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Registered number: SC279236

SYNTROPHARMA LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2012

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SYNTROPHARMA LIMITED

COMPANY INFORMATION

Directors	A Gardiner D McHoul P K Moore I J G Scott G McGettigan
Company secretary	David McHoul
Company number	SC279236
Registered office	No.2 Lochrin Square 96 Fountainbridge Edinburgh EH3 9QA
Auditor	PKF (UK) LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD
Bankers	Bank of Scotland 33 Channel Street Galashiels TD1 1BE
Solicitors	Biggart Baillie LLP No. 2 Lochrin Square 96 Fountainbridge Edinburgh EH3 9QA

SYNTROPHARMA LIMITED

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SYNTROPHARMA LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 28 FEBRUARY 2012**

The directors present their report and the financial statements for the year ended 28 February 2012.

Principal activities

The company's principal activity is that of drug development, in particular, the development and commercialisation of transdermal patch applications of drugs used to treat Central Nervous System disorders.

Directors

The directors who served during the year were:

A Gardiner
D McHoul
P K Moore
I J G Scott
G McGettigan

Provision of information to auditor

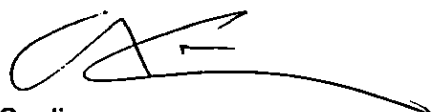
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on

and signed on its behalf.



A Gardiner
Director

31st July 2012.

SYNTROPHARMA LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2012

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SYNTROPHARMA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNTROPHARMA LIMITED

We have audited the financial statements of Syntropharma Limited for the year ended 28 February 2012 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to smaller entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1.1 to the financial statements concerning the company's ability to continue as a going concern. The company currently funds its operations through cash injections from its investors and a bank loan. The ability of the company to continue as a going concern is dependent on the ability of the company to secure new customers for its products or obtaining additional funding from its existing shareholders. These conditions, along with other matters explained in note 1.1 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

SYNTROPHARMA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNTROPHARMA LIMITED

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report.



6 August 2012

Martin Gill (Senior statutory auditor)
for and behalf of PKF (UK) LLP, Statutory auditor
Edinburgh, UK

SYNTROPHARMA LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 28 FEBRUARY 2012**

	Note	2012 £	2011 £
TURNOVER	1,2	-	65,607
Administrative expenses		(308,907)	(431,567)
Other operating income	3	-	22,748
		<hr/>	<hr/>
OPERATING LOSS	4	(308,907)	(343,212)
Interest receivable and similar income		-	5
Interest payable and similar charges		(6,685)	(8,025)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(315,592)	(351,232)
Tax credit on loss on ordinary activities	6	33,326	38,672
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR	12	(282,266)	(312,560)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 7 to 13 form part of these financial statements.

SYNTROPHARMA LIMITED
REGISTERED NUMBER: SC279236

BALANCE SHEET
AS AT 28 FEBRUARY 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Tangible assets	7		-		1,294
CURRENT ASSETS					
Debtors	8	40,105		47,634	
Cash at bank		174,304		140,366	
		<u>214,409</u>		<u>188,000</u>	
CREDITORS: amounts falling due within one year	9	<u>(118,819)</u>		<u>(138,687)</u>	
NET CURRENT ASSETS			<u>95,590</u>		<u>49,313</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>95,590</u>		<u>50,607</u>
CREDITORS: amounts falling due after more than one year	10		-		(57,415)
NET ASSETS/(LIABILITIES)			<u>95,590</u>		<u>(6,808)</u>
CAPITAL AND RESERVES					
Called up share capital	11		5		3
Share premium account	12	2,616,134		2,231,472	
Profit and loss account	12	<u>(2,520,549)</u>		<u>(2,238,283)</u>	
SHAREHOLDERS' FUNDS/(DEFICIT)			<u>95,590</u>		<u>(6,808)</u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30/1/12.



A Gardiner
Director

The notes on pages 7 to 13 form part of these financial statements.

SYNTROPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2012

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The company made a loss of £282,266 in the current financial year. To date, the company has been funded through capital injected by its shareholders and a bank loan guaranteed by the Small Firms Loan Guarantee Scheme. The ability of the company to continue as a going concern will ultimately be dependent on the ability of the company to secure new customers for its various products. The directors remain confident regarding the company's prospects and are in discussions with a number of parties regarding licencing of their various products.

In the mean time, the company is dependent on obtaining additional funding from its existing shareholders and the directors are in continual negotiations with the company's shareholders with a view to obtaining further extensions of their financial support as it becomes necessary. Although a further cash injection of £218,000 by the existing shareholders has been agreed since the year end, further financial support may become needed in the foreseeable future to enable the company to meet its liabilities as they fall due. These conditions indicate a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

1.2 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts from the sales of goods and services (including payments received for out-licencing) provided in the normal course of business in the year, net of value added tax and discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office equipment	- 25% straight line
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1.4 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

SYNTROPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2012

1. ACCOUNTING POLICIES (continued)

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.7 Research and development

Research and development expenditure includes amounts paid to third parties in relation to relevant activities and services as well as milestone and other payments for the acquisition of patents, technologies and other intellectual property. Relevant staff costs and direct and indirect overheads incurred in relation to research and development activities are also included.

Expenditure on in-house research and patents is written off as incurred. Development expenditure, including acquired product rights, is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects including receipt of relevant regulatory approvals.

Expenditure on in-licensed technologies is reviewed on a consistent basis with other research and development expenditure and in-licensed costs which have uncertain future revenue are expensed as incurred.

All development expenditure to date has been written off. Where future development expenditure is considered suitable for capitalisation, the identifiable costs will be deferred and amortised over the period during which the company is expected to benefit and provision will be made for any impairment.

The costs of funding research are accounted for as incurred.

1.8 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account when received.

SYNTROPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2012

1. ACCOUNTING POLICIES (continued)

1.9 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. TURNOVER

Turnover in the prior year represented a payment received from an out-licensing partner on initial submission of SYN461 for regulatory approval in the United States of America. The amount fell within the company's ordinary activities and excludes Value Added Tax.

SYNTROPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2012**

3. OTHER OPERATING INCOME

	2012 £	2011 £
Government grants receivable	-	22,748
	<u> </u>	<u> </u>

4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2012 £	2011 £
Depreciation of tangible fixed assets:		
- owned by the company	1,294	853
Auditor's remuneration	4,350	6,500
Research and development expenditure	19,547	67,923
(Gain)/Loss on foreign exchange	(36)	2,116
	<u> </u>	<u> </u>

5. DIRECTORS' REMUNERATION

	2012 £	2011 £
Aggregate emoluments	221,177	204,415
	<u> </u>	<u> </u>

6. TAXATION

	2012 £	2011 £
Tax credit on loss on ordinary activities	(33,326)	(38,672)
	<u> </u>	<u> </u>
Tax credit on loss on ordinary activities	<u>(33,326)</u>	<u>(38,672)</u>

SYNTROPHARMA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2012**

7. TANGIBLE FIXED ASSETS

	Office equipment £
Cost	
At 1 March 2011 and 28 February 2012	<u>10,311</u>
Depreciation	
At 1 March 2011	9,017
Charge for the year	<u>1,294</u>
At 28 February 2012	<u>10,311</u>
Net book value	
At 28 February 2012	<u>-</u>
At 28 February 2011	<u>1,294</u>

8. DEBTORS

	2012 £	2011 £
Other debtors	6,779	8,962
Research and development tax credit	33,326	38,672
	<u>40,105</u>	<u>47,634</u>

**9. CREDITORS:
Amounts falling due within one year**

	2012 £	2011 £
Bank loans and overdrafts	57,415	84,848
Trade creditors	45,678	34,324
Social security and other taxes	2,224	4,877
Other creditors	13,502	14,638
	<u>118,819</u>	<u>138,687</u>

The bank loan is secured by a floating charge over the assets of the company.

**10. CREDITORS:
Amounts falling due after more than one year**

	2012 £	2011 £
Bank loans	<u>-</u>	<u>57,415</u>

SYNTROPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2012

11. SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
45,428 (2011 - 31,920) Ordinary shares shares of £0.0001 each	<u>5</u>	<u>3</u>

During the year the company allotted 13,508 ordinary shares with a nominal value of £0.0001 for a total consideration of £384,662 as part of fund-raising to provide financing for the company's ongoing development.

Executive Option Scheme

The executive option scheme was applicable to 3 directors. On 1 August 2008, 24,104 options were granted at an exercise price of £0.0001 per share. These options have not been exercised and expired on 1 August 2011.

One employee has the right to purchase 698 ordinary shares at a price of £62.40 per share. The option was granted on 1 August 2008 and will expire on 1 August 2018. No performance conditions are attached to this scheme. No charge has been recorded for Executive Option Scheme share options granted in accordance with the FRSSE.

EMI share options

These options apply to two individuals. 2,558 options with an exercise price of £0.0001 per share are outstanding and were granted on 1 August 2008. The options will expire on 1 August 2018 and can be exercised at any point. There are no performance conditions attached to these options. No charge has been recorded for EMI share options granted in accordance with the FRSSE.

12. RESERVES

	Share premium account £	Profit and loss account £
At 1 March 2011	2,231,472	(2,238,283)
Loss for the year		(282,266)
Premium on shares issued during the year	384,662	
At 28 February 2012	<u>2,616,134</u>	<u>(2,520,549)</u>

13. OPERATING LEASE COMMITMENTS

At 28 February 2012 the company had annual commitments under non-cancellable operating leases as follows:

	2012 £	2011 £
Expiry date:		
Within 1 year	3,608	8,465
Between 2 and 5 years	<u>-</u>	<u>2,405</u>

SYNTROPHARMA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2012

14. RELATED PARTY TRANSACTIONS

During the year, fees totalling £16,973 (2011 - £11,879), £11,234 (2011 - £22,771) and £19,370 (2011 - £20,565) were invoice by I J G Scott, G McGettigan and P K Moore respectively, for services provided as non executive directors. These fees were invoiced by their respective companies.

Included within trade creditors are amounts of £17,697 (2011 - £14,712), £3,600 (2011 - £5,925) and £9,834 (2011 - £5,891) due to JGS Associates (Scotland) Limited, Celtic Bio-Pharma Limited and Business Therapies Limited, companies controlled by I J G Scott, G McGettigan and P K Moore respectively. The maximum outstanding during the year was £17,697 (2011 - £14,712), £5,925 (2011 - £5,925) and £9,834 (2011 - £5,891) respectively.

Included within other creditors are amounts of £5,832 (2011 - £nil) and £992 (2011 - £nil) payable to A Gardiner and D McHoul, both directors.

During the year ordinary shares totalling 88, 208, 91, 468 and 133 were issued to the directors D McHoul, A Gardiner, P K Moore, I J G Scott and G McGettigan respectively.

During the year 295 ordinary shares were issued to Celtic Bio Services Limited, a company controlled by G McGettigan, a director.

During the year 579 ordinary shares were issued to Business Therapies Limited, a company controlled by P K Moore, a director.

During the year 295 ordinary shares were issued to JGS Associates (Scotland) Limited, a company controlled by I J G Scott, a director.

15. CONTROLLING PARTY

In the opinion of the board of directors and by virtue of their respective shareholdings, there is no one individual party that exercises control of the company.