



summit_{plc}

Summit plc

Interim Report & Accounts
For the six months ended 31 July 2011

Highlights

Scientific & Commercial

- SMT 19969 nominated as preclinical development candidate in *C. difficile* programme
- £925,000 payment received from Wellcome Trust following achievement of a research milestone in *C. difficile* programme
- New *in vitro* efficacy data on SMT C1100 for treatment of Duchenne Muscular Dystrophy reported
- Positive results in Alzheimer's disease programme with novel Seglin enzyme inhibitors identified that target potential disease modifying approach

Financial

- Cash position at 31 July 2011 £3.7m (31 January 2011: £3.3m) with cash resources until at least September 2012, beyond the projected receipt of payments from new deals
- Oversubscribed £1.35 million fund-raise (before expenses) completed in July 2011 through a placing of 16.8 million new Ordinary Shares at 8.0p per share
- Operational expenditure in-line with expectations
- Net loss for six months ended 31 July 2011 reduced to £1.4m (31 July 2010: £1.8m)

Executive Chairman's Statement

Introduction

We are pleased to report interim financial statements and to provide an update on developments within the business during the period under review. The Board believes that your Company continues to make good progress towards delivering tangible commercial results over the coming months for the benefit of all stakeholders and in the continued development of a sustainable business.

Strategy

By focusing on the development of multiple drug programmes and their conversion into commercial licence deals at an early-stage in their development, Summit offers a different business model compared to that of a classical biotechnology company. This strategy requires a technology platform that can be applied to multiple drug programmes, leading to the potential for multiple deal opportunities.

In negotiating these deals, Summit aims to secure upfront payments and transfer future development costs to the licensee, while retaining upside potential through development and regulatory milestone payments and sales royalties. As a result this model has a lower, controllable cost base and it mitigates the risk of a programme failure by having multiple opportunities in development and available for commercialisation.

Summit currently has one early-stage clinical programme and one late-stage preclinical programme under development and a number of discovery programmes centred on our Seglin™ technology. The Board believes Seglins to be an innovative drug discovery platform capable of providing a succession of drug candidates targeting areas of high unmet medical need.

Summit is currently progressing confidential discussions regarding these assets with a number of potential partners and accordingly, we continue to target two commercial deals in this financial year.

Review of Drug Programme & Seglin™ Technology Platform Assets

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

Rare diseases: SMT C1100 for Duchenne Muscular Dystrophy

Duchenne muscular dystrophy ('DMD') is a fatal genetic disease and the most common form of the muscular dystrophies. DMD is caused by the absence of the protein dystrophin, which results in severe and progressive deterioration of all muscles including the heart and diaphragm. Currently there is no known cure for the disease.

Summit's clinical candidate SMT C1100 is a potential disease modifying treatment that would benefit all DMD patients, regardless of their specific genetic mutation. It works by increasing levels of utrophin, a naturally occurring protein that is similar to dystrophin and research has shown that upregulating (increasing) its production can compensate for the missing dystrophin and restore healthy muscle function. In addition, SMT C1100 is anticipated to be complementary to the other therapeutic approaches currently in development.

Executive Chairman's Statement

During the period, new *in vitro* efficacy data was reported, and subsequently published in a peer-reviewed journal, which showed that SMT C1100 increases the amount of utrophin in the muscle cells of DMD patients to levels which are expected to have significant therapeutic benefit. The research was undertaken by Summit and two academic groups including that led by Professor Dame Kay Davies, FRS at the University of Oxford who has pioneered utrophin upregulation as a therapeutic approach for DMD. Summit is intending to commence a new Phase I study of SMT C1100 using an improved formulation of the drug.

Infectious diseases: SMT 19969 for *Clostridium difficile* Infection ('CDI')

Summit's programme developing new antibiotics to treat infection caused by *Clostridium difficile* is supported by a prestigious grant from the Wellcome Trust and has continued to make good progress. CDI constitutes a serious medical issue in hospitals and long-term care homes and there is growing concern about its spread to the wider community. The combined annual cost of care in Europe and North America is estimated at over \$7 billion.

In May, our nominated lead candidate SMT 19969 was approved for advance into preclinical development studies. SMT 19969 is a potential front-line drug for the treatment of CDI. Data generated indicate SMT 19969 is effective in preventing recurrent disease, and displays unprecedented potency against all strains of *C. difficile* bacteria including hyper-virulent strains, but leaves the normal healthy gut bacteria completely unharmed. It is this narrow spectrum of activity, and resultant lack of disruption to normal gut bacteria, that is important in the prevention of CDI re-occurring and provides potential advantage over other treatments.

The nomination of SMT 19969 achieved a significant research milestone in our collaboration with the Wellcome Trust, which allowed drawdown of a further £925,000 that will support the remaining preclinical studies. It is anticipated that if these are successful, SMT 19969 could enter human clinical trials in Q3 2012.

Seglin™ Technology: Identifying medicines from new chemistry space

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

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

Summit is pioneering the development of Seglins, or second generation leads from iminosugars, a technology that is providing access to exciting new areas of chemistry space. Seglin molecules have a unique combination of drug-like features which makes them suitable for addressing a number of new drug targets and providing potential new medicines.

During the period, the development of both the Seglin platform itself and discovery programmes based on its application have advanced significantly. This is highlighted by the progress reported in our OGA / Alzheimer's disease programme, which has stimulated further interest in the platform from the wider pharmaceutical industry.

Executive Chairman's Statement

OGA Programme for Alzheimer's disease

Alzheimer's disease is a progressive and debilitating neurodegenerative disorder and is the most common form of dementia. Currently approved Alzheimer's disease treatments only provide symptomatic relief and there remains a high need for the development of new, disease modifying medicines that affect the underlying causes of the disease.

Summit is using Seglins to target O-linked N-acetylglucosaminidase ('OGA'), an enzyme that has emerged as a potential disease modifying approach for the treatment of Alzheimer's disease and other neurological disorders. Alzheimer's disease is characterised by the formation of protein 'tangles' in the brain of patients. Inhibition of OGA disrupts the biological processes that cause the formation of these protein tangles, and ultimately disease symptoms.

We reported during the period that novel, potent and highly selective Seglin inhibitors of the OGA enzyme had been developed with initial proof of concept being established in human cell models. These data were presented in July this year at the Alzheimer's Associations International Conference of Alzheimer's Disease ('ICAD 2011') which was held in Paris.

Over time, it is our aim to use the Seglin™ technology platform to develop new drug programmes that will supplement our existing portfolio of programmes. This will be achieved by screening the platform against targets that our scientists anticipate will be amenable to Seglins. Summit established during the period several new early-stage screening programmes in a number of disease areas. Your Board continually evaluates all drug programme opportunities in order to decide where to focus Summit's scientific and financial resources and how to maximise the return on investment for shareholders.

External activities

The potential utility of Seglin™ technology encompasses a broad range of different target classes and therapy areas. This means the scale of the opportunity afforded by the platform creates further openings for Summit as our current internal activities only represent a fraction of what is possible in the search for new drug leads. The list of external parties interested in the technology has continued to grow during the period, with a number having progressed to undertaking confidential evaluation studies.

Financial review

The Group's financial results for the period were in line with our expectations.

The Group's cash position at 31 July 2011 was £3.68 million (31 Jan 2011: £3.25 million) and the business remains funded until at least September 2012, beyond the projected receipt of milestone payments from new licensing agreements.

Revenue for the period increased to £0.64 million (31 July 2010: £0.43 million). This increase principally reflects recognition of the grant from the Wellcome Trust for work completed on the *C. difficile* programme.

In addition, the Group also received £0.27 million in research and development tax credits in respect of the year ended 31 January 2011 (2010: £0.35m).

Executive Chairman's Statement

Investment in research and development activities was £1.4 million (31 July 2010: £1.2 million) and related to advancing our *C. difficile* and OGA programmes, as well as additional work to identify early stage opportunities for our Seglin™ technology in other therapy areas. General and administrative expenses fell by 14% to £0.79 million (31 July 2010: £0.91 million). Total cash burn from operational activities for the half-year ended 31 July 2011 was £0.7 million (31 July 2010: £1.5 million).

In July 2011, your Company raised £1.35 million before expenses through an over-subscribed placing of 16.8 million new Ordinary Shares at 8.0 pence per share. These additional funds have both strengthened the Company's position during on-going confidential licensing discussions with a number of interested parties for our key assets, and allowed us to progress new opportunities as the Company works towards achieving our stated commercial targets and generating shareholder value.

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.

Summary

The business has made good progress during the first half of the year as we seek to exploit the scientific and commercial potential of our key drug programme assets and innovative Seglin™ technology platform. As the potential of Seglins as a source of new medicines is increasingly recognised by the wider industry, the Board is confident of being able to demonstrate added value from Summit's activities, through commercial deals, which is 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
22 August 2011

Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended 31 July 2011

	Note	Six months ended 31 July 2011 £000s	Six months ended 31 July 2010 £000s	Year ended 31 January 2011 £000s
Revenue		642	432	763
Cost of sales		-	-	-
Gross profit		642	432	763
Other operating income		22	2	34
Administrative expenses				
Research and development		(1,352)	(1,219)	(2,315)
General and administration		(789)	(911)	(1,692)
Depreciation and amortisation		(103)	(243)	(449)
Impairment of intangibles		-	-	(3,171)
Release of provision		-	-	975
Share-based payment		(29)	(49)	(74)
Total administrative expenses		(2,273)	(2,422)	(6,726)
Operating loss		(1,609)	(1,988)	(5,929)
Finance income		5	8	17
Finance costs		(1)	(2)	(4)
Loss before taxation		(1,605)	(1,982)	(5,916)
Taxation		166	201	1,226
Loss and total comprehensive income and expense for the period		(1,439)	(1,781)	(4,690)
Basic and diluted loss per Ordinary share	2	(0.85)p	(1.07)p	(2.82)p

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

Consolidated Statement of Financial Position (unaudited)

As at 31 July 2011

	Note	31 July 2011 £000s	31 July 2010 £000s	31 January 2011 £000s
ASSETS				
Non-current assets				
Intangible assets		1,100	4,396	1,100
Property, plant and equipment		186	227	260
		1,286	4,623	1,360
Current assets				
Trade and other receivables		491	167	242
Current tax		135	129	239
Cash and cash equivalents		3,683	4,544	3,250
		4,309	4,840	3,731
Total assets		5,595	9,463	5,091
LIABILITIES				
Current liabilities				
Trade and other payables		(1,876)	(826)	(1,208)
Total current liabilities		(1,876)	(826)	(1,208)
Non-current liabilities				
Provisions		(205)	(1,180)	(205)
Deferred tax		-	(915)	-
Total non-current liabilities		(205)	(2,095)	(205)
Total liabilities		(2,081)	(2,921)	(1,413)
Net assets		3,514	6,542	3,678
EQUITY				
Share capital		7,098	6,910	6,930
Share premium account		30,707	29,629	29,629
Share-based payment reserve		1,262	1,208	1,233
Merger reserve		(1,943)	(1,943)	(1,943)
Retained earnings		(33,610)	(29,262)	(32,171)
Equity attributable to the equity shareholders of the parent		3,514	6,542	3,678

Consolidated Statement of Cash Flows (unaudited)

For the six months ended 31 July 2011

	Note	Six months ended 31 July 2011	Six months ended 31 July 2010	Year ended 31 January 2011
		£000s	£000s	£000s
Cash flows from operating activities				
Loss before tax from continuing activities		(1,605)	(1,982)	(5,916)
Total loss before tax		(1,605)	(1,982)	(5,916)
Adjusted for:				
Finance income		(5)	(8)	(17)
Finance cost		1	2	2
Foreign exchange loss		4	3	7
Depreciation		57	100	165
Amortisation of intangible fixed assets		46	142	284
Loss on disposal of assets		40	9	12
Impairment provision		-	-	3,171
Release of provision for contingent consideration		-	-	(975)
Share-based payment		29	49	74
Adjusted loss from operations before changes in working capital and provisions		(1,433)	(1,685)	(3,193)
(Increase)/ decrease in trade and other receivables		(249)	79	4
Increase/(decrease) in trade and other payables		669	(281)	100
Cash used by operations		(1,013)	(1,887)	(3,089)
Taxation received		269	351	351
Net cash used in operating activities		(744)	(1,536)	(2,738)
Investing activities				
Purchase of property, plant and equipment		(1)	(1)	(102)
Purchase of intangible assets		(68)	(3)	(20)
Interest received		1	8	14
Net cash (used in)/generated from investing activities		(68)	4	(108)
Financing activities				
Proceeds from issue of share capital		1,346	-	20
Transaction costs on share capital issued		(100)	(4)	(4)
Interest paid		(1)	(2)	(2)
Net cash (used in)/received from financing activities		1,245	(6)	14
Net (decrease)/increase in cash and cash equivalents		433	(1,538)	(2,832)
Cash and cash equivalents at beginning of period		3,250	6,082	6,082
Cash and cash equivalents at end of period		3,683	4,544	3,250

Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 31 July 2011

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

Twelve months ended 31 January 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 2010	6,910	29,633	1,159	(1,943)	(27,481)	8,278
Loss for the year from continuing operations	-	-	-	-	(4,690)	(4,690)
Total comprehensive income and expense	-	-	-	-	(4,690)	(4,690)
New share capital issued	20	-	-	-	-	20
Transaction costs on share capital issued	-	(4)	-	-	-	(4)
Share-based payment	-	-	74	-	-	74
At 31 January 2011	6,930	29,629	1,233	(1,943)	(32,171)	3,678

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

Notes to the Financial Statements

For the six months ended 31 July 2011

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 2012 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 2012.

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 2011 does not constitute the full statutory accounts for that period. The Annual Report and Accounts for 31 January 2011 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Accounts for 2011 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 the period by the weighted average number of shares in issue during the six month period to 31 July 2011: 168,827,606 (for the six month period ended 31 July 2010: 166,249,806; for the year ended 31 January 2011: 166,288,546).

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

3. Issue of share capital

On 26 July 2011 the number of Ordinary shares in issue increased to 185,096,784 following the placing of 16,826,978 Ordinary 1p shares. The shares rank *pari passu* with existing Ordinary shares. The equity placing raised net proceeds of £1,246,537.

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 2011 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 2011 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
22 August 2011

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

Company Information

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