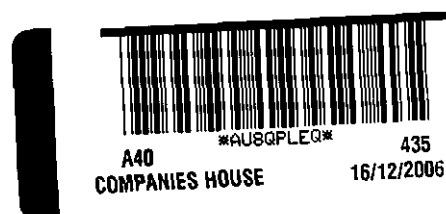


Syntopix Group plc Annual report and accounts 2006

Company registration number 05656604



Corporate statement

Syntopix Group plc is a company focused on the discovery and development of drugs for the topical treatment of dermatological diseases. It was founded in 2003 as a spin-out from the University of Leeds by Dr Jon Cove and Dr Anne Eady, two of the leading experts in skin microbiology.

The Group seeks to reduce the risks and costs of drug research and development by discovering novel uses for known actives. The Company focuses on actives and combinations of actives that have a history of safe use in man and that have properties that are well characterised.

Syntopix Group plc was admitted to the Alternative Investment Market ("AIM") in March 2006 to enable it to progress its drug development programme in dermatology and to enhance its profile among prospective partners.

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Highlights

- Successful flotation on AIM in March 2006 via a Placing raising £4 million gross.
- Significant progress in delivery of Group's strategy using reduced risk and reduced cost business model.
- Three lead candidates selected for pre-clinical and formulation studies.
- Board and Scientific Advisory Panel strengthened.
- Cash at 31 July 2006 of £3,247,430 (2005: £645,423).

Syntopix is currently concentrating on acne and *Staphylococcus aureus* skin infections and has identified a pipeline of lead drug candidates that it intends to take through pre-clinical and, as appropriate, clinical trials. The Group intends to out-license products to commercial partners on obtaining proof of principle and to seek co-development partnerships.

"The last twelve months have been exciting for Syntopix. The Group has proved that its screening methodology identifies strong candidate products. It has consolidated its laboratory capability and moved its operations to Bradford. It has a strong patent portfolio and is now progressing its lead candidates into pre-clinical development."

Syntopix has made excellent progress in its drug

Introduction

We are pleased to report our maiden preliminary results following Syntopix Group plc's successful listing on AIM on the London Stock Exchange in March 2006. These results cover the 12 month period from 1 August 2005 to 31 July 2006. During the period under review, and post the period end, Syntopix has made excellent progress in its drug discovery and development activities and in the corporate development of the Group.

Our business

Syntopix's objective is to develop products to address dermatology diseases, in particular acne and superficial staphylococcal infections, including those due to MRSA. Our strategy is to identify individual antimicrobial compounds and synergistic combinations of compounds that already have a history of safe use in man, possibly in other indications. This strategy is likely to reduce the high risks and costs of early drug discovery, and reduce the time to market when compared with conventional drug development.

Central to the delivery of the Group's strategy is a novel screening process that combines validated antimicrobial and pharmacological tests, allowing early identification of active compounds and combinations of compounds enabling the most promising compounds to be fast-tracked as lead candidates for further studies. Syntopix has already identified three lead candidates for development, and is now progressing these into preliminary clinical studies and formulation, with clinical studies expected to commence in 2007. The Group has patent applications progressing covering the compounds being taken into development.

The Group believes the dermatology market, with estimated global sales of more than \$10 billion, is particularly attractive, in part because major pharmaceutical companies have chosen in general to focus their activities on other larger therapeutic areas. As a result there has been a lack of innovation in dermatology along with clear evidence of unmet medical need, creating significant opportunities for the Group.

Syntopix also carries out some consultancy and contract research services for companies in the dermatology area. These services are valuable in nurturing relationships with potential commercial/licensing partners. They maintain Syntopix's visibility with such companies but the revenues from these services are not planned to be significant.

The commercialisation strategy at Syntopix is to out-license its products to significant players in dermatology for sales and marketing following proof of concept clinical studies that will be carried out by the Group or phase II clinical studies as appropriate.

"Syntopix has a strong capability to develop a pipeline of innovative dermatological products. The funding is now in place to drive its product candidates through the clinic and into commercial relationships with the objective of realising significant value for shareholders."

discovery and development activities

The Board

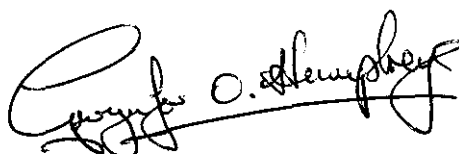
In early January 2006 Dr Helen Shaw joined the Board of Syntopix Ltd as a Non-Executive Director. Helen has many years of experience as Medical Director at Boots Healthcare International, and brings valuable clinical and drug development experience to Syntopix. In July 2006, we also recruited Dr Stephen Jones to the Group as Chief Operating Officer. Stephen, who was also appointed to the Board, is a highly experienced pharmaceutical executive with a track record in both branded medicine and consumer healthcare and a successful history of new product development. He was most recently at GlaxoSmithKline where he held the position of Vice President and Director of Consumer Healthcare Research and Development.

Financials

In March 2006 the Group raised £3.3 million of new capital, net of expenses, and was admitted to AIM on the London Stock Exchange. This capital will allow the Group to progress its candidate drug products through pre-clinical studies and into clinical trials for out-licensing to partners. The spend profile of the Group is as expected, with modest growth of in-house research expenditure. In October 2005 the Group moved its operations to the Institute for Pharmaceutical Innovation at the University of Bradford, which offers excellent laboratory facilities sufficient for the foreseeable future needs of the Group. This move was very cost-effective, as the Group's rent is lower, and it also qualifies Syntopix for both European and regional grant support.

Outlook

The last twelve months have been exciting for Syntopix. The Group has proved that its screening methodology identifies strong candidate products. It has consolidated its laboratory capability and moved its operations to Bradford. It has a strong patent portfolio and is now progressing its lead candidates into preliminary clinical development. Syntopix has a strong capability to develop a pipeline of innovative dermatological products. The funding is now in place to drive its product candidates through the clinic and into commercial relationships with the objective of realising significant value for shareholders.



Dr Gwyn Humphreys
Chairman
27 September 2006

"We are extremely pleased to have made significant scientific advancements since the flotation of Syntopix in March this year. We have selected three lead candidates from our portfolio to enter formulation and clinical studies in line with expectations and I am very excited about the quality of our development programme."

The Group is well positioned to create new and

Introduction

Over the last twelve months Syntopix has made significant progress in the discovery and development of innovative drug candidates for the treatment of acne and staphylococcal skin infections, our principal areas of focus in the dermatology market. Syntopix, which was founded in 2003, has dedicated its resources to the discovery and development of therapeutic products against these indications and we believe the Group is well positioned to create new and much needed therapies.

The global market for our products is reasonably large with acne accounting for some 22% of skin disease, or approximately \$3.3 billion in value. Acne has been largely regarded as a teenage condition but increasingly recognised problems of late-onset and persistent acne are expanding the potential market size. Superficial *Staphylococcus aureus* infections account for some 5% of the market, with a value of approximately \$0.75 billion.

During the period under review we have continued to successfully screen combinations of compounds from our library of approximately 1,000 compounds and now have a pipeline of candidates that have shown synergistic actions against *Propionibacterium acnes* and/or *S. aureus*.

To date, management of superficial *Staphylococcus aureus* infections and prophylaxis of nasal carriage continues to rely heavily upon antibiotics with associated concerns about rising resistance rates. Our approach, which uses synergistic combinations of antimicrobial compounds, has the potential to mitigate the problem of drug resistance.

The Group has carried out consultancy and contract work for other pharmaceutical companies throughout the year. Although the revenue has been modest at £31,914 (2005: £61,156) the relationships formed with the companies for which we have carried out this work could be the basis for future partnerships or collaborations. Discussions have also taken place with several potential partners in other pharmaceutical companies who have interests in the dermatological area.

Discovery and development

During the year we have made significant scientific advances, culminating in the selection of three lead candidates from our portfolio to enter formulation and pre-clinical trials. It is intended that these will commence clinical trials in early 2007.

Our first candidate, SYN-24-0017, is an anti-oxidant present in a wide variety of foods and cosmetics. It will enter pre-clinical development as a remedy for the prevention and treatment of *S. aureus* infections.

Our second candidate is a synergistic combination of SYN-24-0017 with a metal salt that will be developed as a topical treatment for acne vulgaris.

The third candidate, which will also be developed as a treatment for acne, will be a synergistic combination of SYN-24-0401 and SYN-24-0016 or SYN-24-0017 (previously SYN-24-0403) (or its salt). SYN-24-0401 is an anti-fungal ingredient in personal healthcare products. SYN-24-0016 is an oxidising agent present in a number of pharmaceutical preparations. The Board has decided to substitute SYN-24-0016 or SYN-24-0017 for SYN-24-0403 due to stronger intellectual property protection over the combination of SYN-24-0401 and SYN-24-0403.

much needed therapies in dermatology

Intellectual property

We have continued throughout the year to file for patents based on the growing pipeline of new synergistic combinations of compounds. At the year end we had seven submitted patents.

Financials

The balance sheet was strengthened considerably in March 2006 with the flotation on AIM. The placing at the time of the flotation raised £3.3 million net of expenses through the issue of 2,259,887 ordinary shares at a placing price of 177p. Turnover in the period was £31,914 (2005: £61,156) and the net loss was £910,846 (2005: net loss £99,660), equating to a loss per share of 21.6p (2005: loss per share of 3.7p). Net cash as at 31 July 2006 was £3,247,430 (2005: £645,423).

Staff levels have been increased during the financial year, with the addition of an administrator, a part-time technician and a Chief Operating Officer, and subsequent to the year end we appointed an additional Research Scientist. Overhead costs however remain as forecast, due in part to the move from our previous high cost premises at Leeds University to low cost purpose built offices and laboratories at the Institute of Pharmaceutical Innovation at University of Bradford. The Group qualifies for repayable research and development tax credits amounting to £86,000 for the year in respect of its research activity.

Conclusion

We have continued to invest in the research and development of our drug candidates and this will increase as we enter the formulation and clinical stages of our product development. The current financial year will be a pivotal year for Syntopix and we look forward with confidence to the opportunities ahead both in terms of the development of our product portfolio and of our commercial relationships.



Dr Rod Adams
Chief Executive Officer
27 September 2006

06 Board of directors and advisers

Dr Gwyn Humphreys **Chairman**

Prior to joining Syntopix, Gwyn was a founder and Managing Director of Bradford Particle Design Limited, a successful UK university spin-out company, which developed super critical fluid technology used to control particle size in drug formation. Bradford Particle Design Limited was sold in January 2001 to Inhale Therapeutics Inc. (since renamed Nektar Therapeutics Inc.) for \$200 million.

Dr Rod Adams **Chief Executive Officer**

Rod was a founder and Managing Director of Adams Healthcare Limited, a business focused on prescription and hospital dermatology products and infection control. Rod led the management buyout of Adams Healthcare Limited from DePuy International Limited in 1997.

Adams Healthcare Limited was acquired by Medical Solutions plc in 2000, with Rod becoming Chief Operating Officer of that company and also maintaining his position as Managing Director of Adams Healthcare Limited. In 2002 he sold the Adams Healthcare division of Medical Solutions to Ecolab Inc., becoming European Projects Director for Ecolab, based in Germany, until 2004.

Dr Stephen Jones **Chief Operating Officer**

Stephen is a highly experienced pharmaceutical industry executive with a track record in both branded medicines and consumer healthcare and a successful history of new product development. Stephen was most recently at GlaxoSmithKline (GSK) where he held the position of Vice President and Director of Consumer Healthcare Research and Development.

Stephen joined GSK in 1997 as a Senior Director of New Product Development where he was responsible for sixty staff and for the development of semi-solid dosage forms. Prior to joining GSK Stephen worked for companies including Scherer Drug Delivery Systems, Sterling Winthrop, Beecham Pharmaceuticals Research Division, Merck Sharp & Dohme and Amersham International.

Dr Jon Cove **Research Director**

Jon is a founder shareholder of Syntopix and is currently seconded to the Group from the University of Leeds, where he is a Senior Lecturer in the Institute of Molecular and Cellular Biology. Jon's areas of expertise are in the evolution and mechanisms of antibiotic resistance in skin bacteria and he has previous experience of working in the pharmaceutical industry.

In collaboration with Dr Anne Eady, Jon has established research and/or consultancy links with commercial sponsors including Galderma, Roche, Sanofi-Aventis, Unilever, Stiefel, Smith and Nephew and ProStrakan.

Darren Bamforth
Finance Director and Company Secretary

Darren is a qualified Chartered Accountant and a director of Atraxa Consulting Limited, his own business advisory practice which specialises in supporting early stage and growing companies. Darren has been the Finance Director of the Group on a consultancy basis since the formation of Syntopix Limited in 2003. Prior to establishing his own practice in 2002, Darren was a senior manager with KPMG.

Dr Anne Eady
Research Director

Anne is a founder shareholder of Syntopix and is an internationally recognised skin microbiologist, with particular expertise in acne, acne clinical trial methodology and the dermatological use of antibiotics. She has worked extensively with clinicians and pharmaceutical companies on a variety of basic and applied research projects and has advised on microbiological aspects of a number of regulatory submissions. Anne works two days a week for the Group and one day a week as a Principal Research Fellow at the University of Leeds. Anne is also an Honorary Research Fellow in Dermatology at Harrogate District Hospital.

Alan Aubrey
Non-Executive Director

Alan established Techtran Group Limited, the intellectual property commercialisation partner of the University of Leeds in 2002 and was its Chief Executive Officer when the business was acquired by IP Group plc in January 2005. Previously he was a partner with KPMG where he specialised in corporate finance advice to technology based fast growth companies and has significant experience in helping them raise money and prepare for flotation or sale. Alan is a qualified Chartered Accountant and is now Chief Executive Officer of IP Group plc, a substantial shareholder of Syntopix through its subsidiary Techtran Group Limited.

Dr Helen Shaw
Non-Executive Director

Helen qualified with a degree in medicine and worked as a medical practitioner for a number of years before entering the pharmaceutical industry. She worked for Boots Healthcare International from 1995 until January 2006, becoming Medical Director in May 2003. Helen was responsible for clinical and medical aspects of global product development, including idea generation, regulatory submission and in-market support. Helen's portfolio included Clearasil and E45. Reckitt Benckiser acquired Boots Healthcare International for £1.9 billion in February 2006. Helen joined Syntopix in January 2006.

Company number
 05656604

Registered office
 Institute of Pharmaceutical
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 Bradford BD7 1DP

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Nominated adviser and broker
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 London EC2N 1PH

Registrars
 Capita Registrars
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 Fenay Bridge
 Huddersfield HD8 0LA

Auditors
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 1 City Square
 Leeds LS1 2DP

Solicitors
 Walker Morris
 Kings Court
 12 King Street
 Leeds LS1 2HL

08 Directors' report

The Directors hereby present their annual report and audited financial statements for the year ended 31 July 2006 and for the Company for the period from 16 December 2005 (date of incorporation) to 31 July 2006. Syntopix Group plc acquired the whole of the issued share capital of Syntopix Limited on 15 March 2006 by way of a share for share exchange. As explained in the accounting policies (basis of consolidation) this combination has been accounted for under the merger accounting convention and accordingly the results for the Group are presented as if Syntopix Limited (and its subsidiary undertaking at the date of the share for share exchange) had always been part of Syntopix Group plc, even though the latter company was only incorporated on 16 December 2005.

Incorporation and change of name

The Company was incorporated on 16 December 2005 as Pop Tart Limited and passed a special resolution to change its name to Syntopix Group Limited on 4 February 2006, and subsequently changed its name to Syntopix Group plc on 16 March 2006.

Principal activities, business review and future developments

Syntopix Group plc is engaged in the discovery and development of drugs for the topical treatment of common dermatological diseases, currently focusing on acne and superficial *Staphylococcus aureus* infections. A more detailed review of the Group's activities during the last year and its prospects is given in the Chief Executive's Statement on page 4.

Dividends

The Directors do not recommend a dividend for the year.

Directors

The following Directors have held office since 16 December 2005, the date of Syntopix Group plc's incorporation (unless otherwise stated):

Dr Rod Adams	appointed 4 February 2006	
Mr Alan Aubrey	appointed 15 March 2006	
Mr Darren Bamforth	appointed 15 March 2006	
Dr Jon Cove	appointed 4 February 2006	
Dr Anne Eady	appointed 4 February 2006	
Dr Gwyn Humphreys	appointed 4 February 2006	
Dr Stephen Jones	appointed 1 July 2006	
Dr Helen Shaw	appointed 15 March 2006	
York Place Nominees Limited	appointed 16 December 2005	resigned 4 February 2006

Directors' interests in shares and options

Directors' interests in the shares of the Company, including family interests, were as follows:

	Ordinary shares of 10p each at 31 July 2006	On incorporation
Dr Rod Adams	183,485	—
Mr Alan Aubrey	63,726	—
Mr Darren Bamforth	2,825	—
Dr Jon Cove	263,846	1
Dr Anne Eady	263,846	—
Dr Gwyn Humphreys	163,645	—
Dr Stephen Jones	—	—
Dr Helen Shaw	—	—

Under the rules of the Syntopix Group plc EMI Share Option Plan, and the Syntopix Group plc Executive Share Option Plan, the Directors have been granted an interest in options over ordinary shares of 10p each as follows:

	Number of options granted in the year	At 31 July 2006	Exercise price
Dr Stephen Jones	284,198	284,198	£1.77
Mr Darren Bamforth	28,420	28,420	£1.77
Dr Helen Shaw	28,420	28,420	£1.77

Directors' interests in shares and options (continued)

The options granted to Dr Stephen Jones vest upon the satisfaction of certain performance criteria, and become exercisable between two and ten years after vesting.

The options granted to Mr Darren Bamforth are exercisable after 23 March 2007 provided that he remains a Director of the Company, or if he has ceased to be a Director prior to this date as a result of a full time Finance Director being appointed or his departure being mutually agreed with the Company and not as a result of misconduct or underperformance.

The options granted to Dr Helen Shaw are exercisable from 23 March 2007 subject to a performance condition. The performance condition will be satisfied upon a review panel, comprising the Company's Chief Executive Officer and Scientific Director, concluding that she has performed to a satisfactory level certain tasks delegated to her at the time of her appointment. The tasks relate to the chairing and operation of the Scientific Advisory Panel and the establishment of internal procedures for the registration of non-prescription products. The first review to be conducted by the review panel will occur six months following admission to AIM (23 March 2006).

There have been no changes in any Directors' interests in shares or options between 31 July 2006 and 27 September 2006.

Employment policy

It is the policy of the Group to operate a fair employment policy. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The Directors encourage employees to be aware of all issues affecting the Group and place considerable emphasis on employees sharing in its success through its employee share option scheme.

Environment

The Group adheres to all environmental regulations and has, where possible, utilised environmental-sustaining policies such as recycling and waste reduction.

Research and development

The Group is undertaking research and development work to support the drug discovery activities. During the year the Group has incurred expenditure amounting to £493,645 in respect of research and development. This expenditure has been charged to the Profit and Loss Account during the year.

Substantial shareholdings

At 26 September 2006, being the latest practicable date prior to the publication of this document, the Company has been advised of the following shareholdings of 3% or more in the issued share capital of Syntopix Group plc:

	Number of shares	Percentage of issued shares
Dr Rod Adams	183,485	3.2%
Chase Nominees Limited	473,475	8.3%
Dr Jon Cove	263,846	4.6%
Credit Suisse Client Nominees (UK) Limited	380,000	6.7%
Dr Anne Eady	263,846	4.6%
Morstan Nominees Limited	225,989	4.0%
Ridings Early Growth Investment Company Limited	188,776	3.3%
Techtran Group Limited	920,855	16.2%
The University of Leeds	390,000	6.9%
Vidacos Nominees Limited	200,989	3.5%
The Wellcome Trust Limited	519,168	9.1%
White Rose Technology Limited	470,764	8.3%

Payment of suppliers

It is the Group's policy to pay suppliers in accordance with the terms and conditions agreed in advance, providing all trading terms and conditions have been met. All payments are made in the ordinary course of business and the Group expects to pay all supplier debts as they become due.

Trade creditor days for the Group, based largely on the creditors of the main trading subsidiary, Syntopix Limited at 31 July 2006 were 28 days.

Trade creditor days for the Company at 31 July 2006 were 21 days.

10 Directors' report (continued)

Risk factors

The Group's operations and earnings are subject to various risks. The principal risks are highlighted below:

a) Early stage of operations

The Group is at an early stage of development. As a result, the commencement of the Group's material revenues is difficult to predict and there is uncertainty that the Group will generate material revenues in the foreseeable future.

b) Research and development risk

The Group is engaged in the discovery and development of drugs in complex scientific areas. Industry experience indicates a very high incidence of delay or failure to produce results. The Group may not be able to initiate new drug discovery and development opportunities beyond its current product development plan. A key element supporting the Group's strategy is the screening of compounds with appropriate activities for further development. There can be no assurance that the Group will continue to identify such compounds and this could have an adverse effect on the ability of the Group to identify lead candidates for further pre-clinical development and clinical trials. In addition, results in pre-clinical development and clinical trials may be different from those obtained in long term testing or inconclusive results may delay or halt the further development of lead candidates. The projected timetable for continued development of the technologies and the lead candidates by the Group and/or its partners or licensees may otherwise be subject to delay and suspension.

Other operational risks include:

- reliance on the contribution of the founding scientists;
- intellectual property protection; and
- regulatory approval for the Group's products.

Financial instruments

Details of the Group's exposure to financial risks are set out in Note 14 to the financial statements.

Statement of Directors' responsibilities

Company law requires directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company and the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking steps to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditors

All of the current Directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors

BDO Stoy Hayward LLP were appointed as first auditors of the Company during the period. A resolution to re-appoint BDO Stoy Hayward LLP, Chartered Accountants, as auditors will be put to members at the Annual General Meeting.

By order of the Board



Mr Darren Bamforth
Company Secretary
27 September 2006

Corporate governance

Syntopix Group plc was listed on AIM on 23 March 2006. The Group recognises the importance of, and is committed to, high standards of corporate governance. Syntopix Group plc, as an AIM Company, is not required to comply with the July 2003 Combined Code on Corporate Governance (the Combined Code), although it has adopted the Combined Code principles as set out below.

The Board and its committees

The Board

There are currently eight Board members, comprising five Executive Directors and three Non-Executive Directors. The role of the Non-Executive Directors is to bring independent judgement to Board deliberations and decisions. The Chairman of the Board is a Non-Executive Director who oversees Board meetings and fields all concerns regarding the executive management of the Group and the performance of the Executive Directors. A biography of each Director appears on pages 6 and 7. The Directors each have diverse backgrounds and a wide range of experience is available to the Group. The Board meets on a monthly basis to review the Group's performance and to review and determine strategies for future growth. The Board has delegated specific responsibilities to its committees as set out below.

Each of the Executive Directors is subject to either an executive services agreement with a twelve month notice period or a letter of appointment with between three and twelve month notice periods. Each of the Non-Executive Directors is subject to a letter of appointment with a three month notice period. Syntopix Group plc's Articles of Association require directors to retire from office and submit themselves for re-election on a one third rotation at each Annual General Meeting. Dr Gwyn Humphreys, Dr Jon Cove and Mr Darren Barnforth will be retiring at the Annual General Meeting and submitting themselves for re-election.

Board attendance

Seven scheduled Board meetings were held for Syntopix Group plc during the period from its incorporation in December 2005 to 31 July 2006.

	Attended Board meetings
Dr Rod Adams	7
Mr Alan Aubrey	4
Mr Darren Barnforth	6
Dr Jon Cove	7
Dr Anne Eady	7
Dr Gwyn Humphreys	7
Dr Steve Jones (appointed 1 July 2006)	—
Dr Helen Shaw	5

The committees

Nomination Committee

The Nomination Committee is comprised entirely of Non-Executive Directors, being Dr Helen Shaw as Chairman, Mr Alan Aubrey and Dr Gwyn Humphreys. The committee oversees the structure and balance of the Board generally and is responsible for screening and proposing candidates for appointment to the Board.

Remuneration Committee

The Group's Remuneration Committee also comprises the Non-Executive Directors, being Dr Helen Shaw as Chairman, Mr Alan Aubrey and Dr Gwyn Humphreys. The committee is responsible for reviewing the salary and benefits offered to Executive Directors as well as the Group's non-Director senior management. Specifically, the committee is responsible for determining contract terms, compensatory share options and pension rights. The Board as a whole determines the compensation for all Non-Executive Directors. Further details regarding the Directors' individual remuneration are set out in the Report of the Directors on Remuneration on pages 13 to 14.

Audit Committee

The Audit Committee similarly is comprised of Non-Executive Directors, being Dr Helen Shaw as Chairman, Mr Alan Aubrey and Dr Gwyn Humphreys. The Audit Committee supervises the Group's external auditors, including appointment and compensation. The Audit Committee is also responsible for ensuring the accuracy of the interim and annual reports, as well as compliance with all applicable standards and regulations.

Relations with shareholders

The Board recognises and understands that it has a fiduciary responsibility to the Group's shareholders. The Chairman's Statement and Chief Executive's Statement include detailed analysis of the Group's performance and future expectations. The Group's website (www.syntopix.com) allows shareholders access to Company information, including contact details and the current share price.

The Annual General Meeting will be a platform for the Board to communicate with shareholders and the Board welcomes the attendance and participation of all shareholders.

Corporate governance (continued)

Internal control and risk management

The Board requires strict internal control procedures for the Group. Upon the advice of the Board, the Executive Directors each assumed responsibility for specific aspects of the Group's operations. The Executive Directors also regularly liaise with Non-Executive Directors regarding accounting practices and legal compliance. The Board and senior management are aware of the importance of adhering to the financial and accounting policies of the Group. The Board discusses any relevant changes to accounting policies and if necessary, discusses the impact of such changes with external financial advisers to facilitate compliance.

Internal audit

The Board agrees that there should be no internal audit function of the Group at this time considering the size of the Group and the close involvement of senior management over the Group's accounting systems. However, the Board will keep this matter under review in the event that circumstances warrant an internal function for the Group in the future.

Budgetary process

The Board approves the annual budget each year. This process allows the Board to identify key performance targets and risks expected during the upcoming year. The Board also considers the agreed budget when reviewing trading updates and considering expenditures throughout the year.

Going concern

Having made appropriate enquiries, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future.

Approved by the Board



Dr Rod Adams
Chief Executive Officer
27 September 2006

Report of the Directors on remuneration

Remuneration committee

The Remuneration Committee is described in the Report on Corporate Governance on pages 11 to 12. The remuneration for each Executive Director is determined by the Remuneration Committee, which is composed solely of Non-Executive Directors: Dr Helen Shaw, Mr Alan Aubrey and Dr Gwyn Humphreys. None of the committee members has any personal financial interest, other than as shareholders, in the matters to be decided.

Remuneration policy

The remuneration packages for Directors and senior management have been structured so as to fairly compensate them for their contribution to the Group and to encourage them to remain within the Group. The basic components of these packages include:

Basic salary and bonus arrangements

Each Director receives an annual salary or Directors' fee for his/her services. These salaries are reviewed annually by the Remuneration Committee. The Group operates a discretionary bonus scheme. The Remuneration Committee is entitled to decide whether any bonuses are payable, and if so, what amount bonuses should be granted to Executive Directors.

Service contracts

It is the Company's policy to enter into service contracts or letters of appointment with all Directors.

Currently, Dr Gwyn Humphreys, Dr Rod Adams and Dr Anne Eady have entered into service agreements for an initial term of twelve months from 23 March 2006 and thereafter until terminated by either party on six months' notice.

Mr Darren Bamforth, Mr Alan Aubrey, Dr Jon Cove and Dr Helen Shaw entered into letters of appointment commencing on 23 March 2006.

Mr Darren Bamforth was appointed for an initial period of three months and thereafter until terminated by either party giving the other three months' notice. Mr Alan Aubrey, Dr Jon Cove and Dr Helen Shaw were appointed for an initial term of twelve months and thereafter until terminated by either party giving the other three months' notice.

None of the service contracts or letters of appointment provide for any termination payments.

Share options

Certain Directors were granted share options at the time of the flotation of the Company, or subsequently on joining the Board. The Board may grant further options as and when deemed appropriate.

Pensions and benefits in kind

All staff, Executive Directors and senior management are entitled to participate in the stakeholder pension plan established by the Group. Benefits are provided to certain Executive Directors, including life assurance, private health cover and relocation allowances. The Group does not provide any company cars to any of its Directors or employees.

Directors' remuneration

Directors' remuneration year ended 31 July 2006

	Salary and fees 2006 £	Bonus 2006 £	Benefits in kind 2006 £	Total 2006 £	Pension contributions 2006 £
Executive Directors					
Dr Rod Adams	49,041	—	—	49,041	—
Mr Darren Bamforth	8,500	—	—	8,500	—
Dr Jon Cove	10,000	—	—	10,000	400
Dr Anne Eady	24,844	—	—	24,844	500
Dr Stephen Jones	9,167	—	—	9,167	917
	101,552	—	—	101,552	1,817
Non-Executive Directors					
Mr Alan Aubrey	10,000	—	—	10,000	—
Dr Gwyn Humphreys	21,750	—	—	21,750	—
Dr Helen Shaw	11,250	—	—	11,250	—
	43,000	—	—	43,000	—

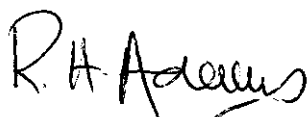
Report of the Directors on remuneration (continued)

Directors' remuneration (continued)

Directors' remuneration year ended 31 July 2005

	Salary and fees 2005 £	Bonus 2005 £	Benefits in kind 2005 £	Total 2005 £	Pension contributions 2005 £
Executive Directors					
Dr Jon Cove	—	—	—	—	—
Dr Anne Eady	19,226	—	—	19,226	—
	19,226	—	—	19,226	—
Non-Executive Directors					
Dr Rod Adams	7,500	—	—	7,500	—
Dr Gwyn Humphreys	7,500	—	—	7,500	—
	15,000	—	—	15,000	—

Approved by the Board



Dr Rod Adams
Chief Executive Officer
27 September 2006

Independent auditors' report

To the members of Syntopix Group plc

We have audited the Group and parent company financial statements (the "financial statements") of Syntopix Group plc for the period ended 31 July 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive's Statement, the Directors' Report, the Corporate Governance Report and the Report of the Directors on Remuneration. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 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 the Companies Act 1985 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.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which are considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion:

In our opinion:

- the Group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 31 July 2006 and of the Group's loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 July 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
1 City Square
Leeds LS1 2DP
27 September 2006

Consolidated profit and loss account

for the year ended 31 July 2006

	Notes	Year ended 31 July 2006 £	Year ended 31 July 2005 £
Turnover	1	31,914	61,156
Research and development costs		(493,645)	(171,075)
Administrative expenses		(592,150)	(105,563)
Other operating income		2,949	111,565
Operating loss		(1,050,932)	(103,917)
Interest receivable	2	53,993	4,257
Interest payable	3	(76)	—
Loss on ordinary activities before taxation	4	(997,015)	(99,660)
Taxation	6	86,169	—
Loss for the financial period	16	(910,846)	(99,660)
Loss per share			
Basic and diluted	7	(21.6p)	(3.7p)

No separate statement of total recognised gains and losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

As explained in the accounting policies (basis of consolidation) the profit and loss account has been prepared using merger accounting principles and is presented as if the Group had been in existence throughout the current and prior periods.

All Group activities relate to continuing operations.

The accompanying accounting policies and notes on pages 20 to 28 form an integral part of the financial statements.

Consolidated balance sheet

as at 31 July 2006

	Notes	At 31 July 2006 £	At 31 July 2005 £
Fixed assets			
Tangible assets	8	121,041	—
Current assets			
Debtors	10	123,976	7,150
Cash at bank and in hand		3,247,430	645,423
		3,371,406	652,573
Creditors: amounts falling due within one year	11	(230,493)	(47,599)
Net current assets		3,140,913	604,974
Total assets less current liabilities		3,261,954	604,974
Creditors: amounts falling due after more than one year	12	—	(62,101)
Provision for liabilities and charges	13	—	—
Net assets		3,261,954	542,873
Capital and reserves			
Called up share capital	15	568,398	264,788
Share premium account	16	3,379,046	—
Merger reserve	16	337,935	390,664
Profit and loss account	16	(1,023,425)	(112,579)
Equity shareholders' funds	17	3,261,954	542,873

The accompanying accounting policies and notes on pages 20 to 28 form an integral part of the financial statements.

Approved by the Board and authorised for issue on 27 September 2006.



Dr Rod Adams
Chief Executive Officer



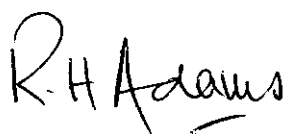
Mr Darren Bamforth
Finance Director

18
Company balance sheet
as at 31 July 2006

	Notes	At 31 July 2006 £
Fixed assets		
Investments	9	338,901
Current assets		
Debtors	10	338,555
Cash at bank and in hand		3,170,181
		3,508,736
Creditors: amounts falling due within one year	11	(20,732)
Net current assets		3,488,004
Total assets less current liabilities		3,826,905
Provisions for liabilities and charges	13	—
Net assets		3,826,905
Capital and reserves		
Called up share capital	15	568,398
Share premium account	16	3,379,046
Profit and loss account	16	(120,539)
Equity shareholders' funds	17	3,826,905

The accompanying accounting policies and notes on pages 20 to 28 form an integral part of the financial statements.

Approved by the Board and authorised for issue on 27 September 2006.



Dr Rod Adams
Chief Executive Officer



Mr Darren Bamforth
Finance Director

Consolidated cash flow statement

for the year ended 31 July 2006

	Notes	Year ended 31 July 2006 £	Year ended 31 July 2005 £
Cash outflow from operating activities	18a	(878,390)	(77,580)
Returns on investments and servicing of finance	18b	53,917	4,257
Taxation		—	—
Capital expenditure and financial investment	18b	(141,346)	—
Cash outflow before financing		(965,819)	(73,323)
Financing	18b	3,567,826	704,633
Increase in cash in the period		2,602,007	631,310

Reconciliation of net cash flow to movement in net funds

	Notes	Year ended 31 July 2006 £	Year ended 31 July 2005 £
Increase in cash in the period	18c	2,602,007	631,310
Cash outflow/(inflow) from decrease/(increase) in debt financing		62,101	(62,101)
Other non-cash movements		—	12,916
Movement in net funds in the period		2,664,108	582,125
Net funds at the beginning of the period		583,322	1,197
Net funds at the end of the period	18c	3,247,430	583,322

The accompanying accounting policies and notes on pages 20 to 28 form an integral part of the financial statements.

Accounting policies

for the year ended 31 July 2006

Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards in the United Kingdom.

Basis of consolidation

The Group's financial statements consolidate the financial statements of Syntopix Group plc and all its subsidiaries made up to 31 July 2006. No separate profit and loss account is presented for Syntopix Group plc as permitted by Section 230 of the Companies Act 1985. The Group loss for the period includes a loss after taxation of £120,539 which is dealt with in the financial statements of the parent company.

On 15 March 2006, Syntopix Group Limited entered into a share for share exchange agreement with the shareholders of Syntopix Limited, whereby Syntopix Group Limited acquired the entire issued share capital of Syntopix Limited and its subsidiaries, the consideration being satisfied by the allotment of ordinary shares in Syntopix Group Limited to the shareholders of Syntopix Limited. On 16 March 2006 the Company was re-registered as a public limited company under the name of Syntopix Group plc.

This acquisition has therefore been accounted for as a merger as permitted by Financial Reporting Standard 6 as if the Group (as currently constituted) had been in place throughout the whole of the period covered by these financial statements. As such, the results for the year ended 31 July 2006 have been presented as though Syntopix Limited and its subsidiaries had always been part of Syntopix Group plc, even though Syntopix Group plc itself was only incorporated on 16 December 2005.

Basis of comparative information

The comparative Consolidated Profit and Loss Account has been presented as if the merger took place on the first day of each financial period presented and as though the Group had been in existence throughout these periods. The figures for the year ended 31 July 2005 have been extracted from the audited Syntopix Limited accounts adjusted for the shares issued by the Company as consideration as if they had always been in issue.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Computer equipment	–	33% straight line basis
Plant and machinery	–	20% straight line basis
Fixtures and fittings	–	20% straight line basis

Investments

Fixed asset investments are stated at cost less provision for diminution in value where appropriate.

Research and development

Development expenditure is carried forward when its future recoverability can be foreseen with reasonable assurance and is amortised in line with sales from the related product. All research and other development costs are written off as incurred.

Turnover

Turnover comprises contract research and consultancy fees and is stated net of VAT. Turnover is recognised in the profit and loss account on completion of contract research and consultancy work.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Any exchange differences are written off against profits in the period in which they are incurred.

Pensions

The Group operates a stakeholder pension plan for which all employees are eligible.

Share based employee remuneration

When shares and share options are awarded to employees a charge is made to the profit and loss account based on the difference between the market value of the Company's shares at the date of grant and the option exercise price in accordance with UITF Abstract 17 (revised 2003) 'Employee Share Schemes'. The credit entry for this charge is taken to the profit and loss reserve and reported in the reconciliation of movements in shareholders' funds.

Notes to the financial statements

for the year ended 31 July 2006

1 Turnover

The Group's turnover was all derived from pharmaceutical contract research. Sales were made in the following geographic areas:

	2006 £	2005 £
United Kingdom	1,000	14,773
Rest of the European Union	6,300	—
Other Europe	—	2,383
United States of America	24,614	44,000
	31,914	61,156

2 Interest receivable

	2006 £	2005 £
Bank interest receivable	53,993	4,257

3 Interest payable

	2006 £	2005 £
Bank interest payable	76	—

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2006 £	2005 £
Depreciation – owned assets	20,305	—
Operating lease rentals – land and buildings	27,105	10,870
Research and development cost	493,645	171,075
Auditors' remuneration		
Audit fees	18,000	6,000
Non audit fees (flotation advisory services)	55,000	—

5 Employees

The average monthly number of people (including directors) employed by the Group during the period was:

	Group		Company
	2006	2005	2006
Management and administration	9	5	8
Research and development	7	5	—
	16	10	8

Notes to the financial statements (continued)

for the year ended 31 July 2006

5 Employees (continued)

	Group		Company
	2006 £	2005 £	2006 £
Staff costs for the above persons:			
Wages and salaries	338,627	198,396	71,333
Social security costs	30,764	15,353	4,648
Pension costs	10,544	—	—
	379,935	213,749	75,981

Directors' remuneration

The Directors received total emoluments of £146,369 including pension contributions of £1,817 (2005: total emoluments of £34,226, pension contributions £nil). For further details, please see the Report of the Directors on Remuneration on pages 13 and 14.

6 Taxation

	2006 £	2005 £
Current tax:		
UK corporation tax – research and development tax credits	(86,169)	—
Deferred tax:		
Origination and reversal of timing differences	—	—
	(86,169)	—

Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The difference is explained below:

	2006 £	2005 £
Loss on ordinary activities before tax	(997,015)	(99,660)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 – 19%)	(299,104)	(18,935)
Effects of:		
Non deductible expenses	36,856	—
Research and development tax credits	21,541	—
Capital allowances in excess of depreciation	(36,312)	—
Losses carried forward	191,411	18,935
Benefit of marginal rate of tax	(561)	—
Current tax credit	(86,169)	—

The Group has approximately £779,073 (2005: £141,040) which, subject to agreement with HM Revenue and Customs, are available to carry forward against future profits of the same trade.

7 Basic and diluted earnings per share

	2006 £	2005 £
Loss for the financial period	(910,846)	(99,660)
Weighted average number of shares	No. of shares	No. of shares
For basic and diluted earnings per share	4,211,384	2,647,879

The comparative figures are proforma based on the number of shares that would have been in issue had the capital structure of the new parent company always been in place.

8 Tangible fixed assets

Group	Fixtures and fittings £	Computer equipment £	Plant and machinery £	Total £
Cost				
1 August 2005	—	—	—	—
Additions	1,122	20,217	120,007	141,346
31 July 2006	1,122	20,217	120,007	141,346
Depreciation				
1 August 2005	—	—	—	—
Charged in the period	56	4,561	15,688	20,305
31 July 2006	56	4,561	15,688	20,305
Net book value				
31 July 2006	1,066	15,656	104,319	121,041
31 July 2005	—	—	—	—

9 Investments

Company	Investment in subsidiaries £
Cost	
Additions	338,901
31 July 2006	338,901
Net book value	
31 July 2006	338,901

Details of the subsidiary undertakings of the Company are as follows:

	Class of share	Proportion held	Nature of business
Syntopix Limited	Ordinary	100%	Drug development
Syntopix Services Limited	Ordinary	100%	Contract research

All subsidiary undertakings are incorporated in England and Wales. On 15 March 2006 the Company entered into a share for share agreement with the shareholders of Syntopix Limited, whereby the Company acquired the entire issued share capital of Syntopix Limited. As a result, Syntopix Limited became a wholly owned subsidiary of the Company.

10 Debtors

	Group		Company
	2006 £	2005 £	2006 £
Due within one year:			
Amounts owed by subsidiary undertakings	—	—	312,941
Corporation tax recoverable	86,169	—	—
Other debtors	4,100	7,150	—
Prepayments and accrued income	33,707	—	25,614
	123,976	7,150	338,555

Notes to the financial statements (continued)

for the year ended 31 July 2006

11 Creditors: amounts falling due within one year

	Group		Company
	2006 £	2005 £	2006 £
Trade creditors	152,563	16,744	20,732
Other taxation and social security	42,546	—	—
Other creditors	—	2,949	—
Accruals and deferred income	35,384	27,906	—
	230,493	47,599	20,732

12 Creditors: amounts falling due after more than one year

	Group		Company
	2006 £	2005 £	2006 £
Shareholder loans	—	62,101	—

13 Provisions for liabilities and charges

Deferred tax assets have not been recognised as the Directors consider that this would be inappropriate as the Group is not expected to realise sufficient profits in the foreseeable future. This will be reassessed at such time as the Group makes a profit. The amount unrecognised of the total potential liability/(asset) is as follows:

Group	2006		2005	
	Amount recognised £	Amount unrecognised £	Amount recognised £	Amount unrecognised £
Tax effect of timing differences:				
Excess of capital allowances over depreciation	—	36,312	—	—
Tax effect of losses carried forward	—	(233,722)	—	(42,312)
	—	(197,410)	—	(42,312)

14 Financial instruments

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments, such as trade debtors and trade creditors that arise directly from its operations. The Group has taken advantage of the exemption to exclude short term debtors and creditors from the disclosures given below other than in respect of currency exposures.

	Financial assets 2006				Financial liabilities 2006				Net financial assets/ liabilities 2006 Total £
	Fixed rate £	Floating rate £	Non interest bearing £	Total £	Fixed rate £	Floating rate £	Non interest bearing £	Total £	
Cash and short term deposits	3,100,000	147,430	—	3,247,430	—	—	—	—	3,247,430

	Financial assets 2005				Financial liabilities 2005				Net financial assets/ liabilities 2005 Total £
	Fixed rate £	Floating rate £	Non interest bearing £	Total £	Fixed rate £	Floating rate £	Non interest bearing £	Total £	
Cash and short term deposits	—	645,423	—	645,423	—	—	—	—	645,423

14 Financial instruments (continued)

It is the Group's policy to limit foreign currency exposure by using financial instruments whenever they are appropriate.

No derivative contracts were entered into during the current or preceding year. It is the Group's policy that no trading in financial instruments should be undertaken. The Company's cash balances increased significantly following flotation on AIM and this cash has been invested in deposit accounts subsequently. The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised as follows:

Interest rate risk

The Group's policy on managing its exposure to interest rate change is agreed at Board level and is reviewed on an ongoing basis. Prior to placing fixed term deposits, the Board reviews interest rates available from the major banks. The weighted average interest rate for fixed rate deposits is 4.26%, and at 31 July 2006 the unexpired terms for fixed rate deposits were as follows:

£600,000	-	2 month fixed deposit expiring 15 August 2006
£1,500,000	-	6 month fixed deposit expiring 15 December 2006
£1,000,000	-	12 month fixed deposit expiring 15 June 2007

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group's policy is to ensure that there is sufficient funding in place to meet foreseeable peak working capital requirements.

Borrowing facilities

The Group has not arranged a borrowing facility as at the balance sheet date.

15 Share capital

Authorised

	2006 £
10,000,000 ordinary shares of 10p each	1,000,000

Allotted, issued and fully paid

	£
Issue of one subscriber ordinary share of £1 each	1
Issue of additional shares:	
Share for share agreement of 3,388,999 ordinary shares of 10p each	338,900
Conversion of loans 35,085 ordinary shares of 10p each	3,508
AIM listing 2,259,887 ordinary shares of 10p each	225,989
At 31 July 2006 5,683,981 ordinary shares of 10p each	568,398

The Company was incorporated in England and Wales as a private limited company on 16 December 2005 with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each, of which one subscriber share was issued at par, fully paid, on incorporation.

On 15 March 2006 the authorised share capital was increased to £340,000 by the creation of 339,000 ordinary shares of £1 each; and each ordinary share of £1 each was sub-divided into 10 ordinary shares of 10p each. On the same day the Company entered into a share for share exchange agreement with the shareholders of Syntopix Limited, whereby the Company acquired the entire issued share capital of Syntopix Limited, the consideration being the allotment of 3,388,999 ordinary shares of 10p each at par.

On 16 March 2006 the Company was re-registered as a public limited company. On 17 March 2006 the authorised share capital was increased to £1,000,000 by the creation of 6,600,000 ordinary shares of 10p each. On the same day, the Company entered into an agreement with the holders of loan notes due to Syntopix Limited whereby those loans were repaid, the consideration being the allotment of 35,085 ordinary shares of 10p each at £1.77 per share.

On 23 March 2006 the Company issued a further 1,785,307 ordinary shares of 10p each at £1.77 per share on First Admission to trading on AIM, a market operated by the London Stock Exchange. On 24 March 2006, the Company issued a further 474,580 ordinary shares of 10p each at £1.77 per share on Second Admission to AIM.

These issues generated share premium of £3,832,603 and issue costs of £453,557 were incurred.

Notes to the financial statements (continued)

for the year ended 31 July 2006

15 Share capital (continued)

Share options

Options over ordinary shares of 10p each had been granted at the Balance Sheet date and remain outstanding to be exercised. All the options are deemed to be exercisable immediately in the event of a change of control of the Group or in the event of a full Stock Exchange listing.

Date of grant	Number of Ordinary shares	Exercise price £	Exercise period
Under the Inland Revenue EMI plan:			
15 March 2006	48,620	1.77	24/03/06 – 23/03/07
4 July 2006	56,338	1.80	See note below
20 July 2006	17,052	1.77	20/7/06 – 20/07/15
	122,010		

Under the Executive Plan:

23 March 2006	56,840	1.77	23/03/07 – 23/03/15
4 July 2006	227,860	1.80	See note below
	284,700		

The options granted on 4 July 2006 vest subject to Dr Stephen Jones meeting certain performance criteria, and will become exercisable between two and ten years after vesting.

16 Reserves

Group	Share premium account £	Merger reserve £	Profit and loss account £	Total £
1 August 2005	—	390,664	(112,579)	278,085
Premium on shares issued in the period	3,832,603	—	—	3,832,603
Share issue expenses	(453,557)	—	—	(453,557)
Arising on issue of shares	—	(52,729)	—	(52,729)
Deficit for the period	—	—	(910,846)	(910,846)
31 July 2006	3,379,046	337,935	(1,023,425)	2,693,556
Company				
Premium on shares issued in the period	3,832,603	—	—	3,832,603
Share issue expenses	(453,557)	—	—	(453,557)
Deficit for the period	—	—	(120,539)	(120,539)
31 July 2006	3,379,046	—	(120,539)	3,258,507

17 Reconciliation of movement in shareholders' funds

Group	2006 £	2005 £
Loss for the period	(910,846)	(99,660)
Proceeds from issue of shares	4,136,213	264,788
Share issue expenses	(453,557)	(4)
Merger reserve arising	(52,729)	390,664
Net addition to shareholders' funds	2,719,081	555,788
Opening shareholders' funds	542,873	(12,915)
Closing shareholders' funds	3,261,954	542,873

Company	2006 £
Loss for the period	(120,539)
Proceeds from issue of shares	4,401,001
Share issue expenses	(453,557)
Net addition to shareholders' funds	3,826,905
Opening shareholders' funds	—
Closing shareholders' funds	3,826,905

18 Cash flows**a Reconciliation of operating loss to net cash outflow from operating activities**

	2006 £	2005 £
Operating loss	(1,050,932)	(103,917)
Depreciation	20,305	—
(Increase) in debtors	(30,657)	(7,146)
Increase in creditors	182,894	33,483
Net cash outflow from operating activities	(878,390)	(77,580)

b Analysis of cash flows for headings netted in the cash flow

	2006 £	2005 £
Returns on investments and servicing of finance		
Interest received	53,917	4,257
Net cash inflow from returns on investments and servicing of finance	53,917	4,257
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(141,346)	—
Net cash outflow for capital expenditure and financial investment	(141,346)	—
Financing		
Issue of share capital (net of expenses)	3,629,927	642,532
(Loans repaid)/loans received	(62,101)	62,101
Net cash inflow from financing	3,567,826	704,633

Notes to the financial statements (continued)

for the year ended 31 July 2006

18 Cash flows (continued)

c Analysis of net funds

	At 1 August 2005 £	Cash flow £	At 31 July 2006 £
Cash at bank	645,423	2,602,007	3,247,430
Debts: amounts falling due after more than one year	(62,101)	62,101	—
	583,322	2,664,108	3,247,430

19 Commitments under operating leases

At 31 July 2006 the Group had annual commitments under non-cancellable operating leases as follows:

	2006 £	2005 £
Land and buildings:		
Expiring within one year	53,400	—

20 Related party transactions

The Group has taken advantage of the exemptions conferred by Financial Reporting Standard 8 from the requirement to make disclosure concerning transactions with entities that are owned 90% or more within the Group.

The following transactions took place during the year with other related parties:

Directors' fees amounting to £11,250 and consultancy fees amounting to £5,345 were paid to Four Shaw Consulting Limited, of which Dr Helen Shaw is a Director and controlling shareholder.

Directors' fees amounting to £8,500 and accountancy fees amounting to £36,616 were paid to Atraxa Consulting Limited, of which Mr Darren Bamforth is a Director and controlling shareholder.

The Group paid commission of £25,000 to IP Group plc, of which Mr Alan Aubrey is a Director.

The Group paid £35,250 to Techtran Group Limited, one of the Company's shareholders, and a subsidiary of IP Group plc. These payments were in respect of fees for staff seconded to the Company prior to its Admission on AIM.

The Group paid £65,732 to a shareholder, The University of Leeds. These payments comprised secondment fees amounting to £37,500 in respect of the services of Dr Jon Cove as a Director of the Company, and £28,232 in respect of laboratory consumable costs and the use of laboratory facilities at the University.

All these transactions were undertaken on an arms length basis.

Notice of Annual General Meeting

The Annual General Meeting of Syntopix Group plc will be held at the offices of Walker Morris, King's Court, 12 King Street, Leeds LS1 2HL on 12 December 2006 at 12.00pm. The business of the meeting will be as follows:

Ordinary business

To consider, and if thought fit, pass the following Resolutions which will be proposed as Ordinary Resolutions:

Resolution 1

THAT the Directors' Report and accounts for the year ended 31 July 2006, together with the Auditors' Report thereon, be received and adopted.

The Articles of Association of the Company require that any new Director appointed by the Board shall hold office only until the next Annual General Meeting and shall then be eligible for reappointment.

Resolutions 2 to 9 are proposed in respect of the reappointment of such Directors.

Resolution 2

THAT Dr Rod Adams, who retires in accordance with the Company's Articles of Association and, who being eligible, offers himself for re-election as a Director.

Resolution 3

THAT Mr Alan Aubrey, who retires in accordance with the Company's Articles of Association and, who being eligible, offers himself for re-election as a Director.

Resolution 4

THAT Mr Darren Bamforth, who retires in accordance with the Company's Articles of Association and, who being eligible, offers himself for re-election as a Director.

Resolution 5

THAT Dr Jon Cove, who retires in accordance with the Company's Articles of Association and, who being eligible, offers himself for re-election as a Director.

Resolution 6

THAT Dr Anne Eady, who retires in accordance with the Company's Articles of Association and, who being eligible, offers herself for re-election as a Director.

Resolution 7

THAT Dr Gwyn Humphreys, who retires in accordance with the Company's Articles of Association and, who being eligible, offers himself for re-election as a Director.

Resolution 8

THAT Dr Stephen Jones, who retires in accordance with the Company's Articles of Association and, who being eligible, offers himself for re-election as a Director.

Resolution 9

THAT Dr Helen Shaw, who retires in accordance with the Company's Articles of Association and, who being eligible, offers herself for re-election as a Director.

Resolution 10

THAT BDO Stoy Hayward LLP be re-appointed as auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the shareholders in accordance with the provisions of the Companies Act 1985 and their remuneration be fixed by the Board.

Special business

To consider and if thought fit, (and subject in the case of resolution 12 to the passing of resolution 11), pass the following resolutions which in the case of resolution 11 will be proposed as an ordinary resolution and in the case of resolution 12 will be proposed as a special resolution:

Resolution 11

THAT the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") (in substitution for all existing authorities under the said Section 80) to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to 2,000,120 ordinary shares of 10p each provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of the resolution (or if earlier 16 March 2008) and provided further that the Company may before such expiry make any offers or agreements which would or might require relevant securities to be allotted after such expiry.

Notice of Annual General Meeting (continued)

Special business (continued)

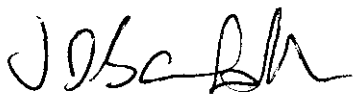
Resolution 12

THAT the Directors of the Company be and are hereby empowered pursuant to Section 95(1) of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) for cash as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- a. the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares (notwithstanding that, by reason of such exclusions or other arrangements as the Directors may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, the equity securities to be issued are not offered to all such holders in proportion to the number of ordinary shares held by each of them); and
- b. the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £56,840

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or if earlier on 16 March 2008), save that the Company may before such expiry make any offers or agreements which would or might require equity securities to be allotted after such expiry.

By order of the Board



Mr Darren Bamforth
Company Secretary
Institute of Pharmaceutical Innovation
University of Bradford
Bradford BD7 1DP

Notes:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his or her behalf. A proxy need not also be a member. Completion and return of a Form of Proxy will not preclude a member from attending and voting at the meeting should the member so decide.
2. To be valid, the enclosed Form of Proxy must be completed and returned so as to reach the Company's Registrars, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 12.00pm on 10 December 2006.
3. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes a member may cast), members must be entered on the Register of Members of the Company by 5.00pm on 10 December 2006.
4. The following documents will be available for inspection during normal business hours at the Company's registered office up until the date of the Annual General Meeting and at the place of the meeting from 12.00pm on 12 December 2006 until the end of the meeting:
 - (i) the audited consolidated accounts of the Company for the year ended 31 July 2006;
 - (ii) the Register of Directors' interests in the capital of the Company; and
 - (iii) a copy of the Memorandum and Articles of Association of the Company.

Form of proxy

For use at the Annual General Meeting to be held at the offices of Walker Morris, King's Court, 12 King Street, Leeds LS1 2HL on 12 December 2006 at 12.00pm.

I/We _____

(BLOCK CAPITALS PLEASE)

Of _____

(ADDRESS)

Being (a) member(s) of Syntopix Group plc hereby appoint the Chairman of the meeting

Or* _____

As my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Walker Morris, King's Court, 12 King Street, Leeds LS1 2HL on 12 December 2006 at 12.00pm and at any adjournment thereof.

I/we wish my/our proxy to vote in respect of the resolutions to be proposed at the Annual General Meeting as indicated below (please indicate with an X in the space below how you wish your vote to be cast).

ORDINARY RESOLUTIONS	FOR	AGAINST	WITHHELD
1. To receive the accounts and the Directors' and Auditors' Reports.			
2. To re-elect Dr Rod Adams as a Director.			
3. To re-elect Mr Alan Aubrey as a Director.			
4. To re-elect Mr Darren Bamforth as a Director.			
5. To re-elect Dr Jon Cove as a Director.			
6. To re-elect Dr Anne Eady as a Director.			
7. To re-elect Dr Gwyn Humphreys as a Director.			
8. To re-elect Dr Stephen Jones as a Director.			
9. To re-elect Dr Helen Shaw as a Director.			
10. To re-appoint BDO Stoy Hayward LLP as auditors of the Company.			
SPECIAL RESOLUTION			
11. To allot relevant securities up to 2,000,120 ordinary shares of 10p each.			
12. To allot equity securities up to an aggregate nominal value of £56,840.			

If this form is signed and returned without any indication as to how the proxy shall vote, he will exercise his discretion as to both how he votes (including as to any amendments to the resolutions) and whether or not he abstains from voting.

Signature _____ Date _____ 2006

NOTES

*You may, if you wish, delete the words "the Chairman of the meeting" and insert here the name(s) of the person(s) of your choice, who need not be a member of the Company, to attend and vote at the Annual General Meeting on your behalf.

To be valid this form must be lodged at the offices of Capita Registrars, PO Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time of the Annual General Meeting. Completion and return of this form shall not preclude a member from attending and voting at the Annual General Meeting or at any adjournment thereof.

A corporation must have this form executed under its common seal (or such form of execution as has the same effect) or on its behalf by an attorney or a duly authorised Officer of the corporation.

If this form is executed under a power of attorney or other authority, the original power of attorney or notarially certified copy thereof must be lodged at the offices of Capita Registrars, The Registry, 34 Beckenham Road, Kent BR3 4BR together with this form.

In the case of joint holders, any one holder may sign but if more than one votes, the vote of the first named on the register of members will be accepted to the exclusion of the other joint holders.

third fold and tuck in

first fold

Business Reply
Licence Number
MB 122

Capita Registrars
(Proxies)
PO Box 25
Beckenham
Kent BR3 4BR

second fold

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University of Bradford
Bradford BD7 1DP

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