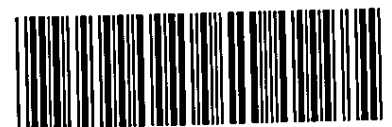


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**SYNTOPIX GROUP PLC**  
ANNUAL REPORT AND ACCOUNTS 2007

COMPANY REG NO 05656604

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## CORPORATE STATEMENT

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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 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**

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- **PHASE I STUDY COMPLETED IN AUGUST 2007, VALIDATING THE GROUP'S METHODOLOGY FOR DETERMINING THE POTENTIAL OF COMPOUNDS AS ACNE TREATMENTS.**
- **PHASE II COSMETIC STUDY BEGAN IN JUNE 2007 AND WILL REPORT LATER THIS YEAR.**
- **AN *IN VIVO* STUDY IS PLANNED TO BEGIN SHORTLY TO STUDY THE EFFECTIVENESS OF OUR COMPOUNDS AGAINST THE *STAPHYLOCOCCUS AUREUS* BACTERIUM.**
- **MORE THAN 300 COMPOUNDS FROM OUR LIBRARY HAVE NOW BEEN SHOWN TO EXHIBIT SIGNIFICANT ANTIMICROBIAL ACTIVITY.**
- **BOARD OF DIRECTORS AND SCIENTIFIC ADVISORY PANEL STRENGTHENED WITH KEY APPOINTMENTS.**
- **CAREFUL CONTROL OF EXPENDITURE RESULTING IN CASH BALANCES AT 31 JULY 2007 OF £1 5 MILLION (2006 £3.2 MILLION).**
- **SIGNIFICANT NEWS FLOW ANTICIPATED DURING THE NEXT TWELVE MONTHS**

DR ROD ADAMS  
CHAIRMAN (LEFT)

DR STEPHEN JONES  
CHIEF EXECUTIVE OFFICER (RIGHT)

"Syntopix has continued to make progress in positioning itself as a speciality pharmaceutical research and development company "

### SUMMARY

- **WE HAVE ADDED TO OUR LIBRARY OF POTENTIAL DRUG CANDIDATES DURING THE YEAR.**
- **STUDIES CURRENTLY IN PROGRESS ARE DUE TO BE COMPLETED BEFORE THE END OF 2007.**
- **FURTHER HUMAN USE STUDIES ARE PLANNED FOR 2008 AND WILL INVOLVE AT LEAST ONE NEW TEST COMPOUND.**
- **WE ARE CONTINUING TO DEVELOP GOOD RELATIONSHIPS WITH POTENTIAL PARTNERS IN THE PHARMACEUTICAL AND COSMETIC INDUSTRIES.**

### INTRODUCTION

During the second year as a public company, following our AIM flotation in March 2006 Syntopix has continued to make progress in positioning itself as a speciality pharmaceutical research and development company. We seek to identify antimicrobial compounds and develop products that treat dermatological conditions, principally acne and staphylococcal infections including those due to MRSA. Syntopix searches for antimicrobial compounds and synergistic combinations of compounds that already have a history of use in man. We aim to reduce the high risks and costs of early drug discovery and reduce the lead-time to market normally associated with conventional drug development. We are committed to improving the health and appearance of our consumers by offering safe and effective treatments of the highest quality, thereby creating value for our shareholders and other stakeholders.

The prescription market for dermatologicals is in excess of \$11 billion, with the acne market share representing over \$2.5 billion of these sales. The medicated skin-care market is worth \$10 billion, with sales for acne products in excess of \$1 billion. In 2005 the number of patients requiring acne treatments in Western Europe, the USA and Japan was estimated to be 142 million (Source: Business Insights Ltd, EuroMonitor International).

Dermatological anti-infective treatments have a market value of \$3.5 billion, with superficial *Staphylococcus aureus* ("*S. aureus*") infections accounting for approximately 14% of this total. The number of patients in 2005 requiring treatment for infectious diseases in Western Europe, the USA and Japan has been estimated at greater than 116 million (Source: Business Insights Ltd). The management of these infections and the prophylaxis of nasal carriage continues to rely heavily on antibiotics with the associated concerns about resistance. Our approach uses synergistic combinations of antimicrobial compounds, thus combatting any issues of resistance.

The global market for the compounds we are identifying and developing is large. Additionally, we continue to seek alternative uses for our antimicrobial expertise, thereby expanding the commercial potential of our compounds.

During the year we have added to our library of potential drug candidates which is now in excess of 1,100 compounds. We have continued to use the Syntopix screening process and have shown that approximately 30% of these compounds exhibit antimicrobial activity against the organisms that are key to our success: *S. aureus* and/or *Propionibacterium acnes*.

We have continued to carry out some consultancy and contract work this year but this has been at a very modest level, with a revenue of £30,962 (2006: £31,914). However, the relationships that are nurtured through such activities are very valuable and could form the basis of future collaborations and partnerships. For this reason we intend to continue these activities.

#### THE BOARD

On 1 January 2007 the following Board changes were implemented. Dr Stephen Jones, formerly Chief Operating Officer, was promoted to Chief Executive Officer. Dr Rod Adams, formerly Chief Executive Officer, became Non-executive Chairman and Dr Gwyn Humphreys, formerly Non-executive Chairman, became Senior Non-executive Director.

During the year the Scientific Advisory Panel was strengthened by the addition of Professor Adrian Williams, a formulation expert.

"We are committed to improving the health and appearance of our consumers by offering safe and effective treatments of the highest quality, thereby creating value for our shareholders and other stakeholders."

"We have made rapid progress in moving our lead compounds from research into clinical development "

### RESEARCH AND DEVELOPMENT

We have made rapid progress in moving our lead compounds from research into clinical development. Earlier this year we reported and announced some aspects of our clinical development programme. Our first Phase I proof of principle human use study was conducted on SYN 0017 (an antioxidant present in foods and cosmetics), SYN 0401 (an antifungal present in personal healthcare products) and a combination of SYN 0017 and SYN 0016 (an oxidizing agent present in pharmaceutical preparations). This study validated the Company's methodology for determining the potential of compounds as topical treatments for acne with positive and negative controls performing as expected. The study also confirmed the safety and tolerability of all three test treatments in the skin environment. Although all the test treatments exhibited some antibacterial activity, with some modest activity sustained throughout the trial in one of the three treatment groups, further optimisation work will be required before the test treatments can proceed to later stages of clinical development.

A further human use study will start early in 2008 and will take into account the information obtained from the Phase I study results. This study is likely to include at least one new test compound.

Additionally, a Phase II proof of concept study started in June 2007, with 130 human subjects using Syntopix' library compounds SYN 0126 (a compound currently used in a wide variety of cosmetic preparations) and a combination of SYN 0126 with SYN 0091 (a bacteriostatic agent used in soaps and cosmetics). This study will be completed before the end of 2007.

An *in vivo* study using a model system is planned for November 2007 to determine the effectiveness of SYN 0017, SYN 0854, SYN 0564 and SYN 0017 in combination with SYN 0710 against the carriage of methicillin resistant *S. aureus* ("MRSA"). It is expected that the results will be available before the end of 2007.

These data will form the basis of commercial partnerships with third parties and will build upon the relationships that we are developing with our key customers. Licensing discussions will be initiated as soon as the clinical programme confirms the activity of our lead compounds. We continue to build and foster good relationships with potential partners in the pharmaceutical and cosmetic industries and routinely update them of our progress.

### INTELLECTUAL PROPERTY

Our intellectual property portfolio is critical for our success in licensing compounds and continues to focus and to grow. Currently we have one granted UK patent, three published patents and a further twelve patent applications which are not yet published. The portfolio is now being evaluated for worldwide coverage wherever appropriate, recognising the investment that is required to maintain such a portfolio.

### FINANCIALS

The post-tax loss for the year is £1,740,692 (2006: £927,678). The increase in the loss is attributable to the planned expansion of the research and development activity undertaken, including the completion of our first Phase I study and the commencement of a Phase II proof of concept study. The research and development expenditure has been carefully controlled and is within the budget set by the Board at the start of the financial year. The Group will apply for Research and Development tax credits in respect of qualifying expenditure.

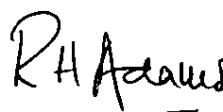
Operating overheads remain at a similar level to the previous year. During the year the Company has adopted FRS 20 "Share-based payment" for the first time and this has necessitated a charge to the profit and loss account of £115,965 in respect of the fair value of share options granted.

During the year, surplus cash balances have been invested in short term deposit accounts to maximise returns and this has resulted in increased bank interest receivable of £100,678 (2006: £53,993).

In accordance with the new European Union regulations, the Group will be required to prepare its interim financial statements for the period ending 31 January 2008 in accordance with IFRS. The Group is currently reviewing the changes to its current accounting policies that will be required on adoption of IFRS and has a project plan in place to ensure full compliance with all the relevant standards when they become effective.

### OUTLOOK

We continue to invest in our discovery pipeline to fuel our development programmes and take the most promising candidates into human use studies. We are confident that these studies will deliver data that will convince potential partners of the commercial attractiveness of our compounds in treating dermatological conditions, principally acne and staphylococcal infections. We enter the current year with increasing momentum and look forward to further news flow during the next twelve months.



**DR ROD ADAMS**  
CHAIRMAN



**DR STEPHEN JONES**  
CHIEF EXECUTIVE OFFICER

17 OCTOBER 2007

"We continue to invest in our discovery pipeline to fuel our development programmes and take the most promising candidates into human use studies."

## BOARD OF DIRECTORS, SCIENTIFIC ADVISORY PANEL AND ADVISERS

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### **DR ROD ADAMS CHAIRMAN**

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. Rod became a shareholder of Syntopix and was then appointed to the Syntopix Board in October 2004 as Chief Executive Officer. In January 2007, Rod was appointed as the Group's Non-executive Chairman.

### **DR STEPHEN JONES CHIEF EXECUTIVE 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. At Syntopix, he co-ordinates operational activities and commercial relationships. Stephen was most recently at GlaxoSmithKline ("GSK") where he held the position of Vice President and Director of Consumer Healthcare Research and Development. Prior to joining GSK, Stephen worked for companies including Scherer Drug Delivery Systems, Sterling Winthrop, Beecham Pharmaceutical's Research Division, Merck Sharp & Dohme and Amersham International. Stephen was initially appointed to Syntopix as Chief Operating Officer in July 2006 and was promoted to Chief Executive Officer in January 2007.

### **DR ANNE EADY SCIENTIFIC 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.

### **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 at 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 with commercial sponsors, including Galderma, Roche, Sanofi-Aventis, Unilever, Stiefel, Smith and Nephew and ProStrakan.

## SCIENTIFIC ADVISORY PANEL

---

### **PROF DES TOBIN, BSC, PHD, MRC PATH, FIBIOL**

Professor of Cell Biology, School of Life Sciences, University of Bradford

### **PROF JOHN CALDWELL, BPHARM, PHD, D SC, HON MRCP, CBIOL, FIBIOL, MINSTD, DEAN**

Faculty of Medicine, University of Liverpool

### **DR ALISON LAYTON, MB, CHB, FRCP**

Consultant Dermatologist, Harrogate District Hospital

### **PROF ADRIAN WILLIAMS, BSC, PHD, CCHEM, MRSC**

Deputy Head of School, School of Pharmacy, University of Reading



**DARREN BAMFORTH**  
**FINANCE DIRECTOR**

Darren is a 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 part-time consultancy basis, since the formation of Syntopix. Prior to establishing his own practice in 2002 Darren was a Senior Manager with KPMG.

**DR GWYN HUMPHREYS**  
**SENIOR NON-EXECUTIVE DIRECTOR**

Gwyn was a founder and Managing Director of Bradford Particle Design Limited, a successful UK university spin-out company, which developed supercritical fluid technology used to control particle size in drug formulation. Bradford Particle Design Limited was sold in January 2001 to Inhale Therapeutics Inc (since re named Nektar Therapeutics Inc) for \$200 million. Gwyn became a shareholder of Syntopix and was then appointed Chairman of Syntopix in October 2004. Following a number of Board changes in January 2007 Gwyn became Senior Non-executive Director. Gwyn is a member of the Nomination Committee, the Remuneration Committee and the Audit Committee.

**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 IP2IPO Group plc (since renamed IP Group plc) in January 2005. Previously he was a partner in KPMG where he specialised in corporate finance advice to technology-based, fast growth businesses and has significant experience in helping them raise money and prepare for sale or flotation. Alan is a qualified Chartered Accountant and is now the Chief Executive Officer of IP Group plc, a substantial shareholder in the Company through its subsidiary Techtran Group Limited. Alan is a member of the Nomination Committee, the Remuneration Committee and the Audit Committee.

**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 the Board of Syntopix in January 2006. Helen is Chairman of the Nomination Committee, the Remuneration Committee and the Audit Committee.

## COMPANY INFORMATION AND ADVISERS

**COMPANY NUMBER**  
05656604

**REGISTERED OFFICE**  
Institute of  
Pharmaceutical Innovation  
University of Bradford  
Bradford BD7 1DP

**BANKERS**  
HSBC Bank plc  
33 Park Row  
Leeds LS1 1LD

**NOMINATED ADVISER  
AND BROKER**  
KBC Peel Hunt Ltd  
111 Old Broad Street  
London EC2N 1PH

**REGISTRARS**  
Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield HD8 0LA

**AUDITORS**  
BDO Stoy Hayward LLP  
1 Bridgewater Place  
Water Lane  
Leeds LS11 5RU

**SOLICITORS**  
Walker Morris  
Kings Court  
12 King Street  
Leeds LS1 2HL

## DIRECTORS' REPORT

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The Directors hereby present their annual report and audited financial statements for the year ended 31 July 2007

### 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 joint statement of the Chairman and Chief Executive on pages 2 to 5.

The key performance indicators used by the Directors and management to manage the business during the year are summarised below:

- cash management through the control of the overhead cost base and development expenditure
- monitoring the success of the development programmes, including evaluating the quality of data obtained from human use studies, and
- identification of opportunities for securing licensing deals

### 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 lower level operational risks include:

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

A more detailed review meeting the requirements of the Companies Act 1985 relating to the business review is included in the joint statement of the Chairman and Chief Executive.

### RESULTS AND DIVIDENDS

The loss for the year after taxation amounts to £1,740,692 (2006: £927,678). The Directors do not recommend a dividend for the year.

### DIRECTORS

The following Directors have held office throughout the financial year:

Dr Rod Adams

Mr Alan Aubrey

Mr Darren Bamforth

Dr Jon Cove

Dr Anne Eady

Dr Gwyn Humphreys

Dr Stephen Jones

Dr Helen Shaw

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 Bamforth will be retiring at the Annual General Meeting and submitting themselves for re-election.

## 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 2007	Ordinary shares of 10p each at 31 July 2006
Dr Rod Adams	183,485	183,485
Mr Alan Aubrey	63,726	63,726
Mr Darren Bamforth	2,825	2,825
Dr Jon Cove	263,846	263,846
Dr Anne Eady	263,846	263,846
Dr Gwyn Humphreys	163,645	163,645
Dr Stephen Jones	5,500	—
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

	At 1 August 2006	Number of options granted in the year	At 31 July 2007	Exercise price
Dr Stephen Jones	284,198	—	284,198	£1 77
Dr Rod Adams	—	56,840	56,840	£1 77
Mr Darren Bamforth	28,420	14,210	42,630	£1 77
Dr Helen Shaw	28,420	14,210	42,630	£1 77

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

28,420 of the options granted to Mr Darren Bamforth are exercisable after 23 March 2007. The remainder are exercisable after 18 January 2008, 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.

28,420 of the options granted to Dr Helen Shaw are exercisable after 23 March 2007, with the remainder exercisable after 18 July 2007. The options are 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 charring and operation of the Scientific Advisory Panel and the establishment of internal procedures for the registration of non-prescription products.

The options granted to Dr Rod Adams are exercisable from 18 January 2008 provided he remains Chairman of the Board.

There have been no changes in any Directors' interests in shares or options between 31 July 2007 and 17 October 2007.

## 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.

## DIRECTORS' REPORT CONTINUED

### 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 £1,398,092 (2006: £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 10 October 2007, 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	3.20%
Apollo Nominees Limited	193,000	3.37%
Chase Nominees Limited	225,989	3.94%
Dr Jon Cove	263,846	4.60%
Credit Suisse Client Nominees (UK) Limited	380,000	6.63%
Dr Anne Eady	263,846	4.60%
Morstan Nominees Limited	225,989	3.94%
Pershing Keen Nominees Limited	470,371	8.21%
Ridings Early Growth Investment Company Limited	188,776	3.29%
Techtran Group Limited	920,855	16.06%
The University of Leeds	390,000	6.80%
The Wellcome Trust Limited	519,168	9.06%

### 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 2007 were 30 days (2006: 28 days). Trade creditor days for the Company at 31 July 2007 were 20 days (2006: 21 days).

### FINANCIAL INSTRUMENTS

Details of the Group's exposure to financial risks are set out in Note 13 to the financial statements.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) to 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 United Kingdom 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. They are responsible for ensuring that the annual report includes information required by the AIM Rules of the Financial Services Authority (or "Listing Rules").

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Syntopix Group plc website. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the website.

#### 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

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**  
**17 OCTOBER 2007**

## CORPORATE GOVERNANCE

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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 four Executive Directors and four 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 therefore 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 six month notice period, or a letter of appointment with between three and six month notice periods. Each of the Non-executive Directors is subject to a letter of appointment with a three month notice period.

#### BOARD ATTENDANCE

Eleven scheduled Board meetings were held for Syntopix Group plc during the year.

	Attended Board meetings
Dr Rod Adams	11
Mr Alan Aubrey	7
Mr Darren Bamforth	10
Dr Jon Cove	11
Dr Anne Eady	9
Dr Gwyn Humphreys	11
Dr Steve Jones	11
Dr Helen Shaw	9

### THE COMMITTEES

#### NOMINATION COMMITTEE

The Nomination Committee is comprised entirely of Non-executive Directors, being Dr Helen Shaw as Chairman, Dr Rod Adams, 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, Dr Rod Adams, 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 14 and 15.

#### AUDIT COMMITTEE

The Audit Committee similarly is comprised of Non-executive Directors, being Dr Helen Shaw as Chairman, Dr Rod Adams, Mr Alan Aubrey and Dr Gwyn Humphreys. The Audit Committee supervises the Group's external auditors, including appointment and compensation. The Committee reviews the level of non audit engagements carried out by the external auditors and performs an assessment of their independence. 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 joint statement of the Chairman and Chief Executive includes detailed analysis of the Group's performance and future expectations. The Group's website ([www.syntopix.com](http://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.

#### **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.

Approved by the Board

A handwritten signature in black ink, appearing to read 'R H Adams'.

**DR ROD ADAMS**  
**CHAIRMAN**  
**17 OCTOBER 2007**

## REPORT OF THE DIRECTORS ON REMUNERATION

### REMUNERATION COMMITTEE

The Remuneration Committee is described in the report on Corporate Governance on pages 12 and 13. The remuneration for each Executive Director is determined by the Remuneration Committee, which is composed solely of Non-executive Directors: Dr Helen Shaw, Dr Rod Adams, 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 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 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, Dr Stephen Jones and Dr Anne Eady have entered into service agreements which can be terminated by either party on six months' notice.

Mr Darren Bamforth, Mr Alan Aubrey and Dr Helen Shaw entered into letters of appointment with the Company which can be terminated by either party giving the other three months' notice. Dr Jon Cove has entered into a letter of appointment with the Company which can be terminated by either party giving the other six 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. In addition, further options were granted to three Directors on 8 January 2007. 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 2007

	SALARY AND FEES 2007 £	BONUS 2007 £	BENEFITS IN KIND 2007 £	TOTAL 2007 £	PENSION CONTRIBUTIONS 2007 £
<b>EXECUTIVE DIRECTORS</b>					
Dr Rod Adams (to 31 December 2006)	26,042	—	—	26,042	—
Mr Darren Bamforth	15,000	—	—	15,000	—
Dr Jon Cove	24,000	19,244	760	44,004	—
Dr Anne Eady	36,250	14,037	882	51,169	—
Dr Stephen Jones	118,750	—	1,037	119,787	11,000
	220,042	33,281	2,679	258,002	11,000
<b>NON-EXECUTIVE DIRECTORS</b>					
Dr Rod Adams (from 1 January 2007)	14,583	—	—	14,583	—
Mr Alan Aubrey	15,000	—	—	15,000	—
Dr Gwyn Humphreys	22,083	—	—	22,083	—
Dr Helen Shaw	15,000	—	—	15,000	—
	66,666	—	—	66,666	—

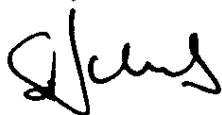
Dr Rod Adams was Chief Executive Officer of the Group until 31 December 2006 when he moved to the position of Non-executive Chairman.



**REMUNERATION POLICY CONTINUED**  
**DIRECTORS' REMUNERATION CONTINUED**  
**DIRECTORS' REMUNERATION YEAR ENDED 31 JULY 2006**

	Salary and fees 2006 £	Bonus 2006 £	Benefits in kind 2006 £	Total 2006 £	Pension contributions 2006 £
<b>EXECUTIVE DIRECTORS</b>					
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
<b>NON-EXECUTIVE DIRECTORS</b>					
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	—

Approved by the Board



**DR STEPHEN JONES**  
**CHIEF EXECUTIVE OFFICER**  
**17 OCTOBER 2007**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF SYNTOPIX GROUP PLC**

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We have audited the Group and parent company financial statements (the "financial statements") of Syntopix Group plc for the year ended 31 July 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, 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 joint statement of the Chairman and the Chief Executive, 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 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 2007 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 2007,
- 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.

#### **EMPHASIS OF MATTER – GOING CONCERN**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the Basis of Accounting note to the financial statements on page 22, concerning the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which is dependent on raising additional funding in order to secure sufficient working capital facilities to meet the ongoing requirements of the business.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**  
**CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS**  
**1 BRIDGEWATER PLACE**  
**WATER LANE**  
**LEEDS LS11 5RU**  
**17 OCTOBER 2007**

## FINANCIAL STATEMENTS

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## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2007

	Notes	YEAR ENDED 31 JULY 2007 £	Year ended 31 July 2006 (restated) £
<b>TURNOVER</b>	1	30,962	31,914
Research and development costs		(1,398,092)	(493,645)
Administrative expenses		(628,785)	(608,982)
Other operating income		21,921	2,949
<b>OPERATING LOSS</b>		(1,973,994)	(1,067,764)
Interest receivable	2	100,678	53,993
Interest payable	3	(937)	(76)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	(1,874,253)	(1,013,847)
Taxation	6	133,561	86,169
<b>LOSS FOR THE FINANCIAL PERIOD</b>	15	(1,740,692)	(927,678)
<b>LOSS PER SHARE</b>			
Basic and diluted	7	(30.6p)	(22.0p)

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 JULY 2007

	YEAR ENDED 31 JULY 2007 £	Year ended 31 July 2006 (restated) £
Loss for the period	(1,740,692)	(927,678)
Total gains and losses relating to the period	(1,740,692)	(927,678)
Prior year adjustment	(16,832)	
Total recognised gains and losses since the last annual report	(1,757,524)	

All Group activities relate to continuing operations

The accompanying accounting policies and notes on pages 22 to 32 form an integral part of the financial statements

# CONSOLIDATED BALANCE SHEET

AS AT 31 JULY 2007

	Notes	AT 31 JULY 2007 £	At 31 July 2006 (restated) £
<b>FIXED ASSETS</b>			
Tangible assets	8	112,401	121,041
<b>CURRENT ASSETS</b>			
Debtors	10	341,671	123,976
Cash at bank and in hand		1,494,018	3,247,430
		1,835,689	3,371,406
<b>CREDITORS</b> amounts falling due within one year	11	(306,001)	(230,493)
<b>NET CURRENT ASSETS</b>		1,529,688	3,140,913
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,642,089	3,261,954
<b>PROVISION FOR LIABILITIES</b>	12	—	—
<b>NET ASSETS</b>		1,642,089	3,261,954
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	573,260	568,398
Share premium account	15	3,379,046	3,379,046
Merger reserve	15	337,935	337,935
Share-based payments reserve	15	132,311	16,832
Profit and loss account	15	(2,780,483)	(1,040,257)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	16	1,642,089	3,261,954

The accompanying accounting policies and notes on pages 22 to 32 form an integral part of the financial statements

Approved by the Board and authorised for issue on 17 October 2007



**DR STEPHEN JONES**  
CHIEF EXECUTIVE OFFICER



**MR DARREN BAMFORTH**  
FINANCE DIRECTOR

# COMPANY BALANCE SHEET

AS AT 31 JULY 2007

	Notes	AT 31 JULY 2007 £	At 31 July 2006 (restated) £
<b>FIXED ASSETS</b>			
Investments	9	338,901	338,901
<b>CURRENT ASSETS</b>			
Debtors	10	2,041,758	338,555
Cash at bank and in hand		1,478,675	3,170,181
		3,520,433	3,508,736
<b>CREDITORS</b> amounts falling due within one year	11	(51,001)	(20,732)
<b>NET CURRENT ASSETS</b>		3,469,432	3,488,004
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,808,333	3,826,905
<b>PROVISIONS FOR LIABILITIES</b>	12	—	—
<b>NET ASSETS</b>		3,808,333	3,826,905
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	573,260	568,398
Share premium account	15	3,379,046	3,379,046
Share-based payments reserve	15	132,311	16,832
Profit and loss account	15	(276,284)	(137,371)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	16	3,808,333	3,826,905

The accompanying accounting policies and notes on pages 22 to 32 form an integral part of the financial statements

Approved by the Board and authorised for issue on 17 October 2007



**DR STEPHEN JONES**  
CHIEF EXECUTIVE OFFICER



**MR DARREN BAMFORTH**  
FINANCE DIRECTOR

# **CONSOLIDATED CASH FLOW STATEMENT** **FOR THE YEAR ENDED 31 JULY 2007**

	Notes	YEAR ENDED 31 JULY 2007 £	Year ended 31 July 2006 (restated) £
Cash outflow from operating activities	18a	(1,919,492)	(878,390)
Returns on investments and servicing of finance	18b	99,741	53,917
Taxation		86,169	—
Capital expenditure and financial investment	18b	(24,692)	(141,346)
<b>CASH OUTFLOW BEFORE FINANCING</b>		<b>(1,758,274)</b>	<b>(965,819)</b>
Financing	18b	4,882	3,567,826
<b>(DECREASE)/INCREASE IN CASH IN THE PERIOD</b>		<b>(1,753,412)</b>	<b>2,602,007</b>

## **RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	Notes	YEAR ENDED 31 JULY 2007 £	Year ended 31 July 2006 (restated) £
(Decrease)/increase in cash in the period	18c	(1,753,412)	2,602,007
Cash flow from decrease in debt financing		—	62,101
<b>MOVEMENT IN NET FUNDS IN THE PERIOD</b>		<b>(1,753,412)</b>	<b>2,664,108</b>
<b>NET FUNDS AT THE BEGINNING OF THE PERIOD</b>		<b>3,247,430</b>	<b>583,322</b>
<b>NET FUNDS AT THE END OF THE PERIOD</b>	18c	<b>1,494,018</b>	<b>3,247,430</b>

The accompanying accounting policies and notes on pages 22 to 32 form an integral part of the financial statements

## **ACCOUNTING POLICIES**

---

### **FOR THE YEAR ENDED 31 JULY 2007**

#### **BASIS OF ACCOUNTING**

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

The financial statements have been prepared on the going concern basis which assumes that the Group will have sufficient funds available to enable it to continue to trade for the foreseeable future. The Group's principal activity is pharmaceutical drug discovery, research and development which should ultimately present opportunities to enter into licensing agreements with third parties. The nature of the Group's development programme means that the timing of material revenues is difficult to predict. In preparing financial forecasts to estimate the likely cash requirements of the Group over the next twelve months, the Group has had to make certain assumptions with regard to the costs of outsourced contract research and development work, the timing and amount of future revenue streams and several other key factors. The Directors have attempted to take a balanced and prudent view in preparing these forecasts however their accuracy is uncertain. These forecasts show that the Group will need additional funding during the next six to nine months to enable it to continue with its planned development programme. The Directors continue to monitor the development programme and will make revisions to this plan, if necessary in order to preserve cash in the event that further funding cannot be secured.

The Directors are confident however that the Group will be able to raise sufficient additional funds to enable it to continue with its planned development programme and to ensure that the Group can continue as a going concern. For this reason, the Directors have prepared the financial statements on a going concern basis. The financial statements do not contain any adjustments which may be required if the Group is unable to secure additional funding.

#### **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 2007. 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 £139,399 (2006: £137,371) which is dealt with in the financial statements of the parent company.

#### **ADOPTION OF NEW ACCOUNTING POLICY – SHARE-BASED PAYMENTS AND RESULTING PRIOR YEAR ADJUSTMENT**

The cost of providing share-based payments to employees is charged to the consolidated profit and loss account over the vesting period of the related share options or share allocations. The cost is based on the fair value of the options and shares allocated using the Black-Scholes option-pricing model, which is appropriate given the vesting and other conditions attached to the options. The value of the charge is adjusted at each balance sheet date to reflect expected and actual levels of vesting.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

In accordance with FRS 20 "Share-based payment" the Group has elected to apply FRS 20 to all grants of options and other equity instruments as they have all been granted since November 2002, the effective date of the standard.

The adoption of FRS 20 this year has necessitated a prior year adjustment to be made, creating a share-based payments reserve of £16,832 at 31 July 2006. For the year ended 31 July 2007, the impact of adopting FRS 20 is an increase in the loss for the year of £115,965. No charge was made in previous accounting periods under UITF Abstract 17 (revised 2003) "Employee Share Schemes".



#### **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 substantively 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.

#### **LEASED ASSETS AND OBLIGATIONS**

Where assets are financed by leasing arrangements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are operating leases and are charged to the profit and loss account on a straight line basis over the lease term.

#### **NON-GOVERNMENT GRANTS**

Grants receivable in connection with expenditure on tangible fixed assets are accounted for as deferred income, which is credited to the profit and loss account over the expected useful economic life of the related assets on a basis consistent with the depreciation policy. Revenue grants for the reimbursement of costs charged to the profit and loss account are credited to the profit and loss account in the year in which the costs are incurred.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JULY 2007

### 1 TURNOVER

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

	2007 £	2006 £
United Kingdom	7,500	1,000
Rest of the European Union	2,034	6,300
United States of America	21,428	24,614
	<b>30,962</b>	<b>31,914</b>

### 2 INTEREST RECEIVABLE

	2007 £	2006 £
Bank interest receivable	100,678	53,993

### 3 INTEREST PAYABLE

	2007 £	2006 £
Bank interest payable	937	76

### 4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging

	2007 £	2006 £
Depreciation – owned assets	33,332	20,305
Operating lease rentals – land and buildings	66,000	27,105
Research and development cost	1,398,092	493,645
Auditors' remuneration		
Audit fees	18,500	15,000
Non audit fees		
– VAT consultancy services	2,300	—
– corporation tax services	1,700	—
– 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	
	2007	2006	2007	2006
Management and administration	9	9	8	8
Research and development	9	7	—	—
	<b>18</b>	<b>16</b>	<b>8</b>	<b>8</b>

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
<b>STAFF COSTS FOR THE ABOVE PERSONS</b>				
Wages and salaries	598,066	338,627	319,989	71,333
Social security costs	63,735	30,764	34,606	4,648
Pension costs	23,414	10,544	—	—
	<b>685,215</b>	<b>379,935</b>	<b>354,595</b>	<b>75,981</b>

## 5 EMPLOYEES CONTINUED

### DIRECTORS' REMUNERATION

The Directors received total emoluments of £333,668 including pension contributions of £11,000 (2006 total emoluments of £146,369 pension contributions £1,817). For further details, please see the Report of the Directors on Remuneration on pages 14 and 15. The highest paid Director had a remuneration package of £130,787 (2006 £49,041).

### EMPLOYEE PENSIONS

The Group operates a stakeholder pension plan for which all employees are eligible. Contributions amounting to £23,414 were paid during the year in respect of this scheme (2006 £10,544).

### SHARE OPTION CHARGE

There was a share option charge of £115,965 (2006 £16,832). The basis of calculation is set out in Note 17.

## 6 TAXATION

	2007 £	2006 (restated) £
<b>CURRENT TAX</b>		
UK corporation tax – research and development tax credits	(133,561)	(86,169)
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	—	—
	(133,561)	(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.

	2007 £	2006 (restated) £
Loss on ordinary activities before tax	(1,874,253)	(1,013,847)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	(562,276)	(304,154)
Effects of:		
Non deductible expenses	360	36,856
Research and development enhancement	(185,516)	(53,856)
Losses utilised for research and development tax credit	116,874	75,397
Capital allowances in excess of depreciation	3,971	(36,312)
Share-based payments charge	34,790	5,050
Losses carried forward	458,241	191,411
Benefit of marginal rate of tax	(5)	(561)
Current tax credit	(133,561)	(86,169)

The Group has trading losses of approximately £2,304,675 (2006 £779,073) which, subject to agreement with HM Revenue and Customs, are available to carry forward against future profits of the same trade.

A deferred tax asset of approximately £691,000 (2006 £234,000) has not been recognised in respect of those losses because there is insufficient certainty that adequate suitable profits will arise in the foreseeable future to utilise such profits.

A deferred tax asset of £39,840 (2006 £5,050) in respect of share-based payments has not been recognised because there is insufficient certainty that a tax deduction of this amount will result from the exercise of the options in the foreseeable future.

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**  
**FOR THE YEAR ENDED 31 JULY 2007**

**7 BASIC AND DILUTED EARNINGS PER SHARE**

	2007 £	2006 (restated) £
Loss for the financial period	(1,740,692)	(927,678)

**WEIGHTED AVERAGE NUMBER OF SHARES**

	NO OF SHARES	No. of shares
For basic and diluted earnings per share	5,697,035	4,211,384

The comparative figures are pro forma 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. There are 426,298 (2006: 389,658) potentially issuable shares that have not been included in the diluted EPS as they are anti-dilutive.

**8 TANGIBLE FIXED ASSETS**

GROUP	Fixtures and fittings £	Computer equipment £	Plant and machinery £	Total £
<b>COST</b>				
1 August 2006	1,122	20,217	120,007	141,346
Additions	8,407	785	15,500	24,692
<b>31 JULY 2007</b>	<b>9,529</b>	<b>21,002</b>	<b>135,507</b>	<b>166,038</b>
<b>DEPRECIATION</b>				
1 August 2006	56	4,561	15,688	20,305
Charged in the period	615	6,869	25,848	33,332
<b>31 JULY 2007</b>	<b>671</b>	<b>11,430</b>	<b>41,536</b>	<b>53,637</b>
<b>NET BOOK VALUE</b>				
<b>31 JULY 2007</b>	<b>8,858</b>	<b>9,572</b>	<b>93,971</b>	<b>112,401</b>
31 July 2006	1,066	15,656	104,319	121,041

**9 INVESTMENTS**

COMPANY	Investment in subsidiaries £
<b>COST AND NET BOOK VALUE</b>	
<b>1 AUGUST 2006 AND 31 JULY 2007</b>	<b>338,901</b>

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.

## 10 DEBTORS

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Due within one year				
Trade debtors	21,643	—	—	—
Amounts owed by subsidiary undertakings	—	—	2,005,909	312,941
Corporation tax recoverable	133,561	86,169	22,148	—
Other debtors	43,542	4,100	—	—
Prepayments and accrued income	142,925	33,707	13,701	25,614
	341,671	123,976	2,041,758	338,555

## 11 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade creditors	145,891	152,563	27,118	20,732
Other taxation and social security	18,566	42,546	17,383	—
Other creditors	2,177	—	—	—
Accruals and deferred income	139,367	35,384	6,500	—
	306,001	230,493	51,001	20,732

## 12 PROVISIONS FOR LIABILITIES

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

	2007		2006	
	AMOUNT RECOGNISED	AMOUNT UNRECOGNISED	Amount recognised	Amount unrecognised
	£	£	£	£
GROUP				
Tax effect of timing differences	—	32,342	—	36,312
Excess of capital allowances over depreciation	—	(691,402)	—	(233,722)
Tax effect of losses carried forward	—	(39,840)	—	(5,050)
Share-based payments	—	(698,900)	—	(202,460)

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 JULY 2007

### 13 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. The fair values of the Group's financial instruments are equal to their year end carrying values.

FINANCIAL ASSETS 2007				FINANCIAL LIABILITIES 2007				NET FINANCIAL ASSETS/ (LIABILITIES) 2007
FIXED RATE £	FLOATING RATE £	NON INTEREST BEARING £	TOTAL £	FIXED RATE £	FLOATING RATE £	NON INTEREST BEARING £	TOTAL £	TOTAL £
Cash and short term deposits	1,000,000	494,018	—	1,494,018	—	—	—	1,494,018

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

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 surplus cash balances have been invested in deposit accounts. 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 4.75% and at 31 July 2007 the unexpired terms for fixed-rate deposits were as follows:

£1,000,000 – one month fixed deposit expiring 18 August 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.

#### CREDIT RISK

The Group is not exposed to any significant credit risk on sales.

#### 14 SHARE CAPITAL AUTHORISED

	2007 £	2006 £
10,000,000 ordinary shares of 10p each (2006 10,000,000 ordinary shares of 10p each)	1,000,000	1,000,000

#### ALLOTTED, ISSUED AND FULLY PAID

	£
At 1 August 2006 – 5,683,981 ordinary shares of 10p each	568,398
Issue of shares during the year	
Issued on exercise of staff share options – 48,620 ordinary shares of 10p each	4,862

#### AT 31 JULY 2007 – 5,732,601 ORDINARY SHARES OF 10P EACH

573,260

On 24 April 2007, the Company issued 48,620 ordinary shares of 10p each at par pursuant to the exercise of EMI share options held by staff in the Syntopix Group plc EMI rollover scheme. The exercise price for these options was 5.38p per share and the excess of the nominal value of the shares issued over the exercise price of £2,246 has been charged to the profit and loss account during the year to reflect the continued unbroken service of these members of staff.

#### 15 RESERVES

GROUP	Share premium account £	Merger reserve £	Share-based payments reserve £	Profit and loss account £	Total £
1 August 2006, as originally stated	3,379,046	337,935	—	(1,023,425)	2,693,556
Prior year adjustment share-based payment charge	—	—	16,832	(16,832)	—
1 August 2006, as restated	3,379,046	337,935	16,832	(1,040,257)	2,693,556
Deficit for the period	—	—	—	(1,740,692)	(1,740,692)
Share option charge in the year	—	—	115,965	—	115,965
Exercise of share options	—	—	(486)	486	—
<b>31 JULY 2007</b>	<b>3,379,046</b>	<b>337,935</b>	<b>132,311</b>	<b>(2,780,463)</b>	<b>1,068,829</b>
<b>COMPANY</b>					
1 August 2006, as originally stated	3,379,046	—	—	(120,539)	3,258,507
Prior year adjustment share-based payment charge	—	—	16,832	(16,832)	—
1 August 2006, as restated	3,379,046	—	16,832	(137,371)	3,258,507
Deficit for the period	—	—	—	(139,399)	(139,399)
Share option charge in the year	—	—	115,965	—	115,965
Exercise of share options	—	—	(486)	486	—
<b>31 JULY 2007</b>	<b>3,379,046</b>	<b>—</b>	<b>132,311</b>	<b>(276,284)</b>	<b>3,235,073</b>

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**  
**FOR THE YEAR ENDED 31 JULY 2007**

**16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

GROUP	2007 £	2006 (restated) £
Loss for the period	(1,740,692)	(927,678)
Proceeds from issue of shares	4,862	4,136,213
Share option reserve	115,965	16,832
Share issue expenses	—	(453,557)
Merger reserve arising	—	(52,729)
Net (depletion from)/addition to shareholders' funds	(1,619,865)	2,719,081
Opening shareholders' funds	3,261,954	542,873
Closing shareholders' funds	1,642,089	3,261,954

COMPANY	2007 £	2006 (restated) £
Loss for the period	(139,399)	(137,371)
Proceeds from issue of shares	4,862	4,401,001
Share option reserve	115,965	16,832
Share issue expenses	—	(453,557)
Net (depletion from)/addition to shareholders' funds	(18,572)	3,826,905
Opening shareholders' funds	3,826,905	—
Closing shareholders' funds	3,808,333	3,826,905

**17 SHARE-BASED PAYMENTS**

The Syntopix Group plc EMI Share Option Plan and the Syntopix Group plc Executive Unapproved Share Option Plan were both introduced in March 2006. Under the schemes the Board of Directors of Syntopix Group plc can grant options over shares in the Company to Directors and employees of the Group. Options are typically granted at a fixed price equal to the market price of the shares under option at the date of grant. The contractual life of the option is ten years. Awards under the scheme are reserved for employees who are deemed to be critical to the future success of the Group. The vesting period of the options typically ranges from one to three years and exercise of an option is subject to continued employment. The differences between the two schemes are relatively minor, with the main difference being the definition of an eligible employee in the EMI scheme you have to be a full-time employee, whereas part-time employees can be granted options in the Unapproved scheme. Options issued under both schemes were valued using the Black-Scholes option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

GRANT DATE	15 March 2006	23 March 2006	4 July 2006	8 January 2007
Share price at date of grant	5.38p	177.0p	177.5p	176.5p
Exercise price	5.38p	177.0p	177.5p	176.5p
Number of option holders	5	2	1	3
Share options granted	48,620	56,840	284,198	85,260
Vesting period (years)	1	1	3	1
Expected volatility	25.0%	25.0%	25.0%	25.0%
Option life (years)	10	10	10	10
Expected life (years)	1	5	5	5
Risk-free rate	5.0%	5.0%	5.0%	5.0%
Expected dividends expressed as a dividend yield	0%	0%	0%	0%
Fair value per option	1.0p	57.0p	57.0p	57.0p



## 17 SHARE-BASED PAYMENTS CONTINUED

A reconciliation of option movements over the year to 31 July 2007 follows

	2007 NUMBER	2007 WEIGHTED AVERAGE EXERCISE PRICE	2006 Number	2006 Weighted average exercise price
Outstanding at 1 August	389,658	155 90p	—	—
Granted	85,260	176 50p	389,658	155 90p
Lapsed	—	—	—	—
Exercised	(48,620)	5 38p	—	—
Outstanding at 31 July	426,298	176 50p	389 658	155 90p

The total charge in the profit and loss account is £115,965 (2006 £16,832)

The exercise period of options outstanding at the end of the year ranged from 176 50p to 177 50p (2006 5 38p to 177 50p) and their weighted average contractual life was 9.04 years (2006 9.89 years)

## 18 CASH FLOWS

### A) RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2007 £	2006 (restated) £
Operating loss	(1,973,994)	(1,050,932)
Depreciation	33,332	20,305
Share option charge	115,965	—
(Increase) in debtors	(170,303)	(30,657)
Increase in creditors	75,508	182,894
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(1,919,492)</b>	<b>(878,390)</b>

### B) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW

	2007 £	2006 £
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	99,741	53,917
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>99,741</b>	<b>53,917</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Purchase of tangible fixed assets	(24,692)	(141,346)
<b>NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	<b>(24,692)</b>	<b>(141,346)</b>
<b>FINANCING</b>		
Issue of share capital (net of expenses)	4,862	3,629,927
Loans repaid	—	(62,101)
<b>NET CASH INFLOW FROM FINANCING</b>	<b>4,862</b>	<b>3,567,826</b>

### C) ANALYSIS OF NET FUNDS

	At 1 August 2006 £	Cash flow £	At 31 JULY 2007 £
Cash at bank	3,247,430	(1,753,412)	1,494,018

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2007

### 19 COMMITMENTS UNDER OPERATING LEASES

At 31 July 2007 the Group had annual commitments under non-cancellable operating leases as follows

	2007 £	2006 £
Land and buildings		
Expiring within one year	73,200	53,400

The Company had no annual commitments under the non-cancellable operating leases in either the current or preceding year

### 20 RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemptions conferred by FRS 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 £1,250 (2006 £11,250) and consultancy fees amounting to £22,689 (2006 £5,345) were paid to Four Shaw Consulting Limited of which Dr Helen Shaw is a Director and controlling shareholder. At 31 July 2007 the amount owed to Four Shaw Consulting Limited was £980

Directors' fees amounting to £1,250 (2006 £8,500) and accountancy fees amounting to £38,996 (2006 £36,616) were paid to Atraxa Consulting Limited, of which Mr Darren Bamforth is a Director and controlling shareholder. At 31 July 2007 the amount owed to Atraxa Consulting Limited was £1,986

Secondment fees amounting to £50,000 (2006 £37,500) in respect of the services of Dr Jon Cove as a Director of the Company have been incurred from The University of Leeds which is a substantial shareholder

All these transactions were undertaken on an arm's length basis

## NOTICE OF THE ANNUAL GENERAL MEETING

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The Annual General Meeting of Syntopix Group plc will be held at the registered office, Institute of Pharmaceutical Innovation, University of Bradford, Bradford, BD7 1DP on 12 December 2007 at 1 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 2007, together with the Auditors' Report thereon be received and adopted

#### RESOLUTION 2

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

#### RESOLUTION 3

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

#### RESOLUTION 4

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

#### RESOLUTION 5

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 7 to the passing of Resolution 6) pass the following Resolutions which in the case of Resolution 6 will be proposed as an Ordinary Resolution and in the case of Resolution 7 will be proposed as a Special Resolution

#### RESOLUTION 6

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 2,052,967 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 12 March 2009) 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

#### RESOLUTION 7

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 £57,326

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 12 March 2009), 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  
17 OCTOBER 2007

## NOTICE OF THE ANNUAL GENERAL MEETING CONTINUED

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### 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 1 00pm on 10 December 2007.
- 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 2007.
- 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 1 00pm on 12 December 2007 until the end of the meeting:
  - (i) the audited consolidated accounts of the Company for the year ended 31 July 2007,
  - (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 registered office, Institute of Pharmaceutical Innovation University of Bradford, Bradford, BD7 1DP on 12 December 2007 at 1 00pm

I/We \_\_\_\_\_

(NAME IN 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 registered office, Institute of Pharmaceutical Innovation, University of Bradford, Bradford, BD7 1DP on 12 December 2007 at 1 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 Gwyn Humphreys as a Director			
3 To re-elect Dr Jon Cove as a Director			
4 To re-elect Mr Darren Bamforth as a Director			
5 To re-appoint BDO Stoy Hayward LLP as auditors of the Company			
<b>SPECIAL RESOLUTION</b>			
6 To allot relevant securities up to 2,052,967 ordinary shares of 10p each			
7 To allot equity securities up to an aggregate nominal value of £57,326			

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 \_\_\_\_\_ 2007

### 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 notanally 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

Business Reply  
Licence Number  
MB 122

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

second fold

first fold

**SYNTOPIX GROUP PLC**

The Institute of Pharmaceutical Innovation  
University of Bradford  
Bradford BD7 1DP

Tel +44 (0)845 125 9204

Fax +44 (0)845 125 9205

[www.syntopix.com](http://www.syntopix.com)