponding increase in general and overhead of £1,054k.

The goodwill and deferred tax balances at 31 July 2007 have been reduced by £700k in respect of the reversal of a deferred tax liability incorrectly recognised at that date in respect of the acquisition of the MNL Pharma intangible programme. No such liability should have been recognised as there is no difference between the accounting base and tax base for IAS 12 purposes.

5. Impairment of intangible assets

The intangible assets, resulting from the acquisition of Summit (Cambridge) Limited, formerly DanioLabs Limited , relating to the sialorrhoea and seborrhoea programmes were reviewed by management and an impairment charge of £1,034k was recognised during the six months (31 July 2007: £nil). A discount rate of 12% has been used over the forecast period in arriving at these figures.

Independent Review Report to Summit Corporation plc

Introduction
We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2008, which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, 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 Group's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility
Our responsibility is to express to the Group 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 Group 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 2008 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.

Emphasis of Matter – Going Concern
In forming our review conclusion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the interim financial information concerning the Group's ability to continue as a going concern. This depends on its ability to secure additional sources of cash through further out-licensing contracts, asset realisations or fund raisings, as well as curtailing expenditure levels. This condition, along with other matters explained in note 1 of the interim financial information; indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The interim financial information does not include any adjustments that would result if the Group were unable to continue as a going concern.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Southampton
27 October 2008

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
C Wall, PhD	Non-executive Director
A Richards, PhD	Non-executive Director
G Elliott, CA	Non-executive Director

Company Secretary
Sharonjeev Benning-Price

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