

## Summit Corporation plc ("Summit" or "the Company")

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JULY 2009

Oxford, UK, 23 October 2009 – Summit Corporation plc (AIM: SUMM), a UK drug discovery company, announces its interim results for the six months ended 31 July 2009.

#### Highlights

##### ***Operational: New window of opportunity created***

- Major restructuring programme completed
- Additional working capital raised through divestment of non-core business operations
- Operational cash-burn more than halved with full benefit of restructuring to be reflected in the six months ending 31 January 2010
- Group now focused on iminosugar platform development and deals

##### ***Scientific: Advances in iminosugar drug discovery platform***

- Generation of positive data in therapeutic focus areas of metabolic diseases (diabetes) and anti-virals (hepatitis C)
- Continued expansion of iminosugar collection with increased protection through additional patent filings

##### ***Commercial: Continuing expansion of the Product Portfolio***

- Three new cross license agreements signed with Orient Pharma for acne (SMT D002), glaucoma (SMT D003) and AMD (SMT D004) programmes
- Total of seven programmes in the portfolio: No future costs to Summit with contractual, success based milestones potentially exceeding \$160m plus sales royalties
- Interest in potential license for diabetes programme shown by several international pharmaceutical companies

##### ***Financial: Extension of cash life***

- Loss from continuing operations for the six months ended 31 July 2009 down to £2.95m (2008: £6.68m); total loss for the period: £3.18m (2008: £7.09m)
- Cash position of £0.86m at 31 July 2009 (31 Jan 2009: £2.72m)
- Sale proceeds from divestment of zebrafish of £0.50m and post period £0.95m from divestment of Dextra Laboratories
- Receipt of R&D tax credit claims totalling £0.75m expected in Q4 2009
- Cash life extended into Q2 2010 on current cash burn and additional activities on-going to secure long-term future of the business
- Option to radically cut costs remains, in absence of new deals, to extend cash life to receipt of existing deal milestones

Steven Lee, PhD, Chief Executive Officer at Summit said, “Summit emerges from a challenging period as a streamlined business with a primary focus on novel therapeutics from our iminosugar drug discovery platform. The completion of our restructuring programme provides us with a window of opportunity in which to complete additional activities that will further strengthen the financial position of the Company.

“Summit looks forward to realising increasing value from our existing collaborative agreements, with their contractual success-based milestones worth over \$160 million plus sales royalties, and from future programme deals. From our current position, I have confidence that the business will deliver value to our shareholders.”

-- ENDS --

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**About Summit plc**

Summit plc is a UK based drug discovery company with a major focus on developing new therapeutics from its iminosugar drug discovery platform.

Summit believes iminosugars are the key to gaining access to several disease mechanisms where classical drug candidates have had little success, and therefore offer a major opportunity for the discovery and development of new medicines.

Carbohydrates play critical roles in maintaining correct function of many normal processes in healthy individuals and provide a wealth of new targets for drug discovery. Iminosugars have the capability of accessing such targets and offer the potential of generating new medicines in a variety of major therapy areas. Summit is currently focussed on metabolic diseases, including diabetes, and anti-virals.

Commercially, Summit has a track record of signing programme agreements and currently has an out-licensed product portfolio comprising of seven drug programmes with BioMarin, Orient Pharma, Evolva and the Lilly TB Drug Discovery Initiative. In the future these programmes may generate success based milestone payments and royalties for Summit.

The company listed on the alternative investment market (AIM) of the London Stock Exchange in October 2004 - symbol: SUMM. Further information about the company is available at [www.summitplc.com](http://www.summitplc.com).

# Chairman and Chief Executive's Statement



## Introduction

Following the difficulties of last year your Board has undertaken a restructuring of the Summit Group to re-focus its activities on the development of its iminosugar drug discovery platform and to reduce its cost base.

The Board believes that Summit has a valuable product portfolio of licensed drug programmes, an innovative and validated iminosugar technology platform, and a strategy to create value from these assets for our shareholders. The Company now has a clear window of opportunity to enter into new commercial agreements with one or more partners in major disease areas of high unmet medical need.

## Strategy: Targeting early-stage licensing deals

Summit aims to create value through the selection and early-stage development of novel product candidates from its proprietary iminosugar platform in areas of high unmet medical need including diabetes, hepatitis and other viral diseases and infections. At the appropriate stage of development, we will seek to out-license these product candidates with partners who will undertake the expensive registration studies and product commercialisation. Our approach is supported by Ernst & Young's 2009 global biotechnology report, Beyond Borders, which stated that in 2008, 11 of the 15 largest European deals were signed at the discovery or preclinical development stage. Summit will continue to protect its intellectual property by expanding its strong patent portfolio.

Summit continued to fulfil this licensing strategy during the period by signing three new commercial agreements and increased the number of partnered programmes to seven. These seven programmes could deliver in excess of \$160 million of success-based development and regulatory milestones plus royalties on any future sales, with the first milestone payment for the Duchenne muscular dystrophy (DMD) programme anticipated to be in the second half of 2010. The portfolio programmes require no further investment from Summit.

The data from our iminosugar diabetes programme suggests that we could have a novel product with "disease modifying" potential and the ability to generate significant licensing revenues in the future. We anticipate completing an initial deal in this indication in 2010.

## A period of accelerated restructuring

During the last six month period your Board has continued with the restructuring programme, which was started in mid-2008, to reduce costs and dispose of non-core assets to generate additional cash for the iminosugar business.

This programme included the disposal of the Zebrafish and, post the period under review, the Dextra service divisions. In addition, Summit has reduced the number of sites it operates from five to one, with more favourable terms of rent having been renegotiated for the remaining site.

Headcount has been cut by 75%. This was a necessary action to help secure the future of the business and on behalf of the Board, we sincerely thank the staff affected for their efforts during their time with the Company and wish them well in their future careers. Finally, the Board have reduced their costs from the start of the period under review, with the Executive Directors reducing their basic salary by a quarter and the Non-executives also reducing their fees.

Following the restructuring and reduced cash-burn, the Company extended its cash resources into Q2 2010 and created a window of opportunity in which to complete additional activities, including the signing of an iminosugar licensing deal, aimed at securing its long-term financial future. If necessary, the cash resources may be further extended to 2011 by additional cost reductions as outlined in the Working Capital section below.

# Chairman and Chief Executive's Statement



## Research & development activities: Focused on creating future value

Summit's primary focus for creating future value is now represented by our proprietary iminosugar drug discovery platform. It is our belief that this innovative technology provides a major opportunity for the discovery of new medicines in a number of major therapeutic areas with high unmet medical needs and the potential to generate significant future value.

Our main activities in this platform target two major therapeutic areas: diabetes, a type of metabolic disease, and infectious diseases where we are targeting a range of indications including hepatitis C. The potential and scope of the platform is further highlighted by iminosugars also expecting to find utility in a number of other major therapeutic areas including neurological diseases and immunological disorders.

We are already generating positive data from the programmes in our two focus disease areas and activity around these has increased during the period. We look forward to reporting on the scientific progress being made in these areas over the coming weeks and months as we continue to develop these early-stage programmes into near-term commercial opportunities.

In addition, we have an established programme targeting *C. difficile* which is building on our expertise in the area of infectious diseases. Currently we are applying for external grant funding to support the future development of this programme.

## A valuable portfolio of partnered programmes

During the period, Summit increased the number of programmes in its partnered portfolio to seven through the signing of three new agreements. The portfolio has contractual, success-based milestones totalling over \$160 million, plus royalties on any future sales, but requires no further investment from Summit.

## Expansion of the Product Portfolio: Three new co-development agreements

The period under review saw three new agreements signed with Taiwan based company, Orient Pharma, and cover our clinical and preclinical programmes in acne, glaucoma and wet age-related macular degeneration (AMD). The agreements provide Orient with exclusive development and commercialisation rights in Asia-Pacific and Australasia and they will be responsible for all development costs and also manufacturing and distribution costs within its territories. Summit retains valuable rights to the products in North America, Europe and the rest of the world and has rights to access data generated by Orient.

## Renegotiation of DMD and sialorrhoea deals as part of restructuring work

In March 2009, Summit amended its exclusive worldwide licensing agreement with the US biotechnology company BioMarin Pharmaceuticals Inc. for the programme targeting the fatal genetic disease Duchenne muscular dystrophy (DMD). Summit is eligible to receive success-based development and regulatory milestones of up to \$50 million plus sales milestones of \$85 million and tiered royalty payments rising to a low-teen percentage. BioMarin reported in July 2009 that development of the programme remains on course and therefore Summit anticipates receiving a milestone payment worth \$3 million in H2 2010 and a further \$10 million on commencement of the pivotal clinical study.

In September 2008, Summit entered into a co-development agreement with Orient Pharma for our sialorrhoea programme. This agreement was superseded in May 2009 with the signing of a new agreement that saw Orient take full ownership of the programme. The terms of this deal involved Orient making an equity investment in Summit shares of \$500,000 at a price of 13.5 pence, which was approximately 2.5 times the share price at that time. In addition, Summit is eligible to receive undisclosed royalties on worldwide sales of the product.

## Financial Review

The financial performance for the half year was heavily influenced by the restructuring programme outlined above.

The Zebrafish division was sold to Evotec AG for the consideration of £0.50 million in May 2009 while Dextra Laboratories was sold to New Zealand Pharmaceuticals in September 2009, post the period under review, for £0.95 million. As a result of the transactions, the revenues and costs associated with the two divisions appear in the Income Statement as a single line entitled 'Loss attributable to discontinued activities'. The results for the comparative periods have been restated accordingly.

# Chairman and Chief Executive's Statement



In addition, as the sale of Dextra was pending at the period end, the Balance Sheet includes all the assets related to Dextra, and their associated liabilities, in the lines, 'Assets of disposal group classified as held-for-sale' and 'Liabilities of disposal group classified as held-for-sale'.

The core operating costs of the remaining drug discovery business fell by half to £2.72 million (2008: £5.55 million) before depreciation and amortisation charges. Research and development investment was lower at £1.18 million (2008: £2.95 million), general and administration costs reduced to £1.37 million (2008: £2.37 million) and sales and marketing expenditure was £0.17 million (2008: £0.24 million).

Following the lease renegotiations, an outstanding loan from one of our landlords for leasehold improvement work was released resulting in a positive credit of £1.21 million to the Income Statement. Associated with this was inclusion of an accelerated depreciation charge of £1.36 million and is due to our expectation of having to vacate the part of the premises that benefited from the lease improvement work by the end of 2009.

As a result, the loss attributable to continuing activities for the six months ended 31 July 2009 more than halved to £2.95 million (2008: £6.68 million) and the total loss for the period dropped to £3.18m (2008: £7.09m). The full benefit of the restructuring programme will be reflected in the six months ending 31 January 2010.

The cash outflow for the six months to 31 July 2009 was £1.86 million (31 July 2008: £2.09 million). During the period, the Company received £0.32 million (31 July 2008: £3.90 million) from the issue of new shares and £0.50 million from the proceeds of the sale of the Zebrafish services business to Evotec AG. At the 31 July 2009, the Group had cash reserves of £0.86 million (31 January 2009: £2.72 million). These reserves have been supplemented post the period under review following the sale of Dextra Laboratories. In addition, the Company expects to receive the research and development tax credit of £0.75 million that was recognised during the year ended 31 January 2009 in Q4 2009.

## Working Capital

The financial position of the Group has been improved through the sale of the Dextra business in September 2009 and current cash resources are expected to last into Q2 2010. The marketing campaign around a potential iminosugar licensing deal continues to progress well. An application for grant funding for one of our projects has been made and we expect to hear whether this has been successful by early 2010. In addition, discussions with our financial advisers remain on-going to consider a fundraise. Should the Group be unable to secure additional funding as outlined above by Q1 2010 then your Board would consider alternative actions until either milestones from existing collaborative deals become due or a possible sale of the Group's remaining business and assets is achieved. These actions could include curtailing our activities to all but essential programmes and otherwise reducing our costs to a care and maintenance level, which could enable existing cash resources to last through to early 2011, and in the process, enable it to receive the benefit of milestone payments from existing collaborative deals. Based on this assessment, the Board have prepared these statements on a going concern basis.

## Summary

As a consequence of recent activities, Summit emerges from this challenging period as a streamlined, more efficient business with a focus on innovative therapeutics from its proprietary iminosugar platform.

The additional working capital raised from the restructuring programme provides the Group with a window of opportunity to deliver an iminosugar deal that will aim to illustrate the value creation potential of this technology and further increase the size of our valuable portfolio of partnered programmes.

We again wish to thank shareholders for their continuing support and look forward to reporting on the progress within the business, most notably from our iminosugar platform, over the coming months. Finally, on behalf of the Board, we thank all our staff for their dedication and hard work as we continue to work towards developing Summit into a successful and sustainable drug discovery company.

Barry Price, PhD  
Chairman

Steven Lee, PhD  
Chief Executive Officer

22 October 2009

# Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended 31 July 2009



summit plc

|  | Note | Six months<br>ended<br>31 July<br>2009<br>£000s | Six months<br>ended<br>31 July<br>2008<br>(Restated)<br>£000s | Year<br>ended<br>31 January<br>2009<br>(Restated)<br>£000s |
|--|------|---|---|--|
| <b>Continuing Operations</b>   |      |   |   |  |
| Revenue  |      | 108   | -   | 185  |
| Cost of sales  |      | -   | -   | (4)  |
| <b>Gross profit</b>  |      | <b>108</b>                                      | -   | 181  |
| <b>Other operating income</b>  |      | <b>104</b>                                      | 137   | 195  |
| <b>Administrative expenses</b>   |      |   |   |  |
| Research and development   |      | (1,182)   | (2,946)   | (5,119)  |
| General and administration   |      | (1,368)   | (2,372)   | (3,490)  |
| Sales and marketing  |      | (167)   | (236)   | (779)  |
| Depreciation and amortisation  |      | (472)   | (1,004)   | (1,555)  |
| Accelerated depreciation of leasehold improvements                           | 3    | (1,361)   | -   | -  |
| Impairment of intangible assets  |      | -   | (1,034)   | (2,597)  |
| Share based payment  |      | 31  | (193)   | (154)  |
| Release of loan  | 3    | 1,211   | -   | -  |
| <b>Total administrative expenses</b>   |      | <b>(3,308)</b>                                  | (7,785)   | (13,694)   |
| <b>Operating loss</b>  |      | <b>(3,096)</b>                                  | (7,648)   | (13,318)   |
| Finance income   |      | 7   | 193   | 299  |
| Finance costs  |      | (46)  | (43)  | (81)   |
| <b>Loss before taxation</b>  |      | <b>(3,135)</b>                                  | (7,498)   | (13,100)   |
| <b>Taxation</b>  |      | <b>183</b>                                      | 823   | 1,747  |
| <b>Loss for the period from continuing operations</b>                        |      | <b>(2,952)</b>                                  | (6,675)   | (11,353)   |
| <b>Loss for the period from discontinued operations</b>                      | 4    | <b>(232)</b>                                    | (415)   | (11,050)   |
| <b>Loss and total comprehensive income and expense for the period</b>        |      | <b>(3,184)</b>                                  | (7,090)   | (22,403)   |
| <b>Basic and diluted loss per Ordinary share for continuing operations</b>   | 2    | <b>5.20p</b>                                    | 13.15p  | 21.26p   |
| <b>Basic and diluted loss per Ordinary share for discontinued operations</b> | 2    | <b>0.41p</b>                                    | 0.82p   | 20.70p   |

# Consolidated Balance Sheet (unaudited)

As at 31 July 2009



|   | Note | 31 July<br>2009<br>£000s | 31 July<br>2008<br>(Restated)<br>£000s | 31 January<br>2009<br>£000s |
|---|------|--------------------------|--|-----------------------------|
| <b>ASSETS</b>   |      |                          |  |                             |
| <b>Non-current assets</b>   |      |                          |  |                             |
| Goodwill  |      | -                        | 9,767                                  | -                           |
| Other intangible assets   |      | 4,650                    | 6,634                                  | 4,820                       |
| Property, plant and equipment                                       |      | 534                      | 4,159                                  | 3,714                       |
|   |      | <b>5,184</b>             | 20,560                                 | 8,534                       |
| <b>Current assets</b>   |      |                          |  |                             |
| Inventories   |      | 227                      | 506                                    | 391                         |
| Trade and other receivables   |      | 317                      | 1,312                                  | 1,495                       |
| Current tax   |      | 886                      | 1,138                                  | 805                         |
| Cash and cash equivalents   |      | 861                      | 7,996                                  | 2,717                       |
| Assets of disposal group classified as held-for-sale                | 4    | 1,341                    | -                                      | -                           |
|   |      | <b>3,632</b>             | 10,952                                 | 5,408                       |
| <b>Total assets</b>   |      | <b>8,816</b>             | 31,512                                 | 13,942                      |
| <b>LIABILITIES</b>  |      |                          |  |                             |
| <b>Current liabilities</b>  |      |                          |  |                             |
| Trade and other payables  |      | (619)                    | (2,561)                                | (1,732)                     |
| Provisions  |      | -                        | (299)                                  | -                           |
| Borrowings  | 3    | (15)                     | (214)                                  | (135)                       |
| Liabilities of disposal group classified as held-for-sale           | 4    | (401)                    | -                                      | -                           |
| <b>Total current liabilities</b>                                    |      | <b>(1,035)</b>           | (3,074)                                | (1,867)                     |
| <b>Non-current liabilities</b>                                      |      |                          |  |                             |
| Deferred income   | 5    | -                        | (136)                                  | (141)                       |
| Provisions  |      | (1,180)                  | (1,730)                                | (1,180)                     |
| Borrowings  | 3    | -                        | (1,250)                                | (1,181)                     |
| Deferred tax  |      | (970)                    | (1,475)                                | (1,020)                     |
| <b>Total non-current liabilities</b>                                |      | <b>(2,150)</b>           | (4,591)                                | (3,522)                     |
| <b>Total liabilities</b>  |      | <b>(3,185)</b>           | (7,665)                                | (5,389)                     |
| <b>Net assets</b>   |      | <b>5,631</b>             | 23,847                                 | 8,553                       |
| <b>EQUITY</b>   |      |                          |  |                             |
| Share capital   | 6    | 5,830                    | 5,597                                  | 5,597                       |
| Share premium account   |      | 25,867                   | 25,785                                 | 25,785                      |
| Share based payment reserve   |      | 1,123                    | 1,157                                  | 1,176                       |
| Merger reserve  |      | 12,654                   | 12,654                                 | 12,654                      |
| Retained earnings   |      | (39,843)                 | (21,346)                               | (36,659)                    |
| <b>Equity attributable to the equity shareholders of the parent</b> |      | <b>5,631</b>             | 23,847                                 | 8,553                       |



# Consolidated Cash Flow Statement (unaudited)

For the six months ended 31 July 2009

|   | Note | Six months<br>ended<br>31 July<br>2009<br>£000s | Six months<br>ended<br>31 July<br>2008<br>£000s | Year<br>ended<br>31 January<br>2009<br>£000s |
|---|------|---|---|--|
| <b>Cash flows from operating activities</b>   |      |   |   |  |
| Loss before tax from continuing activities  |      | (3,135)   | (7,498)   | (13,100)                                     |
| Loss before tax from discontinued activities  |      | (232)   | (415)   | (11,027)                                     |
| <b>Total loss before tax</b>  |      | <b>(3,367)</b>                                  | <b>(7,913)</b>                                  | <b>(24,127)</b>                              |
| <b>Adjusted for:</b>  |      |   |   |  |
| Provision for closure costs   |      | -   | 882   | -  |
| Finance income  |      | (7)   | (196)   | (304)  |
| Finance cost  |      | 48  | 44  | 85   |
| Foreign exchange loss   |      | 22  | -   | 2  |
| Depreciation  |      | 1,811   | 642   | 1,182  |
| Amortisation of intangible fixed assets   |      | 181   | 481   | 718  |
| (Profit)/Loss on disposal of assets   |      | (357)   | -   | 198  |
| Impairment of intangible assets   |      | -   | 1,034   | 12,464                                       |
| Remeasurement of assets in disposal group   | 4    | 503   | -   | -  |
| Cancellation of loan  |      | (1,211)   | -   | -  |
| Share based payment   |      | (53)  | 193   | 212  |
| <b>Adjusted loss from operations before changes in working capital and provisions</b> |      | <b>(2,430)</b>                                  | <b>(4,833)</b>                                  | <b>(9,570)</b>                               |
| Decrease / (Increase) in trade and other receivables                                  |      | 646   | (82)  | 86   |
| (Increase) in inventories   |      | (50)  | (169)   | (54)   |
| (Decrease) in trade and other payables  |      | (806)   | (558)   | (1,489)                                      |
| <b>Cash used by operations</b>  |      | <b>(2,640)</b>                                  | <b>(5,642)</b>                                  | <b>(11,027)</b>                              |
| Taxation received   |      | 75  | -   | 898  |
| <b>Net cash used in operating activities</b>  |      | <b>(2,565)</b>                                  | <b>(5,642)</b>                                  | <b>(10,129)</b>                              |
| <b>Investing activities</b>   |      |   |   |  |
| Proceeds from disposal of assets  |      | 525   | -   | -  |
| Purchase of property, plant and equipment   |      | (22)  | (534)   | (997)  |
| Purchase of intangible assets   |      | (16)  | (18)  | (150)  |
| Interest received   |      | 7   | 189   | 304  |
| <b>Net cash generated from investing activities</b>                                   |      | <b>494</b>                                      | <b>(363)</b>                                    | <b>(843)</b>                                 |
| <b>Financing activities</b>   |      |   |   |  |
| Proceeds from issue of share capital  |      | 315   | 3,900   | 3,900  |
| Repayment of debt during the period   |      | (45)  | (31)  | (204)  |
| Repayment of finance lease costs  |      | (7)   | -   | (10)   |
| Interest paid   |      | (48)  | 44  | (85)   |
| <b>Net cash received from financing activities</b>                                    |      | <b>215</b>                                      | <b>3,913</b>                                    | <b>3,601</b>                                 |
| <b>Net decrease in cash and cash equivalents</b>                                      |      | <b>(1,856)</b>                                  | <b>(2,092)</b>                                  | <b>(7,371)</b>                               |
| <b>Cash and cash equivalents at beginning of period</b>                               |      | <b>2,717</b>                                    | <b>10,088</b>                                   | <b>10,088</b>                                |
| <b>Cash and cash equivalents at end of period</b>                                     |      | <b>861</b>                                      | <b>7,996</b>                                    | <b>2,717</b>                                 |

**Consolidated Statement of Changes in Equity** (unaudited)

For the six months ended 31 July 2009

**Six months ended 31 July 2009**

| <b>Group</b>                                     | Share capital<br>£000s | Share premium<br>account<br>£000s | Share-based<br>payment<br>reserve<br>£000s | Merger<br>reserve<br>£000s | Retained<br>earnings<br>£000s | Total<br>£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)           |
| <b>At 31 July 2009</b>                           | <b>5,830</b>           | <b>25,867</b>                     | <b>1,123</b>                               | <b>12,654</b>              | <b>(39,843)</b>               | <b>5,631</b>   |

**Twelve months ended 31 January 2009**

| <b>Group</b>                           | Share capital<br>£000s | Share premium<br>account<br>£000s | Shares to<br>be issued<br>£000s | Share-based<br>payment<br>reserve<br>£000s | Merger<br>reserve<br>£000s | Retained<br>earnings<br>£000s | Total<br>£000s |
|--|------------------------|-----------------------------------|---------------------------------|--|----------------------------|-------------------------------|----------------|
| At 1 February 2008                     | 4,967                  | 22,750                            | 1,443                           | 964  | 11,328                     | (14,256)                      | 27,196         |
| Loss for the year                      | -                      | -                                 | -                               | -  | -                          | (22,403)                      | (22,403)       |
| Total comprehensive income and expense | -                      | -                                 | -                               | -  | -                          | (22,403)                      | (22,403)       |
| New share capital issues               | 630                    | 3,035                             | (117)                           | -  | -                          | -                             | 3,548          |
| Share based payment                    | -                      | -                                 | -                               | 212  | -                          | -                             | 212            |
| Share issue eligible for merger relief | -                      | -                                 | (1,326)                         | -  | 1,326                      | -                             | -              |
| At 31 January 2009                     | 5,597                  | 25,785                            | -                               | 1,176                                      | 12,654                     | (36,659)                      | 8,553          |

**Six months ended 31 July 2008**

| <b>Group</b>                           | Share capital<br>£000s | Share premium<br>account<br>£000s | Shares to<br>be issued<br>£000s | Share-based<br>payment<br>reserve<br>£000s | Merger<br>reserve<br>£000s | Retained<br>earnings<br>£000s | Total<br>£000s |
|--|------------------------|-----------------------------------|---------------------------------|--|----------------------------|-------------------------------|----------------|
| At 1 February 2008                     | 4,967                  | 22,750                            | 1,443                           | 964  | 11,328                     | (14,256)                      | 27,196         |
| Loss for the period                    | -                      | -                                 | -                               | -  | -                          | (7,090)                       | (7,090)        |
| Total comprehensive income and expense | -                      | -                                 | -                               | -  | -                          | (7,090)                       | (7,090)        |
| New share capital issues               | 630                    | 3,035                             | (117)                           | -  | -                          | -                             | 3,548          |
| Share based payment                    | -                      | -                                 | -                               | 193  | -                          | -                             | 193            |
| Share issue eligible for merger relief | -                      | -                                 | (1,326)                         | -  | 1,326                      | -                             | -              |
| At 31 July 2008                        | 5,597                  | 25,785                            | -                               | 1,157                                      | 12,654                     | (21,346)                      | 23,847         |



# Notes to the Financial Statements

For the six months ended 31 July 2009

## 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 2010 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 2010 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 2010.

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 2009 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 31 January 2009 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for 2009 was unqualified and did not contain a statement under 237(2) or 237(3) of the Companies Act 1985. The Independent Auditors' Report did draw attention to going concern by way of emphasis.

### Disposal groups held for sale

The assets and liabilities of disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

### Exceptional items

Items that are both material and non-recurring and whose significance is sufficient to warrant separate disclosure and identification within the financial statements are referred to as exceptional items and disclosed within their relevant Consolidated Statement of Comprehensive Income category. Events and transactions that may give rise to classification as exceptional, include but are not limited to, asset impairment charges, accelerated depreciation charges and the forgiveness of material loans.

### Going concern

Since the release of the Preliminary Results for the year ended 31 January 2009, the financial position of the Group has been improved through the sale of the Dextra business in September 2009 and current cash resources are expected to last into Q2 2010. Additional funding still needs to be raised through commercial out-licensing agreements, project funding and/or the issue of new equity. The marketing campaign around a potential iminosugar licensing deal continues to progress well. An application for grant funding for one of the Group's projects has been made and a decision on whether it has been success is anticipated by early 2010. In addition, discussions with the Company's financial advisers remain on-going to consider a fundraise. The Board are confident that its plans will allow the Group to continue its operations for the foreseeable future. Should the Group be unable to secure additional funding as outlined above by Q1 2010 then the Board would consider alternative actions to secure the future of the business including further reductions in operating costs until either milestones from existing collaborative deals become due or a possible sale of the Group's remaining business and assets is achieved. The Board believes that by curtailing the Group's activities to all but essential programmes and otherwise reducing its costs to a care and maintenance level, the Group could see existing cash resources last through to early 2011, and in the process, enable it to receive the benefit of milestone payments from existing collaborative deals. The amount and timing of income from any new licensing deal, or any fund-raising transaction, represents a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Based on the assessment above, the Board have prepared these statements on a going concern basis.

## 2. Loss per share calculation

# Notes to the Financial Statements

For the six months ended 31 July 2009



The loss per share has been calculated by dividing the loss for the period for both the loss attributable to the continuing activities and also the loss attributable to the discontinued operations by the weighted average number of shares in issue during the six month period to 31 July 2009: 56,779,928 (for the six month period ended 31 July 2008: 50,753,029; for the year ended 31 January 2009: 53,389,132).

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

### 3. Release of loan commitment and accelerated depreciation

Following a deed of variation signed on 16 June 2009, the landlord of one of the properties has released the Group from its obligations to repay the remaining loan balance outstanding as at 29 September 2009. This has resulted in a credit to the Income Statement of £1,211,000, leaving only the loan repayments relating to the period prior to 29 September remaining within the Balance Sheet. In conjunction with this release, management have reassessed the useful economic life associated with the leasehold improvements funded by the loan and as a result an accelerated depreciation charge of £1,361,000 has been charged in the period. This is due to the expectation of having to vacate the part of the premises that benefited from the lease improvement work by the end of 2009. Both these items are considered to be exceptional in nature.

### 4. Discontinued Operations

On 7 May 2009, the Group completed the sale of its Zebrafish business to Evotec AG. On 2 September 2009 (post period) the Group completed the sale of Dextra Laboratories Limited to NZP Holdings Limited, with this business being accounted for as an asset held for sale at period end in accordance with IFRS 5.

The results of the discontinued operations and the result recognised on the remeasurement of the assets of the disposal group which have been included in the Consolidated Statement of Comprehensive Income were as follows:

|   | <b>Six months<br/>ended<br/>31 July<br/>2009<br/>£000</b> | Six months<br>ended<br>31 July<br>2008<br>£000 | Year<br>ended<br>31 January<br>2009<br>£000 |
|---|---|--|---|
| Revenue   | <b>1,161</b>  | 788  | 1,771                                       |
| Expenses  | <b>(1,188)</b>  | (1,203)  | (12,798)                                    |
| Loss before tax of discontinued operations            | <b>(27)</b>   | (415)  | (11,027)                                    |
| Tax   | <b>23</b>   | -  | (23)  |
| Loss after tax of discontinued operations             | <b>(4)</b>  | (415)  | (11,050)                                    |
| Profit on disposal of business segment                | <b>275</b>  | -  | -   |
| Loss on remeasurement of disposal group               | <b>(503)</b>  | -  | -   |
|   | <b>(228)</b>  | -  | -   |
| Tax   | <b>-</b>  | -  | -   |
|   | <b>(232)</b>  | -  | -   |
| <b>Loss for the period on discontinued operations</b> | <b>(232)</b>  | (415)  | (11,050)                                    |

The loss on disposal of discontinued operations of £228,000 includes a profit on disposal of the Zebrafish business of £275,000, being the proceeds of disposal less the carrying amount of the business segment's net assets, together with a loss of £503,000 being recognised on the adjustment to fair value, being the sale proceeds less attributable costs on the sale of Dextra Laboratories Limited.

# Notes to the Financial Statements

For the six months ended 31 July 2009



## 4. Discontinued Operations (continued)

During the period, the discontinued operations absorbed £395,000 of the Group's net operating cash flows, £23,000 in respect of investing activities and £7,000 in respect of financing activities.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

|  | Year<br>ended<br>31 July<br>2009<br>£000 |
|--|--|
| Property, plant and equipment  | 635                                      |
| Inventories  | 214                                      |
| Trade and other receivables  | 492                                      |
| Total assets classified as held for sale                             | 1,341                                    |
| Trade and other payables   | (401)                                    |
| Total liabilities associated with assets classified as held for sale | (401)                                    |
| <b>Net assets of the disposal group</b>                              | <b>940</b>                               |

## 5. Change of comparatives

An adjustment has been made to correctly reflect the split between current and non-current liabilities for the deferred income resulting from the contributions made from a landlord of one of the premises towards refurbishment costs. This adjustment resulted in an increase to non-current liabilities of £136,000 and a subsequent decrease to current liabilities of the same amount in respect of the balances at 31 July 2008.

As a result of the discontinued operations referred to in Note 4, the Consolidated Statement of Comprehensive Income has been restated for both the full year to 31 January 2009 and the comparative six month period to 31 July 2008.

## 6. Share issue

On 29 May 2009 Orient Pharma Limited made a \$500,000 (£314,820) equity investment via a subscription for 2,332,000 new Ordinary 10 pence shares at a price of 13.5 pence per share. This was in exchange for full ownership of the clinical candidate SMT D001, which is being developed to treat sialorrhoea, a non-motor symptom of Parkinson's disease. Under the agreement Summit will also be eligible for royalties on worldwide sales of the product. The share capital increased to 58,300,237 due to the placing of 2,332,000 Ordinary 10 pence shares which rank pari passu with existing shares. The shares issued to Orient are subject to a 12 month lock-in period followed by a 12 month orderly market agreement.

# 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 2009 which comprises the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and 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 2009 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 and/or fund raisings, or upon receipt of milestones from existing collaborative deals coupled with the further curtailment of 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 LLP

Southampton  
United Kingdom  
22 October 2009

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

*This document contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "anticipates", "intends", "plans", "seeks", "believes", "estimates", "expects" and similar references to future periods, or by the inclusion of forecasts or projections.*

*Forward-looking statements are based on the Company's current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. The Company's actual results may differ materially from those contemplated by the forward-looking statements. The Company cautions you therefore that you should not rely on any of these forward-looking statements as statements of historical fact or as guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements and regional, national, global political, economic, business, competitive, market and regulatory conditions.*