THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document does not constitute a prospectus (as defined in the Prospectus Rules) but is an AIM admission document drawn up in accordance with the rules for AIM published by London Stock Exchange plc. This document has been issued in connection with the application for admission to trading on AIM of the Company's issued and to be issued Ordinary Shares.

Applications have been made for the Ordinary Shares to be admitted to trading on AIM. It is expected that First Admission will become effective and dealings in the Existing Ordinary Shares, the Non EIS Shares and the Non VCT Shares will commence on AIM on 23 March 2006 and that the Second Admission will become effective and dealings in the EIS Shares and the VCT Shares will commence on AIM on 24 March 2006. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.**

The Company and each of the Directors, whose names appear on page 3, accept responsibility for the information contained in this document. The Company and the Directors declare that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

Your attention is also drawn to the discussion of risks and other factors which should be considered in connection with an investment in the Ordinary Shares, set out in "Risk Factors" in Part II of this document. Notwithstanding this, prospective investors should read the whole text of this document.

Syntopix Group plc

(Incorporated and registered in England and Wales with registered number 05656604)

Admission to trading on AIM

and

Placing of 2,259,887 Ordinary Shares at 177p per Ordinary Share

by

KBC Peel Hunt Ltd

Nominated Adviser and Broker

The Placing is conditional, *inter alia*, on First Admission taking place on or before 23 March 2006 (or such later date as the Company and KBC Peel Hunt may agree). The Placing Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the Ordinary Shares and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission.

KBC Peel Hunt, which is regulated by the Financial Services Authority, is acting as the Company's nominated adviser in connection with the proposed admission of the Company's Ordinary Shares to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by KBC Peel Hunt as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). KBC Peel Hunt will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of Ordinary Shares.

The distribution of this document outside the UK may be restricted by law and therefore persons outside the UK into whose possession this document comes should inform themselves about and observe any restrictions as to the Placing, the Ordinary Shares or the distribution of this document. The Ordinary Shares have not been, nor will be, registered in the United States under the United States Securities Act of 1933, as amended, or under the securities laws of Canada, Australia or Japan and they may not be offered or sold directly or indirectly within the United States, Canada, Australia, or Japan or into any other jurisdiction where it would be unlawful to do so, or for the account or benefit of, US persons or any national, citizen or resident of the United States, Canada, Australia or Japan or into any other jurisdiction where it would be unlawful to do so. This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Dr Gwynfor Owen Humphreys, *Chairman* Dr Rodney Harry Adams, *Chief Executive Officer* Dr Elizabeth Anne Eady, *Scientific Director* Dr Jonathan Howard Cove, *Research Director* Jay Darren Bamforth, *Finance Director* Alan John Aubrey, *Non-executive Director* Dr Helen Margaret Shaw, *Non-executive Director* all of:
Registered Office	Institute of Pharmaceutical Innovation University of Bradford Bradford BD7 1DP Tel: 0845 125 9204
Secretary	Jay Darren Bamforth
Nominated Adviser and broker	**KBC Peel Hunt Ltd** 111 Old Broad Street London EC2N 1PH
Auditors and Reporting Accountant	**BDO Stoy Hayward LLP** 1 City Square Leeds LS1 2DP
Solicitors to the Company	**Walker Morris** Kings Court 12 King Street Leeds LS1 2HL
Solicitors to the Placing	**Nabarro Nathanson** Lacon House 84 Theobald's Road London WC1X 8RW
Principal Bankers	**HSBC Bank plc** 33 Park Row Leeds LS1 1LD
Registrars	**Capita Registrars** Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
ISIN Number	GB00B0YBM915

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Act"	the Companies Act 1985 (as amended)
"Admission"	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules and, unless the context otherwise requires, in relation to the Existing Ordinary Shares the Non EIS Shares and Non VCT Shares, First Admission, and in relation to the EIS Shares and the VCT Shares, Second Admission
"AIM"	a market operated by London Stock Exchange
"AIM Rules"	the rules published from time to time by London Stock Exchange relating to AIM
"Articles"	the articles of association of the Company
"Board"	the board of directors of the Company from time to time
"Company"	Syntopix Group plc, a company registered in England and Wales with registered number 5656604
"CREST"	the relevant system (as defined in the CREST Regulations) operated by CRESTCo in accordance with which securities may be held or transferred in uncertificated form
"CRESTCo"	CRESTCo Limited, the operator of CREST
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (as amended)
"Directors"	the directors of the Company, whose names are set out on page 3
"EIS"	the Enterprise Investment Scheme as prescribed in part VII of chapter III of the Income and Corporation Taxes Act 1988 (as amended)
"EIS Shares"	248,591 new Ordinary Shares to be placed with certain individuals pursuant to the Placing
"EMI Options"	options over Ordinary Shares granted pursuant to either the EMI Rollover Scheme or the EMI Scheme
"EMI Rollover Scheme"	the Company's enterprise management incentive share option scheme created for the purpose of a rollover of options originally granted under an enterprise management incentive share option scheme created by Syntopix, details of which are set out in paragraph 8 of Part V
"EMI Scheme"	the Company's enterprise management incentive share option scheme created in accordance with the provisions of the Income Tax (Earnings and Pensions) Act 2003, details of which are set out in paragraph 8 of Part V for the grant by the Company of all enterprise management incentive share options other than options granted pursuant to the EMI Rollover Scheme
"Enlarged Issued Share Capital"	the Ordinary Shares in issue immediately following the Placing
"Existing Ordinary Shares"	the 3,389,009 Ordinary Shares in issue at the date of this document

"First Admission"	the admission of the Existing Ordinary Shares and the Non EIS Shares and Non VCT Shares to trading on AIM becoming effective in accordance with the AIM Rules
"Group"	the Company and its subsidiaries
"KBC Peel Hunt"	KBC Peel Hunt Ltd
"London Stock Exchange"	London Stock Exchange plc
"Ordinary Shares"	ordinary shares of 10 pence each in the Company
"Non EIS Shares and Non VCT Shares"	the Placing Shares other than the EIS Shares and the VCT Shares
"Placing"	the conditional placing by KBC Peel Hunt of the Placing Shares, pursuant to the Placing Agreement
"Placing Agreement"	the conditional agreement dated 23 March 2006, between the Company, the Directors and KBC Peel Hunt relating to the Placing and Admission, further details of which are set out in paragraph 9.1 of Part V
"Placing Shares"	2,259,887 new Ordinary Shares, comprising the EIS Shares and the VCT Shares and the Non EIS Shares and Non VCT Shares, to be placed pursuant to the Placing
"Second Admission"	the admission of the EIS Shares and VCT Shares to trading on AIM becoming effective in accordance with the AIM Rules
"Shareholders"	holders of Ordinary Shares
"Share Option Schemes"	the EMI Scheme, the EMI Rollover Scheme and the Unapproved Option Scheme
"Syntopix"	Syntopix Limited, a company registered in England and Wales with registered number 4844967, being a wholly owned subsidiary of the Company
"Syntopix Services"	Syntopix Services Limited, a company registered in England and Wales with registered number 5179143, being a wholly owned subsidiary of Syntopix Limited
"UK"	United Kingdom of Great Britain and Northern Ireland
"Unapproved Options"	options over Ordinary Shares granted pursuant to the Unapproved Option Scheme
"Unapproved Option Scheme"	Syntopix's unapproved share option scheme, further details of which are set out in paragraph 8 of Part V
"VCT"	a Venture Capital Trust for the purposes of section 842 AA and schedule 28B of the Income and Corporation Taxes Act 1988
"VCT Shares"	225,989 new Ordinary Shares to be placed with certain venture capital trusts pursuant to the Placing

In this document all references to times and dates are in reference to those observed in London, United Kingdom.

In this document the symbols "£" and "p" refer to pounds and pence sterling respectively, and the symbol $ refers to United States dollars.

GLOSSARY OF TECHNICAL TERMS

The following technical terms apply throughout this document, unless the context requires otherwise:

antibiotic	either a compound produced by a micro-organism capable of inhibiting the growth of other micro-organisms or a synthetic or semi-synthetic antimicrobial with a high degree of selective toxicity against micro-organisms which can generally be used systemically in humans
antimicrobial	the effect of inhibiting the growth of a micro-organism or a compound that has this effect
antiseptic	chemically synthesised or naturally-occuring compounds capable of inhibiting microbial growth with a lower degree of selective toxicity than antibiotics and which cannot be used systemically in humans
benzoyl peroxide	an oxidising agent commonly used in the topical treatment of acne
commensal	a microbe living harmlessly on or in the human body but sometimes with potential to cause disease
isotretinoin	an example of a retinoid (an analogue of vitamin A) used in the treatment of acne
lead candidate	a compound or combination of compounds identified by Syntopix as having the desired characteristics in primary screening
methicillin	an antibiotic related to penicillin that is no longer used in human medicine; resistance to methicillin is interpreted to indicate cross-resistance to all penicillins and all penicillin-like antibiotics usually by the possession of the resistance gene, *mec*A
MRSA	methicillin resistant *Staphylococcus aureus* which are usually associated with hospitals, but are increasingly found in the wider community
NCE	new chemical entity
P. acnes	*Propionibacterium acnes*, a species of bacterium that colonises human skin and which is implicated in acne
phase I trials	the testing of a new drug or treatment in a small group of people (typically 20 – 80) for the first time to evaluate its safety, determine a safe dosage range, and identify any common side effects
phase II trials	the evaluation of a drug in a larger group of people (typically 100 – 300) for safety, tolerability and efficacy which will focus on comparing the new drug or treatment with the current standard treatment or placebo
phase III trials	the new drug or treatment is given to large groups of people in several independent studies to confirm its effectiveness, monitor side effects, including less common ones, compare it to commonly used treatments and collect other information that will allow the drug to be used safely

pre-clinical development	the development of a drug prior to the entry into clinical trials, including a series of safety tests carried out in respect of a new drug or treatment before it is used in humans in order to be as certain as possible that there are no serious common adverse effects in humans
S. aureus	*Staphylococcus aureus*, a bacterium commonly associated with skin infections
skin sepsis	the presence of numerous white blood cells within the skin or associated structures, typically but not exclusively a symptom of infection
topical	the application of a treatment to human skin
toxicity	the ability of a compound to cause harm in a human or animal

EXPECTED PLACING STATISTICS

Placing Price	177 pence
Number of Placing Shares	2,259,887
Number of Non EIS Shares and Non VCT Shares	1,785,307
Number of EIS Shares and VCT Shares	474,580
Number of Ordinary Shares in issue on Admission	5,683,981
Market capitalisation of the Company at the Placing Price on Admission	£10.1 million
Placing Shares as a percentage of the Enlarged Issued Share Capital	39.8 per cent.
Gross proceeds of the Placing receivable by the Company	£4.0 million
Net proceeds of the Placing receivable by the Company	£3.3 million

EXPECTED TIMETABLE

First Admission effective and dealings in the Existing Ordinary Shares, the Non EIS Shares and Non VCT Shares to commence on AIM	23 March 2006
Crediting of uncertificated Non EIS Shares and Non VCT Shares to CREST accounts	23 March 2006
Second Admission effective and dealings in the EIS Shares and VCT Shares to commence on AIM	24 March 2006
Crediting of uncertificated EIS Shares and VCT Shares to CREST accounts	24 March 2006
Where applicable, definitive share certificates despatched by	31 March 2006

KEY INFORMATION

This information is derived from, and should be read in conjunction with, the full text of this document.

Introduction

The Group is engaged in the discovery and development of drugs for the topical treatment of common dermatological diseases, currently focussing on acne and superficial *Staphylococcus aureus* infections. Whilst the market for the treatment of these diseases is significant, the Directors believe that it has suffered from a lack of product innovation due to the economics of conventional new drug development. The cost and timescale of developing new drugs using conventional drug discovery and development methods has proved to be a significant barrier to new drugs entering the pharmaceutical market.

The Group's Strategy

The Group has a strategy which the Directors believe will reduce the cost and financial risk of successfully discovering and developing drugs for the treatment of acne and *S. aureus*. In the course of implementing this strategy the Group is developing a pipeline for the identification of potential products and has reached the stage where it has identified a number of lead candidates, which it now intends to take through pre-clinical development and, as appropriate, clinical trials.

Dr Jon Cove and Dr Anne Eady, the scientific founders of Syntopix, have spent significant parts of their careers, at the University of Leeds researching the use of antimicrobials in the treatment of dermatological diseases. During the course of their work they have become aware of a number of shortcomings in existing products used in the treatment of dermatological diseases and the programmes used for the development of new products in this area.

The key elements underpinning the Group's strategy are:

- to discover novel uses for known compounds, which are primarily off patent. This, coupled with synergies generated by the combination of compounds, provides an efficient mechanism for the generation of potentially protectable intellectual property;
- to concentrate on compounds and combinations of compounds that have a history of safe use either as licensed pharmaceuticals or other products used in or on humans with the potential to reduce the timelines associated with drug development. Regulatory authorities, such as the Food and Drug Administration and the European Medicines Evaluation Agency, are in a position to refer to existing safety data when considering the outcome of pre-clinical safety studies and early stage clinical trials; and
- to work with compounds that have known properties (for example antimicrobials or anti-inflammatories) to enable the Group to begin its work further into the discovery process than companies focusing on NCEs with unknown properties.

The Group is building a library of compounds to test, alone and in combination, for activities relevant to the target diseases of acne and *S. aureus* infections. The potential advantages of combining compounds is that the combinations are likely to be more effective than individual compounds because they attack multiple targets and are less likely to lead to the development of resistance.

The Group currently expects to take two of the lead candidates for which patent applications have been made through further pre-clinical development and clinical trials. A third lead candidate will be selected for further development following the results of the current screening process. Screening activities are ongoing and the Directors expect that these activities will continue to produce candidates for further evaluation.

The Directors anticipate that of the three lead candidates selected for further pre-clinical development and clinical trials, one will be commercialised for the non-prescription market and two will be prescription only products.

The Group intends to focus its activities on obtaining proof of principle (typically completion of phase II trials) for its lead candidates as soon as possible and will seek to out-license to commercial partners who would then carry out later stage development (typically completion of phase III trials) and marketing. Where appropriate the Directors will also actively seek co-development partnerships that may mitigate the costs of the development programmes of candidates, lead candidates and potential products and will also consider appropriate in-licensing opportunities to strengthen the Group's pipeline.

Management and Scientific Team

The Group has brought two of the leading experts in skin microbiology together with commercial management that has a proven track record in developing pharmaceutical technology and products and realising shareholder value.

Reasons for Placing and Admission

The Directors intend to use the proceeds of the Placing to provide working capital and to finance the Group's drug discovery and development programmes for acne and *S. aureus* skin infections, which currently comprises:

- the development of a non-prescription product for the treatment of acne; where the funds will be used to develop the lead candidate through proof of principle trials to the point where it can be out-licenced to a partner for sales and marketing;
- the pre-clinical development of two prescription products for the treatment of acne and/or *S. aureus* with the aim that one will be taken to the end of phase II trials and out-licenced or partnered to complete phase III trials and gain regulatory approval; and
- the screening of compounds with the aim of identifying potential lead candidates.

Details of Placing

KBC Peel Hunt, as agent for the Company, has conditionally placed 2,259,887 new Ordinary Shares with investors at 177 pence per share. The Placing, which is not underwritten, is conditional, *inter alia*, on First Admission. The Placing is intended to raise £4 million for the Company, before expenses. After the expenses of the Placing and Admission, estimated in total at £0.7 million (excluding VAT), the Placing is intended to raise £3.3 million.

PART I

INFORMATION ON THE GROUP

Introduction

The Group 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. Whilst the market for the treatment of these diseases is significant, the Directors believe that it has suffered from a lack of product innovation due to the economics of conventional new drug development. The Group has a strategy which the Directors believe will reduce the cost and financial risk of successfully discovering and developing drugs for the treatment of these diseases. In the course of implementing this strategy the Group is developing a pipeline for the identification of potential products and has reached the stage where it has identified a number of lead candidates, which it now intends to take through pre-clinical development and, as appropriate, clinical trials.

History and background

Dr Jon Cove and Dr Anne Eady, the scientific founders of Syntopix and two of the leading experts in skin microbiology, have spent significant parts of their careers at the University of Leeds where they have researched the use of antimicrobials in the treatment of dermatological diseases. During the course of their work they have become aware of a number of shortcomings in existing products used in the treatment of dermatological diseases and the programmes used for the development of new products in this area. As a consequence, Jon and Anne have developed a strategy which seeks to reduce the risks and costs associated with drug discovery and development by concentrating on the change of use and combinations of known compounds with either documented pharmacological and/or toxicity data and which are already established as safe for human use. The Directors believe that the implementation of this strategy will provide a more efficient route through the discovery, pre-clinical and clinical development phases than the conventional drug discovery and development approach and should also increase the probability of success in developing effective new treatments.

Syntopix was established in 2003, with initial funding provided by The Wellcome Trust, to carry out and commercialise the strategy devised by Jon and Anne. In 2004 commercial management, with proven track records in developing pharmaceutical technology and products and realising shareholder value, was introduced as part of the next round of funding, with a further round of funding being raised in 2005 to assist the continued development of Syntopix.

Syntopix Services, a wholly owned subsidiary of the Company, was established in 2004 to satisfy a number of requests from pharmaceutical and biotechnology companies for contract research and consultancy services in relation to the area of the Group's expertise.

In October 2005 Syntopix relocated to the Institute of Pharmaceutical Innovation in Bradford and now occupies four modern purpose built laboratories. The Group is able to access nearby expertise in skin biology, formulation and toxicology through the Universities of Bradford and Leeds and the Directors believe that the Group is well placed to build on the progress it has made to date.

Market and Business Opportunities

Whilst the dermatological treatment market (with current global annual sales estimated to be in excess of $10 billion) is significant, it remains small relative to other pharmaceutical markets. The Directors believe that large pharmaceutical companies have chosen to focus their costly and time consuming new drug discovery and development programmes on the larger pharmaceutical markets. Accordingly the Directors believe that certain areas of the market for dermatological treatments lack innovation, despite there being clear evidence of unmet medical need and limitations identified in some of the leading products used in this market. This provides a significant opportunity for a business directed at discovering and developing effective topical treatments for acne and *S. aureus* infections and for the control of *S. aureus* nasal carriage in a cost effective and timely manner.

In the two areas in which the Group is initially intending to focus, global annual prescription sales alone of treatments for acne are estimated to be in excess of $3 billion in 2006, whilst global annual prescription sales for topical treatments of *S. aureus* infections are estimated to be in excess of $0.5 billion in 2006. The Directors believe that non-prescription sales for acne treatments are in excess of global prescription sales.

Acne is one of the commonest skin diseases, characterised by inflamed and non-inflamed spots that arise within tiny hair follicles on the face and upper body. *Propionibacterium acnes*, is implicated in lesion formation and many acne treatments are targeted against this organism. Untreated or poorly treated acne can lead to psychological and/or physical scarring. The majority of teenagers have some degree of acne. Although regarded as a disease of teenagers, persistent and late onset acne are also well recognised, especially in women. Most acne sufferers use non-prescription treatments and many will seek clinical intervention.

Frequently used prescription acne treatments include antibiotics, antimicrobials such as benzoyl peroxide, topical retinoids, the combined contraceptive pill as well as physical therapies based on light. These treatments can have unwanted side effects resulting in patients not completing the full course of treatment. Oral isotretinoin is the only anti-acne drug that can be considered curative, but approximately 30 to 40 per cent. of patients relapse after a single course, and there is widespread concern about its side effects.

S. aureus is a versatile bacterium and is a major cause of disease in humans. In many countries, an increasing proportion of *S. aureus* infections are due to methicillin resistant strains (MRSA). *S. aureus* causes a wide variety of infections ranging from minor skin sepsis to severe, potentially fatal, conditions and is one of the important causes of life-threatening bacterial infections in the developed world. There is currently much concern about the rising prevalence of community-acquired MRSA infections and the increased mobility of the methicillin resistance gene.

Primary and secondary skin related *S. aureus* infections are typically treated with topical or systemic antibiotics. However, *S. aureus* is becoming increasingly resistant to the antibiotics prescribed to treat the infections it causes, which limits treatment options and increases health care costs. One way to limit the spread of resistant *S. aureus* strains would be to reserve antibiotics for serious or widespread infections while treating superficial and more localised infections with topical non-antibiotic treatments.

The Group's Strategy

Approach

The cost and timescale of developing new drugs using conventional drug discovery and development methods has proved to be a significant barrier to new products entering the pharmaceutical market. Following basic research and development, new products to be used on humans must undergo rigorous pre-clinical development and clinical trials (phase I, phase II and phase III) before obtaining regulatory and marketing approval. The average cost of developing a NCE has been estimated at over $800 million, with a timeframe that could extend to over 10 years.

The Directors believe that the Group's strategy will reduce the costs and financial risks associated with the discovery and development of new dermatological drugs. The key elements underpinning this strategy are:

- to discover novel uses for known compounds, which are primarily off patent. This coupled with synergies generated by the combination of compounds provides an efficient mechanism for the generation of potentially protectable intellectual property;
- to concentrate on compounds and combinations of compounds that have a history of safe use either as licensed pharmaceuticals or other products used in or on humans. This approach has the potential to reduce the timelines associated with drug development. Regulatory authorities, such as the Food and Drug Administration of the United States and the European Medicines Evaluation Agency, are in a position to refer to existing safety data when considering the outcome of pre-clinical safety studies and early stage clinical trials; and

- to work with compounds that have known properties (for example antimicrobials or anti-inflammatories) to enable the Group to begin its work further into the discovery process than companies focusing on NCEs with unknown properties.

The Group is building a library of compounds to test, alone and in combination, for activities relevant to the target diseases of acne and *S. aureus* infections. The potential advantages of combining compounds is that the combinations are likely to be more effective than individual compounds because they attack multiple targets and are less likely to lead to the development of resistance.

Screening and Development Process

The Group has designed a screening and development process which combines validated antimicrobial and pharmacological tests in a novel way, allowing early identification of active compounds or combinations of compounds and enabling the most promising candidates to be fast-tracked as lead candidates into pre-clinical development and clinical trials.

Following the identification of a lead candidate, due diligence is carried out to establish the likelihood of adequate patent protection being achievable and, if appropriate, a patent application is filed. The most appropriate pre-clinical development and clinical trial programme will then be identified. The development of a product for the prescription market involves lengthy and rigorous clinical trials, whilst the development of a product for the non-prescription market typically has a shorter timescale because efficacy testing is less rigorous. The decision as to which development route the Group chooses to pursue will be dependent on the pre-existing regulatory status and commercial factors associated with the specific lead candidate.

Product Development Plan

Since commencing screening activities, the Group has built up a library of over 650 compounds, identified 24 potentially synergistic combinations against *S. aureus*, 40 against *P. acnes* and nine lead candidates. Patent applications have been submitted in respect of seven of these lead candidates. Further details of the Group's patent applications are set out in Part IV.

The Group currently expects to take two of the lead candidates for which patent applications have been made through further pre-clinical development and clinical trials. A third lead candidate will be selected for further development following the results of the current screening process. Screening activities are ongoing and the Directors expect that these activities will produce candidates for further evaluation.

The Directors anticipate that of the three lead candidates selected for further pre-clinical development and clinical trials, one will be commercialised for the non-prescription market and two will be prescription products.

The Group has received a number of approaches from major companies interested in evaluating future commercial collaborations with the Group. The Group decided that it would not actively pursue any detailed discussions with these companies until it had identified a number of lead candidates and patent applications had been submitted in respect of them. These applications now having been made, the Group intends to open discussions with interested parties as and when appropriate regarding commercial collaborations.

The Group intends to take the non-prescription lead candidate through preliminary proof of principle trials and out-licence that product within two years. Simultaneously, the Group intends to complete phase I trials for two lead candidates identified for the prescription market by the end of 2007. Following the completion of the phase I trials, the Group will seek to select one potential product for phase II trials, which are expected to be completed by the end of 2008.

Commercialisation Plan

The Group intends to focus its activities on obtaining proof of principle (typically completion of phase II trials) for its lead candidates as soon as possible and will seek to out-license to commercial partners who would then carry out later stage development (typically completion of phase III trials) and marketing. Where appropriate the Directors will also actively seek co-development partnerships that may mitigate the costs of

the development programmes of lead candidates and potential products and will also consider appropriate in-licensing opportunities to strengthen the Group's pipeline. The Directors are confident, based on their current experience, the reputations of Dr Jon Cove and Dr Anne Eady and their links with large pharmaceutical companies, that the Group will secure an appropriate level of interest from potential commercial partners.

Intellectual Property

The Group actively seeks to protect its intellectual property as further set out in Part IV. The Group regularly monitors the processes used in and the output of its research and seeks to obtain patent protection on its potential products where appropriate. In addition, the Group reviews relevant patents granted to and applications made by third parties. The Directors are not currently aware of any third party patent rights that the Group may infringe or that would be infringed by the Group's processes and products.

Current Trading and Prospects

The Group is currently loss making, with an operating loss before tax for the year ended 31 July 2005 amounting to £104,000. Further financial information on the Company and Syntopix is set out in Part III.

In October 2005, Syntopix re-located to the Institute of Pharmaceutical Innovation at the University of Bradford and during this period Syntopix Services did not instigate any new contract research and consultancy agreements. In November 2005 Syntopix's operations expanded to include two further scientists and by January 2006 three further directors joined the Board to complement the strengths of the scientific founders and the existing commercial management team. In 2006 Syntopix Services has commenced contract research and consultancy with new clients.

Since 31 July 2005, six patent applications have been made relating to the Group's lead candidates. The Group is continuing to screen compounds from its compound library, to produce further lead candidates for evaluation and protection (as appropriate).

Directors and Employees

Directors

Details of the Directors, their roles and their backgrounds are as follows:

Dr Gwyn Humphreys (59), *Chairman*

Gwyn was a founder and Managing Director of Bradford Particle Design Limited, a successful UK university spin-out company, which developed super critical fluid technology used to control particle size in drug 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 the Chairman of Syntopix in October 2004.

Dr Rod Adams (61), *Chief Executive Officer*

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

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

Dr Anne Eady (52), *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 (55), *Research Director*

Jon is a founder shareholder of Syntopix and is currently seconded to the Group from the University of Leeds, where he is a senior lecturer in the Institute of Molecular and Cellular Biology. Jon's areas of expertise are in the evolution and mechanisms of antibiotic resistance in skin bacteria and he has previous experience of working in the pharmaceutical industry. In collaboration with Anne Eady, Jon has established research and/or consultancy links with commercial sponsors including Galderma, Roche, Sanofi-Aventis, Unilever, Stiefel, Smith and Nephew and ProStrakan.

Darren Bamforth (36), *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 consultancy basis, since the formation of Syntopix. Prior to establishing his own practice in 2002, Darren was a senior manager with KPMG.

Alan Aubrey (44), *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 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 IP2IPO Group plc, a substantial shareholder in the Company through its subsidiary Techtran Group Limited.

Dr Helen Shaw (43), *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.

Employees

The Group also employs 7 scientists, all of whom are employed and work at the Group's registered office.

The Company recognise that due to its anticipated growth it will require a finance director on a permanent basis and therefore intends to make such an appointment within 12 months from Admission.

Scientific Advisory Panel

The Group is also able to draw upon the skills of three further scientists who will sit on a scientific advisory panel chaired by Dr Helen Shaw to provide scientific, regulatory and clinical advice to the Group.

Dr Alison Layton *MB. ChB MRCP (UK) FRCP (UK) VTSC, Consultant Dermatologist at Harrogate District Hospital and Honorary Consultant Dermatologist at Leeds Teaching Hospital*

Alison is an experienced consultant dermatologist with particular expertise in the treatment of acne.

Professor Des Tobin *PhD, Professor of Cell Biology and Director of the Medical Bioscience Research Group at the School of Life Sciences, University of Bradford*

Professor Tobin is a fellow of the Institute of Tricologists and has considerable experience researching skin and hair follicle biology having authored a number of publications in this area.

Professor John Caldwell *BPharm PhD DSc MRCP CBiol FIBiol, Dean of the Faculty of Medicine in the University of Liverpool*

Professor Caldwell sits on numerous national and international government and industrial advisory committees, and has been a member of the UK Committee on Safety of Medicines.

Corporate Governance

The Directors have responsibility for the overall corporate governance of the Company and recognise the need for the highest standards of behaviour and accountability. The Directors are committed to the principles underlying best practice in corporate governance and intend to comply with the principles of the Combined Code in such respects as are appropriate for a company of its size and nature.

The Company has established an Audit Committee, a Remuneration Committee and a Nominations Committee.

The Audit Committee comprises Dr Helen Shaw (Chair), Alan Aubrey and Dr Gwyn Humphreys. It is responsible for ensuring that the financial performance of the Group is properly reported on and monitored and for reviewing the auditor's reports relating to accounts and internal control systems.

The Remuneration Committee, which will review the performance of senior management and set their remuneration, comprises Dr Helen Shaw (Chair), Alan Aubrey and Dr Gwyn Humphreys.

The Nominations Committee comprises Dr Helen Shaw (Chair), Alan Aubrey and Dr Gwyn Humphreys. It is responsible for reviewing the structure, size and composition of the Board, preparing a description of the role and capabilities required for a particular appointment and identifying and nominating candidates to fill Board positions as and when they arise.

The Placing and Admission

Reasons for Placing and Admission

The Directors intend to use the proceeds of the Placing to provide working capital and to finance the Group's drug discovery and development programmes for acne and *S. aureus* skin infections, which currently comprises:

- the development of a non-prescription product for the topical treatment of acne where the funds will be used to develop the lead candidate through proof of principle trials to the point where it can be out-licenced to a partner for sales and marketing;
- the pre-clinical development of two prescription products for the treatment of acne and/or *S. aureus* with the aim that one will be taken to the end of phase II trials and out-licenced or partnered to complete phase III trials and gain regulatory approval; and
- the screening of compounds with the aim of identifying potential lead candidates.

The Directors believe that Admission may provide the Group with additional commercial opportunities by improving its corporate profile within the industry and within the financial and professional communities. The Directors also consider that the recruitment, retention and incentivisation of key staff through the use of share options may be important to the Group's continued development.

Details of Placing and Admission

KBC Peel Hunt, as agent for the Company, has conditionally placed at the Placing Price 2,259,887 new Ordinary Shares with investors at 177 pence per share representing, in aggregate, approximately 39.8 per cent. of the Enlarged Issued Share Capital following the Placing. The Placing, which is not underwritten, is conditional, *inter alia*, on First Admission taking place on or before 23 March 2006, or such later time as KBC Peel Hunt and the Company agree.

The Placing is intended to raise £4 million for the Company before expenses. After the expenses of the Placing and Admission, estimated in total at £0.7 million (excluding VAT), the Placing is intended to raise £3.3 million.

Applications have been made for the Existing Ordinary Shares, the EIS Shares and the VCT Shares and the Non EIS Shares and Non VCT Shares to be admitted to trading on AIM. It is expected that the First Admission will become effective and dealings in the Existing Ordinary Shares, the Non EIS Shares and Non VCT Shares will commence on AIM on 23 March 2006 and that the Second Admission will become effective and dealings in the EIS Shares and VCT Shares will commence on AIM on 24 March 2006. It is expected that the proceeds of the Placing due to the Company will be received by it on or soon after Admission. In the case of placees requesting Non EIS Shares and Non VCT Shares in uncertificated form, it is expected that the appropriate stock accounts will be credited with the Non EIS Shares and Non VCT Shares comprising their Placing participation with effect from 23 March 2006. In the case of placees requesting EIS Shares and VCT Shares in uncertificated form, it is expected that the appropriate stock accounts will be credited with the EIS Shares and the VCT Shares comprising their Placing participation with effect from 24 March 2006. In the case of placees requesting Placing Shares in certificated form, it is expected that certificates in respect of such shares will be despatched by post within 10 days after Admission.

Pending despatch of share certificates or crediting of CREST accounts, the Company's registrar will certify any instruments of transfer against the register.

The Placing Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission.

Further details of the Placing Agreement are set out in paragraph 9.1 of Part V.

Equity participation

Rod Adams, Gwyn Humphreys, Darren Bamforth and Alan Aubrey (all being Directors), together have agreed to subscribe for 70,622 new Ordinary Shares at the Placing Price pursuant to the Placing. Further details of the interests of the Directors in Ordinary Shares and in options over Ordinary Shares are set out in paragraph 5 of Part V.

Lock-in arrangements

Following the Placing, the Directors will be interested, in aggregate, in 941,373 Ordinary Shares, representing 16.6 per cent. of the Enlarged Issued Share Capital.

Each Director pursuant to the Placing Agreement has undertaken to the Company and to KBC Peel Hunt that, save in certain limited circumstances, he will not dispose of any interest in Ordinary Shares held by him on Admission for a period of two years following Admission.

In addition, each of Techtran Group Limited, The Wellcome Trust Limited, White Rose Technology Limited, Ridings Early Growth Investment Company Limited and the University of Leeds has undertaken to KBC Peel Hunt that, save in certain limited circumstances, they will not dispose of any interest in Ordinary Shares held by them on Admission for a period of two years following Admission.

Dealing arrangements and CREST

CREST is a computerised paperless settlement system, which allows securities to be transferred via electronic means, without the need for a written instrument of transfer. The Directors have applied for the Ordinary Shares in issue following Admission to be admitted to CREST with effect from, in the case of the Existing Ordinary Shares, the Non EIS Shares and the Non VCT Shares, First Admission and in the case of the EIS Shares and the VCT Shares, Second Admission and CREST has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the individual shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Dividend Policy

It is the Directors' intention to pay dividends when, in the view of the Directors, it is commercially prudent to do so and the Company has sufficient distributable reserves for this purpose.

EIS and VCT Relief

The Company has made an application to HM Revenue & Customs for clearance that the Company is a qualifying company for the purposes of the relevant legislation. The Company has sought assurances from HM Revenue & Customs that the VCT Shares will be eligible shares for the purposes of section 842 AA (14) Income and Corporation Taxes Act 1988 and that the VCT Shares held by VCTs immediately following the Second Admission will be "qualifying holdings'' for the purposes of schedule 28B Income and Corporation Taxes Act 1988. A positive response to that clearance application has been received.

The clearance sought relates only to the qualifying status of the Company and its shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition of Ordinary Shares. The conditions for relief are complex and depend not only upon the qualifying status of the Company but upon certain factors and characteristics of the VCT concerned. VCTs who believe they may qualify for the relevant reliefs should consult their own tax advisers regarding this.

The Company has also made an application to HM Revenue & Customs for clearance that the EIS Shares to be issued by the Company are qualifying shares, and that the Company is a qualifying company for the purposes of the relevant legislation. The Company has sought assurances from HM Revenue & Customs that it will be able to issue certificates under section 306(2) Income and Corporation Taxes Act 1988 in respect of any EIS Shares issued. A positive response to that clearance has also been received.

The Company cannot guarantee or undertake to conduct its business, following Admission, in a way to ensure that the Company will continue to meet the requirements of section 293, section 297 and/or schedule 28B Income and Corporation Taxes Act 1988.

Taxation

Information regarding EIS and VCT treatment and taxation in relation to the Placing and Admission is set out in paragraph 11 of Part V and the risk factor in relation to EIS Shares and VCT Shares in Part II. **If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.**

Further Information

Your attention is drawn to the additional information in Parts II to V of this document.

PART II

RISK FACTORS

Prospective investors should be aware that an investment in the Company involves a high degree of risk and should only be made by those with the necessary expertise to appraise the investment. The following are considered by the Board to be the main risk factors which could have a material adverse effect on the business, financial condition, results or future operations of the Group. The following list is not intended to be exhaustive but it should be considered carefully by prospective investors (in addition to the other information contained in this document) in evaluating whether to make an investment in the Company.

Early Stage of Operations

The Group is at an early stage of development. The commencement of the Group's material revenues is difficult to predict and there is no guarantee that the Group will generate any material revenues in the foreseeable future. The Group has a limited operating history upon which its performance and prospects can be evaluated and faces the risks frequently encountered by developing companies. The risks include the uncertainty as to which areas to target for growth. There can be no assurance that the Group's proposed operations will be profitable or produce a reasonable return, if any, on investment.

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 will 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.

High Reliance on the Contribution of the Founding Scientists

In all areas of the business, the Group is dependent upon the involvement and contribution of the founding scientists, Dr Jon Cove and Dr Anne Eady. Whilst the Group will endeavour to ensure that Jon and Anne remain suitably incentivised, the loss of their services could adversely affect the ability of the Group to achieve its planned drug discovery and development objective.

Access to Key Facilities

The Group is reliant on a licence from the University of Bradford for access to key facilities required for pre-clinical development and clinical trials. This licence runs to 29 September 2006 and is expected to be renewed for a further six month period. The Directors believe that access to alternative facilities can be obtained if the licence is not renewed.

Intellectual Property Protection

The commercial success of the Group depends in part on its ability to protect its intellectual property and to preserve the confidentiality of its own and its collaborators' know-how. The Group may not be able to protect and preserve its intellectual property rights or to exclude competitors with similar pharmaceutical products.

The Group may seek to rely on patents to protect its assets. These rights act to prevent a competitor from copying and to prevent a competitor from independently developing products that fall within the scope of the patent claims. No assurance can be given that others will not gain access to the Group's un-patented proprietary technology or disclose such technology or that the Group can ultimately protect meaningful rights to such un-patented proprietary technology.

No assurance can be given that any pending patent or trade mark applications or any future patent or trade mark applications will result in granted patents or trade mark registrations, that the scope of any copyright, trade mark or patent protection will exclude competitors or provide advantages to the Group, that in the future any patent granted in favour of the Group will be held valid on being challenged or that third parties will not in the future claim rights in or ownership of the copyright, patents and other proprietary rights from time to time held by the Group.

Further, there can be no assurance that others have not developed or will not develop similar products, duplicate any of the Group's products or design around any pending patent applications or patents (if any) subsequently granted in favour of the Group. Other persons may hold or receive patents which contain claims having a scope that covers products developed by the Group (whether or not patents are issued to the Group).

A substantial cost may be incurred if the Group is required to defend its intellectual property rights including any patents or trademarks against third parties. There is no assurance that obligations to maintain the Group's or its collaborators' know-how would not be breached or otherwise become known in a manner which provides the Group with no recourse.

The commercial success of the Group may also depend in part on non-infringement by the Group of intellectual property owned by third parties including compliance by the Group with the terms of any licenses granted to it. If this is the case, the Group may have to obtain appropriate intellectual property licences or cease or alter certain activities or processes or develop or obtain alternative products or challenge the validity of such intellectual property in the courts.

A third party could also claim that the Group's screening and development process infringes its proprietary rights. These claims, even if without merit, could be time-consuming and expensive to defend and could have a materially detrimental effect on the Group given its limited resources. A third party asserting infringement claims against the Group and its customers could require the Group to cease the infringing activity and/or require the Group to enter into licensing and royalty arrangements. The third party could also take legal action which could be costly. In addition, the Group may be required to develop alternative non-infringing solutions that may require significant time and substantial unanticipated resources. There can be no assurance that such claims will not have a material adverse effect on the Group's business, financial condition or results.

Competition

The Group may face significant competition from organisations which have much greater capital resources than the capital resources of the Group. There is no assurance that the Group will be able to compete successfully in such a marketplace.

Dependence on Arrangements with Third Parties

The Group intends to enter into arrangements with third parties in respect of the development, production, marketing and commercialisation of its lead candidates where appropriate. An inability to enter into such arrangements or disagreements between the Group and any of its potential collaborators could lead to delays in the Group's product development and/or commercialisation plans.

Risk that Products will not Achieve Commercial Success

The Group has not, as yet, any products available for sale. It does not expect to have any products commercially available until at least the end of 2007. There can be no assurance that any of the Group's lead candidates can be successfully developed into any commercially viable product or products, prove to be safe and effective in clinical trials, meet applicable regulatory standards and be manufactured in commercial

quantities at an acceptable expense or be marketed successfully and profitably. If the Group or its collaborators encounter delays at any stage of development and fail to successfully address such delays there may be a material adverse effect on the Group's business, financial condition and results.

There can be no assurance that an adverse report on a lead candidate will not come to light or be published or that those that the Group is currently aware of will not be of significance. There can be no guarantee that such reports will not materially affect the development of the Group's products.

In addition, the success of the Group will depend on the market's acceptance of its products and there can be no guarantee that this acceptance will be forthcoming. Notwithstanding the technical merits of a product developed by the Group, there can be no guarantee that the Group's targeted customer base for the product will purchase or continue to purchase the product. Publicity arising from any adverse outcome or other problem occurring in the treatment of a patient using the Group's products or any other products containing one of the Group's lead candidates for any reason could materially affect demand for such products.

Regulatory Approvals

The Group's candidate and its ongoing research and development activities are subject to regulation by regulatory and governmental authorities. Such approval is required by the clinical evaluation of data relating to the quality, safety and efficacy of the lead candidate's proposed use. Time taken to obtain regulatory approval varies between countries. There can be no assurance that regulatory approvals for the Group's lead candidates will be forthcoming without delay or at all. Human therapeutic products are subject to lengthy and rigorous pre-clinical and clinical testing as mandated by the regulatory authorities.

In addition each regulatory authority may impose its own requirements and may refuse to grant or may require additional data before granting an approval notwithstanding that regulatory approval may have been granted by other regulatory authorities. After regulatory approval has been obtained, the product and the manufacturer are subject to continual review and there can be no assurance that such approval cannot be withdrawn or restricted. Changes in applicable legislation and/or regulatory policies or discovery of problem with the product, production process, site or manufacturer may result in delays of bringing products to market, the imposition of restrictions on the products' sale or manufacture including the possible withdrawal of the product from the market or may otherwise have an adverse effect on the Group's business.

EIS and VCT Status

The attention of investors is drawn to paragraph 11 of Part V in relation to the treatment of EIS Shares and VCT Shares. It is a requirement that, in order for the Company to remain a qualifying company for EIS and VCT purposes, 80 per cent. of the monies raised from investors seeking EIS or VCT relief are utilised by the Company within 12 months. Whilst the Directors currently anticipate this to be the case the nature of the research and development carried out by the Group means that monies may be utilised at a slower rate. No assurance can be given that the Company will remain a qualifying company for EIS and VCT purposes.

Volatility in Share Price and Liquidity

The share prices of publicly traded companies that are perceived to be within the bioscience sector are often subject to significant fluctuations. The market price of the Ordinary Shares may therefore be volatile and may be influenced by factors which affect the quoted pharmaceutical and biotechnology sectors (or quoted companies) generally and not just factors specific to the Group. Admission to AIM does not guarantee that there will be a liquid market for Ordinary Shares. An active public market for the Ordinary Shares may not develop or be sustained after Admission and the market price may fall below the Placing Price.

PART III

SECTION A – FINANCIAL INFORMATION ON THE COMPANY

Part A(i) – Accountant's Report on the Company

BDO Stoy Hayward LLP
Corporate Finance

BDO Stoy Hayward LLP
1 City Square
Leeds LS1 2DP

The Directors
Syntopix Group plc
Institute of Pharmaceutical Innovation
University of Bradford
Bradford BD7 1DP

17 March 2006

The Directors
KBC Peel Hunt Ltd
111 Old Broad Street
London EC2N 1PH

Dear Sirs

Syntopix Group plc (the "Company")

Introduction

We report on the financial information set out in Part A(ii) of Part III. This financial information has been prepared for inclusion in the AIM admission document dated 17 March 2006 of the Company (the "Admission Document") on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

As described in Part A(ii) of Part III, the directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with applicable UK accounting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with applicable UK accounting standards as described in note 1 to the financial information.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

Part A(ii) – Financial Information on the Company

Responsibility

The directors of the Company are responsible for preparing the financial information set out below on the basis of preparation set out in note 1 to the financial information and in accordance with applicable UK accounting standards as applicable for the relevant period.

Balance sheet as at 31 December 2005

	As at 31 December 2005 £
Current assets	
Debtors – unpaid share capital	1
Net assets	1
Share capital and reserves	
Called up share capital (note 2)	1
Shareholders' funds – equity	1

Notes to the financial information

1 Accounting polices

Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with applicable UK accounting standards, as applicable for the relevant period.

The Company was incorporated as Pop Tart Limited on 16 December 2005, changed its name to Syntopix Group Limited on 4 February 2006 and was re-registered as a public limited company on 16 March 2006. Since incorporation, the Company has not traded, nor has it received any income, incurred any expenses or paid any dividends. Consequently no profit and loss account is presented. The financial information is based on the balance sheet of the Company as at 31 December 2005.

2 Share capital

	As at 31 December 2005 £
Authorised	
1,000 ordinary shares of £1 each	1,000
Allotted, called up and fully paid	
1 ordinary share of £1 each	1

The Company was incorporated with authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each. On incorporation, 1 ordinary share of £1 was issued at par value.

3 Post balance sheet events

On 15 March 2006, the authorised share capital of the Company was increased to £340,000 by the creation of 339,000 ordinary shares of £1 each; and each ordinary share of £1 each in the share capital of the Company was subdivided into 10 ordinary shares of 10p each.

Pursuant to a share for share exchange agreement dated 15 March 2006, the Company acquired the whole of the issued share capital of Syntopix Limited from the Syntopix shareholders in consideration for the issue and allotment to the Syntopix shareholders of, in aggregate 3,388,999 ordinary shares of 10p each credited as fully paid.

Part III

SECTION B – FINANCIAL INFORMATION ON SYNTOPIX

Part B(i) – Accountant's Report on Syntopix

BDO Stoy Hayward LLP
Corporate Finance

BDO Stoy Hayward LLP
1 City Square
Leeds LS1 2DP

The Directors
Syntopix Group plc
Institute of Pharmaceutical Innovation
University of Bradford
Bradford BD7 1DP

17 March 2006

The Directors
KBC Peel Hunt Ltd
111 Old Broad Street
London EC2N 1PH

Dear Sirs

Syntopix Limited and its subsidiary undertaking, Syntopix Services Limited (together, "Syntopix")

Introduction

We report on the financial information set out in Part B(ii) of Part III. This financial information has been prepared for inclusion in the AIM admission document dated 17 March 2006 of Syntopix Group plc (the "Admission Document") on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

As described in Part B(ii) of Part III, the directors of Syntopix Group plc are responsible for preparing the financial information on Syntopix on the basis of preparation set out in note 1 to the financial information and in accordance with applicable UK accounting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Syntopix as at the dates stated and of its consolidated losses and cash flows for the periods then ended in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with applicable UK accounting standards as described in note 1 to the financial information.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

Part B(ii) – Financial Information on Syntopix

Responsibility

The directors of Syntopix are responsible for preparing the financial information set out below on the basis of preparation set out in note 1 to the financial information and in accordance with applicable UK accounting standards for the relevant period.

Consolidated profit and loss accounts

	Notes	*24 July 2003 to 31 July 2004* £	*Year ended 31 July 2005* £
Turnover	1	–	61,156
Administrative expenses		(48,474)	(276,638)
Other operating income	2	35,466	111,565
Operating (loss)	3	(13,008)	(103,917)
Interest receivable		89	4,257
(Loss) on ordinary activities before and after taxation, retained	12	(12,919)	(99,660)
Loss per share (pence)	7	359.06	112.48

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account.

Consolidated balance sheets

	Notes	*As at 31 July 2004* £	*As at 31 July 2005* £
Current assets			
Debtors	9	4	7,150
Cash at bank and in hand		14,113	645,423
		14,117	652,573
Creditors: amounts falling due within one year	10	(27,032)	(47,599)
Net current (liabilities)/assets		(12,915)	604,974
Total assets less current liabilities		(12,915)	604,974
Creditors: amounts falling due after more than one year	10	–	(62,101)
		(12,915)	542,873
Capital and reserves			
Called up share capital	11	4	204
Share premium account	12	–	655,248
Profit and loss account	12	(12,919)	(112,579)
Shareholders' (deficit)/funds	13	(12,915)	542,873

Consolidated cash flow statement

	Notes	*24 July 2003 to 31 July 2004* £	*Year ended 31 July 2005* £
Net cash inflow/(outflow) from operating activities	15	1,108	(77,580)
Returns on investments and servicing of finance			
Interest received		89	4,257
Net cash inflow from returns on investments and servicing of finance		89	4,257
Cash inflow/(outflow) before management of liquid resources and financing		1,197	(73,323)
Financing			
Issue of ordinary share capital		–	200
Share premium received on share issues			642,332
Other loans taken out		12,916	62,101
Cash inflow from financing		12,916	704,633
Increase in cash for the period/year	16	14,113	631,310

Notes to the consolidated financial information

1 Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

This financial information has been prepared on the going concern basis which assumes that Syntopix Limited and its subsidiary undertaking, Syntopix Services Limited, will continue in operational existence for the foreseeable future. The validity of this assumption depends on the conclusion of the Placing.

The directors are confident that the Placing will be concluded and believe that it is appropriate for the financial information to be prepared on a going concern basis. If the Placing is not concluded, the directors will seek additional sources of funding to provide working capital.

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

Basis of consolidation

The consolidated financial information incorporates the results of Syntopix Limited and its subsidiary undertaking, Syntopix Services Limited. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired during the year are included in the consolidated profit and loss account from the date of acquisition.

On 14 July 2004 Syntopix Limited acquired the entire issued share capital of Syntopix Services Limited.

Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

Deferred taxation

In accordance with FRS 19, deferred tax is provided in respect of all timing differences that have originated but not reversed by the balance sheet date that may give rise to an obligation to pay more or less tax in the future except as otherwise required by FRS 19.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Leased assets

Operating lease rentals are charged to the profit and loss account as incurred.

Grant income

Syntopix Limited is in receipt of certain grants from The Wellcome Trust in respect of remuneration/salary costs of certain research staff. On receipt of the cash, the grant is initially treated as deferred income, then released to the profit and loss account on a monthly basis to match against payroll costs (gross salaries plus employer's NI) of the staff concerned.

2 Other operating income

Other operating income relates to grant income received from the Wellcome Trust. This income is used to fund certain payroll costs.

3 Operating loss

This is arrived at after charging:	*24 July 2003 to 31 July 2004*	*Year ended 31 July 2005*
	£	*£*
Research and development expenditure in the period	35,466	171,075
Hire of other assets – operating leases	–	10,870
Auditors' remuneration – audit services	–	6,000

4 Employees

The average number of employees during the year/period, including executive directors, was:

	24 July 2003 to 31 July 2004	*Year ended 31 July 2005*
	Number	*Number*
Directors	3	5
Research scientists	3	5
	6	10

Staff costs for all employees, including executive directors, consist of:

	24 July 2003 to 31 July 2004	*Year ended 31 July 2005*
	£	*£*
Wages and salaries	32,165	198,396
Social security costs	3,302	15,353
	35,467	213,749

5 *Directors*

	Basic salary £	*Fees* £	*Total* £
24 July 2003 to 31 July 2004			
Dr E A Eady	8,614	–	8,614
Dr J H Cove	–	–	–
Dr R H Adams	–	–	–
Dr G O Humphreys	–	–	–
Techtran Limited	–	–	–
	8,614	–	8,614
Year ended 31 July 2005			
Dr E A Eady	19,229	–	19,229
Dr J H Cove	–	–	–
Dr R H Adams	–	7,500	7,500
Dr G O Humphreys	–	7,500	7,500
Techtran Limited	–	–	–
	19,229	15,000	34,229

The directors have not received any benefits in kind in either period.

6 *Taxation*

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 July 2005 nor for the period ended 31 July 2004.

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	24 July 2003 to 31 July 2004 £	*Year ended 31 July 2005* £
Loss on ordinary activities before tax	(12,919)	(99,660)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2004 – 19%)	(2,455)	(18,935)
Effects of:		
Unutilised trading losses carried forward	2,455	18,935
Current tax charge	–	–

7 *Loss per share*

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue (being ordinary shares of 0.1p each) during the year ended 31 July 2005 is 88,604 (2004 – 3,598) and the loss after tax for the year ended 31 July 2005 is £99,660 (2004 – £12,919).

8 *Subsidiary and associated undertakings*

The following was a subsidiary undertaking at the end of the year and has been included in the consolidated financial information:

Name	*Country of incorporation or registration*	*Proportion of voting rights and ordinary share capital held*	*Nature of business*
Syntopix Services Limited	UK	100%	Pharmaceutical research

For the undertaking listed above, the country of operation is the same as its country of incorporation or registration.

9 *Debtors*

	As at 31 July 2004 £	*As at 31 July 2005* £
Other debtors	4	–
VAT	–	7,150
	4	7,150

All amounts fall due for payment within one year.

10 *Creditors*

Amounts falling due within one year

	As at 31 July 2004 £	*As at 31 July 2005* £
Trade creditors	–	16,744
Deferred revenue grant	14,116	2,949
Shareholder loans	12,916	–
Accruals and deferred income	–	27,906
	27,032	47,599

Amounts falling due after more than one year

	As at 31 July 2004 £	*As at 31 July 2005* £
Shareholder loans	–	62,101
	–	62,101

Financial liabilities are due:

	As at 31 July 2004 £	*As at 31 July 2005* £
Other loans		
– in more than five years	–	62,101
	–	62,101

11 Share capital

	As at 31 July 2004 £	*As at 31 July 2005* £
Authorised		
959,999 ordinary shares of 0.1p each (2004 – 1,000 ordinary £1 shares)	1,000	960
40,000 "A" preference shares of 0.1p each	–	40
1 "B" preference share of 0.1p each	–	–
	1,000	1,000
Allotted, called up and fully paid		
163,683 ordinary shares of 0.1p each	–	164
40,000 "A" preference shares of 0.1p each	–	40
4 ordinary shares of £1 each	4	–
	4	204

Year ended 31 July 2005

On 11 October 2004, a resolution was passed to change the authorised share capital by way of a conversion of 1,000 ordinary shares of £1 each into 1,000,000 ordinary shares of 0.1p each. Subsequent to this, 40,000 ordinary shares of 0.1p each were converted into 40,000 "A" preference shares of 0.1p each, and 1 ordinary share of 0.1p was converted into 1 "B" preference share of 0.1p.

On 11 October 2004, the company issued 88,260 ordinary shares of 0.1p each for cash consideration of £115,386 and the conversion of a loan from a shareholder of £9,380.

On 11 October 2004, the company issued 40,000 "A" preference shares of 0.1p each for cash consideration of £40.

On 27 June 2005, the company issued 71,423 ordinary shares of 0.1p each for cash consideration of £540,022.

12 Reserves

	Share premium account £	*Profit and loss account* £	*Total* £
As at 24 July 2003	–	–	–
(Loss) for the period		(12,919)	(12,919)
As at 31 July 2004	–	(12,919)	(12,919)
Cash share issue	655,248	–	655,248
(Loss) for the year	–	(99,660)	(99,660)
As at 31 July 2005	655,248	(112,579)	542,669

13 Reconciliation of movements in shareholders' funds

	As at 31 July 2004 £	*As at 31 July 2005* £
At the beginning of the period/year	–	(12,915)
Issue of shares	4	200
Premium on shares allotted	–	655,248
Loss for the period/year	(12,919)	(99,660)
At the end of the period/year	(12,915)	542,873

14 Related party transaction

During the year ended 31 July 2005, Syntopix Limited and Syntopix Services Limited made purchases amounting to £32,234 from Techtran Group Limited, one of Syntopix Limited's shareholders, and £15,130 from the University of Leeds, another shareholder. These purchases related to establishment costs and staff costs recharged to Syntopix. All purchases were made on a market value arm's length basis.

15 Reconciliation of operating loss to net cash flow from operating activities

	24 July 2003 to 31 July 2004 £	*Year ended 31 July 2005* £
Operating loss	(13,008)	(103,917)
(Increase) in debtors	–	(7,146)
Increase in creditors	14,116	33,483
Net cash inflow/(outflow) from operating activities	1,108	(77,580)

16 Reconciliation of net cash flow to movement in net funds

	24 July 2003 to 31 July 2004 £	*Year ended 31 July 2005* £
Increase in cash in the year	14,113	631,310
Cash (outflow) from decrease in debt	(12,916)	(49,185)
Change in net funds resulting from cash flows	1,197	582,125
Movement in net funds in the period/year	1,197	582,125
Net funds at the beginning of the period/year	–	1,197
Net funds at the end of the period/year (note 17)	1,197	583,322

17 Analysis of net debt

	At start of the period/year £	*Cash flow* £	*Non-cash changes* £	*At the end of the period/year* £
24 July 2003 to 31 July 2004				
Cash in hand, at bank	–	14,113	–	14,113
Debt due in one year	–	(12,916)	–	(12,916)
Total	–	1,197	–	1,197
Year ended 31 July 2005				
Cash in hand, at bank	14,113	631,310	–	645,423
Debt due in one year	(12,916)	–	12,916	–
Debt due after one year	–	(49,185)	(12,916)	(62,101)
Total	1,197	582,125	–	583,322

18 Post balance sheet events

On 15 December 2005, 40,000 issued preference shares of 0.1p each were converted into 40,000 ordinary shares of 0.1p each in accordance with the rights of the holders of the preference shares under the company's Articles of Association.

The company appointed Alan Aubrey and Darren Bamforth as directors on 10 November 2005 and appointed Dr Helen Shaw on 18 January 2006.

On 16 March 2006, Syntopix Group plc acquired the entire issued share capital of Syntopix Limited in exchange for shares in Syntopix Group plc.

PART IV

PATENT ATTORNEY'S REPORT

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The Directors
Syntopix Group plc
Institute of Pharmaceutical Innovation
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and

The Directors
KBC Peel Hunt Ltd
111 Old Broad Street
London EC2N 1PH

17 March 2006

Dear Sirs

Intellectual Property of Syntopix Group plc and its subsidiaries ("the Group")

1. Introduction

This report deals with patent applications and other Intellectual Property ("IP") in the name of Syntopix Limited, a subsidiary of Syntopix Group plc. The report has been prepared for inclusion in the admission document for the admission of the entire ordinary share capital of Syntopix Group plc to trading on AIM.

Greaves Brewster LLP ("Greaves Brewster" or "GB") has acted on behalf of Syntopix Limited since 2004. Greaves Brewster is a professional limited liability partnership comprising Chartered Patent Attorneys and European Patent Attorneys. The firm's six qualified patent attorneys and one qualified trade mark attorney are entitled to practise in patent, trade mark and/or design matters before the United Kingdom Patent Office, the European Patent Office and/or the Office for Harmonisation of the Internal Market ("OHIM"), and to appear before certain courts in the United Kingdom. Greaves Brewster's patent attorneys have extensive experience from private practice and industry in a variety of chemical and biotechnological fields including pharmaceuticals, cell biology, cosmetics and molecular biology. Its professional services include drafting and filing patent applications, attacking and defending the validity of granted patents, undertaking due diligence on IP, and writing IP reports for fund raising and initial public offerings ("IPOs").

2. The Patent System

Inventions of a technical nature which meet certain patentability requirements may be protected by a patent. The precise nature of the patent system varies from jurisdiction to jurisdiction. In most jurisdictions, patentable inventions are generally required to fulfil four main criteria: novelty, inventive step, industrial applicability and non-excluded subject-matter. What is excluded in one jurisdiction may not be excluded in others. For example, medical compositions *per se* and specified medical uses of compositions are deemed to be patentable in Europe and most other jurisdictions, whereas methods for the treatment of the human or animal body by surgery or therapy are deemed to be patentable in the United States but are excluded subject-matter in Europe and most other jurisdictions.

Typically, an applicant will initiate protection for an invention by filing an application in the patent office of its home country, for example the United Kingdom, and then "claiming priority" from the initial application for subsequent applications filed in any other country party to the "Paris Convention" within twelve months of the filing date (the "priority date") of the initial application. An applicant can choose to initiate patent protection for an invention in a large number of such Paris Convention countries (currently 128 states) by filing an "International" patent application via the Patent Co-operation Treaty ("PCT"). The International patent application is subjected to a search for related earlier public disclosures ("prior art") by an International Searching Authority, which also provides a preliminary opinion of patentability based on any prior art documents detected by the search, and the application and search results are published on or shortly after 18 months from the priority date. Within a period of up to thirty-one months from the priority date, the applicant would then choose in which PCT contracting states it wished to pursue patent protection by entering the "national phase" in those states. For example, the applicant may choose to enter the national phase in the United States, European countries party to the European Patent Convention ("EPC"), Australia and Japan. The national patent examination process may take from two to six years from filing a patent application, depending on the jurisdiction and nature of issues raised by a patent office. Examination often results in a narrowing of the scope of the invention as defined by the claims, so that granted claims are narrower than the claims of the published application. Any third party may file observations to a patent office concerning the patentability of an application under examination, but in most countries that party does not then become party to the examination procedure.

Once a patent has been granted, its validity can be called into question in patent revocation proceedings by a third party or as a defence by a third party in an infringement action brought by the patent proprietor. In the case of a European patent granted by the European Patent Office ("EPO"), there is a nine month post-grant opposition period during which the validity of a European patent can be challenged centrally at the EPO. After the opposition period, any challenge to the European patent can only be brought in a patent office or court of an EPC contracting country in which the patent has been validated after grant.

A granted patent gives a patentee the right to prevent others from manufacturing, importing or selling a patented product, or using a patented process, as defined by the patent claims. A patent does not confer a right on the patentee to use a patented invention, and indeed third parties' patents may be infringed by such use. The rights derived from a patent are jurisdictional. For example, a UK patent grants monopoly rights to the patentee to prevent exploitation of the patented invention by others in the UK but gives the patentee no rights outside the UK. A patent is generally enforceable when granted for a period of 20 years from its filing date and typically the patentee has to pay yearly renewal fees to keep the patent in force. A patent may be enforced against an infringer by an action in the courts of the jurisdiction where the patent is granted or validated and an infringement is taking place.

3. Patent Policy

The Group recognises the fundamental importance of IP generation and protection, and in particular the value of obtaining patent protection for its product portfolio. The Group has therefore adopted several procedures to achieve such protection.

Regular IP meetings are held by the Group to identify and prioritise areas of potential IP from existing projects and to generate new ideas and project proposals for further IP generation. The IP meetings generally include Dr Jon Cove (Research Director), Dr Anne Eady (Scientific Director), Dr Richard Hebdon (Operations Manager) and other relevant scientific personnel, together with Andrea Brewster and/or Dr Michael Roberts, patent attorneys from Greaves Brewster. Dr Hebdon has been appointed as liaison between Greaves Brewster and relevant personnel in the Group.

Before drafting and filing an initial UK patent application for an invention, patentability searches are routinely done by the scientific personnel involved and/or by professional searchers instructed by Greaves Brewster. Furthermore, a patentability search is usually requested after filing from the UK Patent Office. Patent documents identified during these searches have been assessed by Greaves Brewster for the impact they may have on the Group's business strategy in terms of risk to patentability and freedom to operate. For key portfolio candidates, specific freedom to operate searches have been conducted by professional searchers and the results analysed by Greaves Brewster (see section 7 below). The Group also conducts a quarterly watching search for third party patent publications relevant to topical antimicrobial formulations.

4. Ownership

All of the UK patent applications considered below were filed in the name of Syntopix Limited or (in the case of UK patent application no. 0505909.2) in the name of the University of Leeds. It has been agreed that the latter will be assigned to Syntopix Limited conditional upon £1 million of finance being raised. The Group has satisfied itself that it is entitled to the original inventors' intellectual property rights in all work covered in its patent applications.

5. Patent Portfolio

The Group currently has seven pending UK patent applications, as detailed below.

For each of the UK patent applications mentioned herein, it is expected that an International (PCT) patent application will be filed within 12 months of the UK patent application. This will keep open the option for the Group to pursue patent protection in all PCT contracting states. If further experimental data are available to support the patent claims, it is expected that these will be incorporated into the PCT patent application.

5.1 The Candidate 0017 Programme (GB Ref: P310/GBA)

The candidate 0017 programme involves the use of compound 0017 as a topical anti-acne agent.

UK patent application number 0505909.2 was filed on 23 March 2005. The application covers the use of compound 0017 as a topical anti-acne agent and as an anti-bacterial (particularly anti-staphylococcal) agent. The application also covers formulations containing a class of compounds comprising candidate compound 0017 in combination with another active class of compounds comprising candidate compound 0016, and their use for topical treatment of acne and as anti-bacterial (particularly anti-staphylococcal) agents.

5.2 The Candidate 0389 and 0401 Programme (GB Ref: P337/GBA & P337/GBB)

The candidate 0389 and 0401 programme relates to a formulation comprising compounds 0389 and 0401 for the topical treatment of acne.

Currently two patent applications cover the candidate 0389 and 0401 programme. UK patent application number 0520393.0 was filed on 7 October 2005, and covers the use of compound 0389 alone (or with other active compounds) as a topical anti-acne or anti-bacterial (particularly anti-staphylococcal) agent. UK patent application number 0601552.3 was filed on 26 January 2006, and extends to a formulation comprising compound 0389 and compound 0401 for the topical treatment of acne or as an anti-bacterial (particularly anti-staphylococcal) agent.

5.3 The Candidate 0057 and 0318 Programme (GB Ref: P336/GBA)

The candidate 0057 and 0318 programme relates to a formulation comprising compounds 0057 and 0318 for the topical treatment of acne.

UK patent application number 0520388.0 was filed on 7 October 2005. The application covers a formulation containing compound 0057 or a related compound and compound 0318 or a related compound, as well as the use of a formulation comprising these compounds for, *inter alia*, the topical treatment of acne or as an anti-bacterial (particularly anti-staphylococcal) agent.

5.4 The Candidate 0579 Programme (GB Ref: P340/GBA)

The candidate 0579 programme relates to the use of compound 0579 for the topical treatment of acne.

A draft UK patent application has been prepared and will be filed once experimental data supporting the invention have been provided. The application covers a formulation containing compound 0579, optionally in combination with other active compounds, and use of the formulation as a topical anti-acne agent.

5.5 The Candidate 0017 and 0318 Programme (GB Ref: P339/GBA)

UK patent application number 0522917.4 was filed on 10 November 2005. This application covers a formulation containing compound 0017 or a related compound and compound 0318 or a related

compound, as well as the use of a formulation comprising these compounds in the topical treatment of acne or as an anti-bacterial (particularly anti-staphylococcal) agent.

5.6 The Candidate 0318 and 0403 Programme (GB Ref: P387/GBA)

UK patent application number 0526322.3 was filed on 23 December 2005. This application covers a formulation containing compound 0318 or a related compound and compound 0403 or a related compound, as well as the use of a formulation comprising these compounds in the topical treatment of acne or as an anti-bacterial (particularly anti-staphylococcal) agent.

5.7 The Candidate 0017 and 0129 Programme (GB Ref: P395/GBA)

UK patent application number 0603380.7 was filed on 21 February 2006. This application covers a formulation containing compound 0017 or a related compound and compound 0129 or a related compound, as well as the use of a formulation comprising these compounds in the topical treatment of acne or as an anti-bacterial (particularly anti-staphylococcal) agent.

6. Trade Mark Portfolio

The Group recognises the importance of other forms of IP such as trade marks. A search for relevant trade marks was conducted by Greaves Brewster, following which a Community Trade Mark ("CTM") application (number 004800116) was filed for the word mark "Syntopix" on 22 December 2005. The application covers Class 42 (scientific, technological and research services, development of products for the treatment of dermatological and medical conditions, antimicrobial and pharmacological screening, *in vivo* and *in vitro* evaluation of pharmaceuticals, clinical trials, etc.) and Class 44 (medical services, professional consultancy relating to the use of pharmaceutical, biotech and medicinal products, etc.). The CTM application can serve as a basis of priority for subsequent trade mark applications in other jurisdictions.

7. Freedom to Operate Issues

The Group has instructed a firm of professional patent searchers to search for granted, live European (EP) and US patents relevant to eight of the Group's candidates. The searches on compounds 0401, 0017 and 0318 were conducted by updating earlier freedom to operate searches on the same compounds which were conducted for the Group in 2005.

The searches did not reveal any patents which would be infringed by the use, *per se*, of any of compounds 0016, 0017, 0129, 0389, 0401, 0057, 0318 or 0579 in a topical antimicrobial formulation.

8. General

This report has been prepared for the Group using information available to Greaves Brewster from its own files and public records, or supplied by the Group. The report is based on Greaves Brewster's knowledge at the time of writing. Statements relating to the Group's policies, intentions and opinions are based on information supplied by the Group and Greaves Brewster cannot accept responsibility for their accuracy and completeness.

The report does not contain exhaustive detail on all points. Anyone with an interest in its contents should therefore conduct his own enquiries into the detailed content of the patent applications and legal agreements referred to in the report, and should obtain independent legal advice on the matters raised in it. While Greaves Brewster believes the information given in the report to be accurate, it does not intend that the report be relied upon as a legal opinion and will not be liable for any consequences arising from such reliance.

Yours faithfully

Andrea Brewster
for and on behalf of
Greaves Brewster LLP

PART V

ADDITIONAL INFORMATION

1 Incorporation

1.1 The Company was incorporated in England and Wales pursuant to the Act on 16 December 2005 as a private company limited by shares (registered number 5656604) under the name Pop Tart Limited. The Company changed its name to Syntopix Group Limited on 4 February 2006 and was re-registered as a public limited company under the name Syntopix Group plc on 16 March 2006.

1.2 The principal legislation under which the Company operates is the Act and regulations made thereunder.

1.3 The Company's principal activity is to act as the holding company for the Group, whose principal activity is the development of new drugs for the prescription and non-prescription dermatology markets.

1.4 The liability of the Company's members is limited.

2 Share capital

2.1 The authorised and issued share capital of the Company immediately prior to the First Admission and immediately following the Second Admission will be as follows:

	Authorised			*Issued*	
Date	*Nominal value (£)*	*Number*	*Class*	*Nominal value (£)*	*Number*
Immediately prior to the First Admission	1,000,000	10,000,000	Ordinary	338,901	3,389,009
Immediately following the Second Admission	1,000,000	10,000,000	Ordinary	568,398	5,683,981

2.2 The Company has no issued Ordinary Shares that are not fully paid up.

2.3 The Company was incorporated with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1.00 each, one of which was issued nil paid to the subscriber to the memorandum of association of the Company. On 4 February 2006, the subscriber share was transferred to Jonathan Howard Cove.

2.4 On 15 March 2006:

2.4.1 the authorised share capital of the Company was increased to £340,000 by the creation of 339,000 ordinary shares of £1 each; and

2.4.2 each ordinary share of £1 each in the share capital of the Company was subdivided into 10 Ordinary Shares.

2.5 Pursuant to a share for share exchange agreement dated 15 March 2006 (the Share Exchange Agreement) between the Company and the shareholders of Syntopix Limited at that time (the Syntopix Shareholders), the Company acquired the whole of the issued share capital of Syntopix Limited from the Syntopix Shareholders in consideration for the issue and allotment to the Syntopix Shareholders of, in aggregate, 3,388,999 Ordinary Shares credited as fully paid. Further details of the Share for Share Exchange Agreement are set out in paragraph 9.2 of this Part V.

2.6 Pursuant to a subscription agreement dated 17 March 2006 made between the Company and certain of its shareholders (the Subscription Agreement), the Company agreed, subject to First Admission, to issue 35,085 Ordinary Shares, in aggregate, at the Placing Price per Ordinary Share to certain of the Company's shareholders.

2.7 On 17 March 2006:

2.7.1 the authorised share capital of the Company was increased to £1,000,000 by the creation of 6,600,000 Ordinary Shares;

2.7.2 new articles of association were approved and adopted as the articles of association of the Company in substitution for and to the exclusion of all existing articles of association of the Company;

2.7.3 the directors were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £422,478, such authority to expire on the date 15 months from the date of the resolution or, if earlier, the next annual general meeting of the Company unless varied, revoked or renewed by the Company in general meeting; and

2.7.4 the directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in sub-paragraph 2.7.3 above as if section 89(1) of the Act did not apply to such allotment provided that such power was limited to:

(a) the allotment of 35,085 Ordinary Shares pursuant to the Subscription Agreement referred to in paragraph 2.6 of this Part V;

(b) the allotment of equity securities for cash in connection with the Placing up to an aggregate nominal amount of £225,989;

(c) the allotment of equity securities for cash in connection with rights issues to holders of Ordinary Shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under the laws or requirements of any regulatory body or any recognised stock exchange in any territory; and

(d) the allotment of equity securities in addition to any allotted pursuant to sub-paragraphs (a) to (c) (inclusive) above up to a maximum aggregate nominal value of £28,947.

2.8 Statutory pre-emption rights in relation to the allotment of equity securities contained in section 89(1) of the Act have been disapplied by the Company's shareholders to the extent set out in paragraph 2.7.4 above of this Part V. The provisions of section 89(1) of the Act, to the extent to which they are not disapplied pursuant to the Act, confer on the shareholders rights of pre-emption in respect of the allotment of equity securities (within the meaning of section 94(2) of the Act) which are, or are to be, paid up in cash.

2.9 Save as set out in this paragraph 2, there have been no changes to the share capital of the Company since its incorporation.

2.10 Save as set out in this paragraph 2 and paragraph 8 below of this Part V:

2.10.1 the Company has not issued any convertible securities, exchangeable securities or securities with warrants;

2.10.2 there are no acquisition rights and/or obligations over authorised but unissued capital of the Company or any undertaking to increase capital of the Company; and

2.10.3 no share or loan capital of the Company or any other member of the Group is under option or agreed, conditionally or unconditionally, to be put under option.

If a "takeover offer" (as defined in section 428(1) of the Act) is made and the offeror, by virtue of acceptances of such offer, acquires or contracts to aquire not less than nine-tenths in value of the shares to which the takeover offer relates, then the offeror would have the right to acquire

compulsorily the remaining shares of the minority shareholders of the Company for the offer price within a fixed period. In certain circumstances, the minority shareholders also have the right to require the offeror to buy their shares at the offer price within a fixed period.

A shareholder is required pursuant to section 198 to 210 (inclusive) of the Act to notify the Company when he acquires or disposes of shares in the capital of the Company in which he has a material interest (as defined in the Act) and the aggregate nominal value of such shares is equal to or in excess of three per cent. of the nominal value of the Company's share capital.

3 Subsidiary Undertakings

3.1 The Company is the holding company of the Group.

3.2 The following table contains a list of all of the subsidiary undertakings of the Company that are significant in terms of the assessment of the Company's assets and liabilities, financial position or profits and losses. Each such subsidiary undertaking is wholly owned (directly or indirectly) by the Company and incorporated in England and Wales and has its registered office at Institute of Pharmaceutical Innovation, University of Bradford, Bradford, BD7 1DP.

Name of company	*Percentage holding*	*Principal activity*
Syntopix Limited	100%	Research and development of dermatological products
Syntopix Services Limited	100%	Consultancy services

4 Memorandum and Articles of Association

4.1 ***Memorandum of association***

The memorandum of association of the Company provides that the Company's principal objects and purposes are to carry on the business of a holding company and a general commercial company. The Company's objects are set out in full in clause 4 of its memorandum of association.

4.2 ***Articles***

The Articles as adopted by special resolution dated 17 March 2006 (conditional upon Admission) contain provisions, amongst other things, to the following effect:

4.2.1 *Share capital*

The Company may by ordinary resolution:

(a) increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;

(b) consolidate its share capital into shares of larger amounts than its existing shares;

(c) cancel any shares which have not been taken at the date of the passing of the resolution, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and

(d) sub-divide its shares, or any of them, into shares of smaller amounts than is fixed by the memorandum of association of the Company.

The Company may by special resolution reduce its share capital and any capital redemption reserve and any share premium account in any manner subject to the provisions of the Act. Subject to the provisions of the Act and the rights of holders of any class of shares, the Company may purchase its own shares, including redeemable shares.

4.2.2 *Voting*

Subject to any special terms as to voting upon which any shares for the time being may be held, on a show of hands every member who (being an individual) is present in person or (being a

corporation) is present by its duly appointed representative shall have one vote, and on a poll every member present in person, or by representative, or proxy, shall have one vote for every share in the capital of the Company held by him. A proxy need not be a member of the Company.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company in accordance with the Articles, then not earlier than 14 days after service of such notice, the shares in question may be disenfranchised.

4.2.3 *Annual and extraordinary general meeting procedures*

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting(s) in that year and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next. Subject to the provisions of the Act, the annual general meeting shall be held at such time and place as the directors may determine.

The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by section 368 of the Act. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except as stated by the requisition or proposed by the board.

Subject to the provisions of the Act, an annual general meeting and a general meeting for the passing of a special resolution shall be called by at least 21 clear days' notice, and all other general meetings shall be called by at least 14 clear days' notice.

Shorter notice than that specified above may be deemed to have been given in the case of an annual general meeting by all the members entitled to attend and vote at the meeting; and in the case of any other meeting, by a majority number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

At any general meeting the chairman may make any arrangements and impose any requirement or restriction which he considers appropriate to ensure the security and orderly conduct of a general meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place. The chairman is entitled to refuse entry to a person who refuses to comply with these arrangements, requirements or restrictions.

4.2.4 *Dividends*

The Company may by ordinary resolution declare dividends provided that they shall be paid in accordance with the Act and out of profits available for distribution and shall not exceed the amount recommended by the directors. The directors may from time to time pay such interim dividends as appear to the directors to be justified by the profits of the Company and are permitted by the Act.

Subject to the rights of persons, if any, holding shares with special dividend rights, and unless the terms of issue otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is payable. Amounts paid or credited as paid in advance of calls shall not be regarded as paid on shares for this purpose.

All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared shall, if the directors so resolve, be forfeited and shall revert to the Company.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in the shares of the Company fails to comply with any notice given by the Company in accordance with the Articles, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may withhold dividends on such shares.

There is no fixed date on which an entitlement to a dividend arises.

4.2.5 *Variation of rights*

All or any of the special rights for the time being attached to any class of shares for the time being forming part of the capital of the Company may, subject to the provisions of the Act, be varied or abrogated with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise. To every such meeting all the provisions of the Articles relating to general meetings or to the proceedings thereat shall, so far as applicable and with the necessary modifications, apply, except that the necessary quorum at any such meeting (other than an adjourned meeting) shall be two persons at least, holding or representing by proxy at least one third in nominal value of the issued shares of the class in question and that any holder of shares of the class in question present in person or by proxy may demand a poll.

4.2.6 *Transferability*

Transfers of Ordinary Shares, which are in registered form, shall be effected in the manner authorised by the Stock Transfer Act 1963. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The directors may decline, without giving any reason, to recognise any instrument of transfer unless:

(a) the instrument of transfer (duly stamped) is deposited at the Company's registered office accompanied by the share certificate for the shares to which it relates and such other evidence as the directors may reasonably require showing the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of share;

(c) the instrument of transfer is in favour of not more than four transferees; and

(d) the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid.

Where, in respect of any shares, any registered holder or any person appearing to be interested in such shares fails to comply with any notice given by the Company in accordance with the Articles, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may prohibit transfers of such shares or agreements to transfer any of such shares.

The Directors may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse (or is exempted from the requirements) under the CREST Regulations.

4.2.7 *Directors of the Company*

(a) Number of directors and directors' interests

Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall be not less than two. Subject to certain exceptions, a director shall not vote (or be counted in the quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest and, if he shall do so, his vote shall not be counted.

(b) Regulation of proceedings

The directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit.

(c) Quorum

The quorum necessary for the transaction of the business of the directors may be fixed by the directors, and unless so fixed at any other number shall be two.

(d) Casting vote

Questions arising at any meeting shall be determined by a majority of votes. In case of an equality of votes the chairman of the meeting shall have a second or casting vote.

(e) Alternate Directors

Each director shall have the power to appoint any person to be his alternative director and may, at his discretion, remove such alternate. If each alternate is not another director, such appointment will only be effective once approved by the Board.

(f) Notice of directors' meetings

It shall not be necessary to give notice of a board meeting to a director who is absent from the United Kingdom unless he has requested the board in writing that notices of board meetings shall, during his absence, be given to him at his last known address or any other address given by him to the Company for this purpose.

(g) Telephone attendance

Any director or his alternate may validly participate in a meeting of the board or a committee of the board through the medium of conference telephone or any other form of communications equipment.

(h) Delegation to committee

The directors may delegate any of their powers to committees consisting of one or more directors and one or more persons co-opted to the committee by the directors. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the directors. The meetings and proceedings of any such committee consisting of two or more directors shall be governed by the provisions of the Articles of Association regulating the meetings and proceedings of the directors, so far as the same are applicable and are not superseded by any regulations imposed by the directors under the Articles of Association.

(i) Remuneration

The remuneration paid for the services of the directors shall not exceed £400,000 (in aggregate) or such greater sums as determined by the Company in general meeting. The Company may remunerate a director who serves on any committee or devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, by way of salary, lump sum, percentage of profits or otherwise as the directors or any committee authorised by the directors, may determine.

(j) Retirement by rotation

At each annual general meeting of the Company, one-third of the directors are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire. A retiring Director is eligible for re-election.

(k) Alternate directors

Each director (other than an alternate director) may appoint another director or (subject to the approval of a majority of the directors) any other person to be an alternate director of the Company, and may at any time remove an alternate director so appointed by him from office and, subject to any requisite approval, appoint another person in his place.

(l) Insurance

The Company may purchase and maintain for any director insurance against any liability which by virtue of any law would otherwise attach to him in respect of any default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

4.2.8 *Borrowing powers*

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled share capital, and (subject to the Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The directors shall restrict the borrowings of the Company and its subsidiaries so as to ensure that the aggregate of the amounts borrowed by the Company and all its subsidiaries and remaining outstanding at any time shall not without previous sanction of an ordinary resolution of the Company exceed an amount equal to two times the aggregate of the nominal amount of the paid up share capital of the Company and the amount shown as standing to the credit of its capital and revenue reserves as defined in the Articles but excluding certain amounts as set out therein.

4.2.9 *Distribution of assets on liquidation*

If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company or any other sanction required by the Act, divide amongst the members *in specie* or in kind the whole or any part of the assets of the Company, those assets to be set at such values as he deems fair. The liquidator may also vest the whole or part of the assets of the Company in trustees on trust for the benefit of the members.

4.2.10 *Uncertificated shares*

The directors may implement such arrangements as they think fit in order for any class of shares to be held, evidenced and transferred in uncertificated form. The Company will not be required to issue a certificate to any person holding shares in uncertificated form.

4.2.11 *Pensions and gratuities*

Subject to the Act, the directors may exercise all powers of the Company to grant or pay pensions, annuities, gratuities or other allowances or benefits to any persons who are or have at any time been directors of the Company or the relations, connections or dependants of any director or former director.

4.2.12 *Untraced shareholders*

The Company may, after advertising its intention, sell any shares in the Company if the shares have been in issue for at least 12 years and during that period at least three cash dividends have become payable on them and have not been claimed or satisfied and the Company has not received any communication during the period of three months after the date of publication of the advertisement from the holder of the shares or any person entitled to them by transmission. Upon any such sale the Company will become indebted to the former holder of the shares or the person entitled to them by transmission for an amount equal to the net proceeds of the sale.

4.3 ***General***

Save as disclosed in this paragraph 4, the memorandum of association of the Company or the new Articles do not:

4.3.1 require any action that is necessary to change the rights of holders of shares in the Company where the conditions are more significant than is required by law;

4.3.2 contain any provision that would have the effect of delaying, deferring or preventing a change of control of the Company;

4.3.3 contain any provision governing the ownership threshold above which shareholder ownership must be disclosed; and

4.3.4 impose any condition governing changes in the capital that is more stringent than is required by law.

5 Interests in Ordinary Shares

5.1 ***Directors' interests***

The interests of the Directors and persons connected with them in the issued ordinary share capital of the Company (all of which, unless otherwise stated, are beneficial) which:

5.1.1 have been notified to the Company pursuant to sections 324 or 328 of the Act by each Director;

5.1.2 are required to be entered into the register referred to in section 325 of the Act; or

5.1.3 are interests of a connected person (within the meaning of section 346 of the Act) of a Director which would, if the connected person where a director, be required to be so notified or entered into the register in accordance with paragraphs 5.1.1 or 5.1.2 above of this Part V and the existence of which is known to or could with reasonable diligence be ascertained by that Director;

are, immediately before First Admission and immediately following Second Admission, as follows:

	Immediately before First Admission		*Immediately following Second Admission*	
Name of Director	*Number of Ordinary Shares*	*Percentage of share capital*	*Number of Ordinary Shares*	*Percentage of Enlarged Issued Share Capital*
Dr Gwyn Humphreys	133,419	3.9%	163,645	2.9%
Dr Rod Adams	170,209	5.0%	183,485	3.2%
Dr Elizabeth Anne Eady	263,549	7.8%	263,846	4.6%
Dr Jon Cove	263,549	7.8%	263,846	4.6%
Darren Bamforth	–	–%	2,825	0.1%
Alan Aubrey	35,477	1.0%	63,726	1.1%
Dr Helen Shaw	–	–%	–	–%

As at the date of this document, there are no options held over Ordinary Shares pursuant to the Share Option Schemes by the Directors.

Immediately following Admission, the following options are expected to be held over Ordinary Shares pursuant to the Share Option Schemes by the Directors:

Name of Director	*Number of Ordinary Shares under option*	*Option Type*	*Exercise price (p)*	*Exercise period/ Performance criteria*
Darren Bamforth	28,420	Unapproved	177	12 months after grant
Dr Helen Shaw	28,420	Unapproved	177	12 months after grant

The option granted to Darren Bamforth is exerciseable after 12 months from the date of grant provided that he remains a director of the Company during this period or, if he has ceased to be a director prior to this date as a result of a full time finance director being appointed or his departure being mutually agreed with the Company and not as a result of misconduct or underperformance.

The exercise of the option granted to Helen Shaw is subject to a performance condition. The performance condition will be satisfied upon a review panel, comprising the Company's Chief Executive and Chief Scientific Director, concluding that she has performed to a satisfactory level certain tasks delegated to her at the time of her appointment. The tasks relate to the chairing and operation of the Scientific Advisory Panel and the establishment of internal procedures for the registration of non-prescription products. The first review to be conducted by the review panel will occur 6 months following the First Admission Date.

5.2 Save as disclosed in paragraph 5.1 above of this Part V, none of the Directors or any connected person (within the meaning of section 346 of the Act) of a Director has any interest, whether beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries.

5.3 ***Substantial Shareholders***

Other than the interests of the Directors disclosed in this paragraph 5 of this Part V and save as set out below, the Company is not aware of any person who, directly or indirectly, are, immediately prior to First Admission or immediately following Second Admission, interested in three per cent. or more of the issued share capital or the voting rights attaching to the issued share capital of the Company.

	Immediately Prior to First Admission		*Immediately Following Second Admission*	
Name of Shareholder	*Number of Ordinary Shares*	*Percentage of Existing Issued Share Capital*	*Number of Ordinary Shares*	*Percentage of Enlarged Issued Share Capital*
Techtran Group Limited	793,143	23.4%	920,855	16.2%
The Wellcome Trust Limited	519,168	15.3%	519,168	9.1%
White Rose Technology Limited	468,507	13.8%	480,371	8.5%
University of Leeds	390,000	11.5%	390,000	6.9%
Ridings Early Growth Investment Company Limited	184,821	5.5%	188,776	3.3%

5.4 Immediately following Admission there will be no differences between the voting rights enjoyed by the Shareholders detailed in paragraph 5.3 above of this Part V and those enjoyed by any other holder of Ordinary Shares.

5.5 The Company is not aware of:

5.5.1 any persons who controls, as at the date of this document, or who will control, on Admission, directly or indirectly, the Company; nor

5.5.2 of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company,

in each case where 'control' means owning 30 per cent. or more of share capital or the voting rights attaching to the share capital of the Company.

5.6 None of the Directors nor any member of their immediate families (being their spouse, civil partner and minor children) has any interest in any financial product (including, without limitation, a contract for difference or a fixed odds bet) whose value in whole or in part is determined, directly or indirectly, by reference to the Ordinary Shares.

6 Directors' Service Agreements and Remuneration

6.1 The following executive Directors have entered into service agreements with the Company, on the dates shown below, and their current annual salaries (which are subject to an annual review) are as follows:

Name of Executive Director	*Position*	*Date of service agreement*	*Working hours*	*Current salary (£ per year)*
Dr Gwyn Humphreys	Chairman	23 March 2006	1 day a week	£25,000
Dr Rod Adams	Chief Executive Officer	23 March 2006	2½ days a week	£62,500
Dr Elizabeth Anne Eady	Scientific Director	23 March 2006	2 days a week	£30,000

In addition, the service contracts of each of the executive Directors entitle them to a combination of 5 per cent. of annual salary by way of pension contribution and the payment of private healthcare insurance and life cover.

Each of the service agreements referred to above is for an initial term of 12 months and thereafter they can be terminated by either party on 6 months' notice.

In addition to the above, the service agreements restrict the executive Directors from competing with the Company and/or soliciting customers and employees for a period of 12 months after termination of employment. None of the employment contracts relating to the Directors referred to above contain a right to benefits (other than those due during the notice period under the contract) upon termination.

6.2 Dr Jon Cove, Darren Bamforth and the non-executive Directors have entered into appointment letters with the Company in respect of the provision to the Group of their services as follows:

Name of Director	*Date of letter of appointment*	*Position*	*Fees (£ per year)*
Dr Jon Cove	23 March 2006	Research Director	24,000
Darren Bamforth	23 March 2006	Finance Director	15,000
Alan Aubrey	23 March 2006	non-executive Director	15,000
Dr Helen Shaw	23 March 2006	non-executive Director	15,000

Dr Jon Cove is seconded to the Company by the University of Leeds under the terms of the Secondment Agreement referred to in paragraph 9.4 of this Part V under which he is required to spend 80 per cent. of his normal working hours carrying out the role of Research Director.

Each of the non-executive Directors has been appointed for an initial term of 12 months and thereafter until terminated by either party giving the other 3 months notice.

Darren Bamforth has been appointed for an initial term of 3 months and thereafter until terminated by either party giving the other 3 months notice.

Dr Jon Cove has been appointed for an initial term of 12 months and thereafter until terminated by either party giving the other 3 months notice.

6.3 Save as disclosed in paragraphs 6.1 and 6.2 above of this Part V, there are no service contracts, existing or proposed, between any Director and the Company or any of the Company's subsidiaries providing for benefits upon termination of employment.

7 Directors' details

7.1 In addition to a directorship in the Company, the current directorships of the Directors and partnerships in which any Director is currently a partner, and directorships held by them and partnerships in which any Director has been a partner during the five years preceding the date of this document are, as at the date of this document, as follows:

Name of Director	*Current Directorships/Partnerships*	*Past Directorships/Partnerships*
Dr Gwyn Humphreys	Avacta Limited Bioniqs Limited Connect Yorkshire Elucidos Limited Inside Track I LLP Inside Track II LLP Syntopix Limited Syntopix Services Limited	Bradford Particle Design Limited Nektar Therapeutics UK Limited
Dr Rod Adams	Perachem Limited Syntopix Limited Syntopix Services Limited	Cellpath Limited Fairfield Imaging Limited Kinetic Imaging Limited Medical Solutions (Leeds) Limited Medical Solutions Plc Quinoderm Limited
Dr Jon Cove	Leeds Foundation for Dermatological Research Limited Syntopix Limited Syntopix Services Limited	none
Dr Anne Eady	Syntopix Limited Syntopix Services Limited	none
Darren Bamforth	Atraxa Consulting Limited Flexisols Limited Syntopix Limited Turner Bamforth LLP	Bombsite Productions Limited Turner Brothers (Huddersfield) Limited
Alan Aubrey	Aquarius Equity Partners Limited Axiomlab Axiomlab Group Plc Axiomlab Investments Limited Inhoco 2835 Limited Inhoco 2895 Limited Investment Management Limited IP2IPO Group Plc LifeUK (IP2IPO) Limited Modern Biosciences Limited Proactis Group Limited Syntopix Limited Techtran Corporate Finance Limited Techtran Group Limited Techtran Investments Limited Techtran Limited Techtran Services Limited	AXM Venture Capital Limited Empiricom Technologies Limited Energetix Group Limited Flexisols Limited NWSF Holdings Limited Thermetica Limited
Dr Helen Shaw	Four Shaw Consulting Limited Syntopix Limited	none

7.2 As at the date of this document, no Director:

7.2.1 has any previous names;

7.2.2 has any unspent convictions in relation to indictable offences;

7.2.3 has been declared bankrupt or has entered into any individual voluntary arrangements;

7.2.4 has been a director of any company at the time of, or within the 12 month period immediately preceding, any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or any class of creditors of such company;

7.2.5 has been a partner of any partnership at the time of, or within the 12 month period immediately preceding, any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;

7.2.6 has been the owner of any asset or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership, or within the 12 month period immediately preceding, such events which have been the subject of a receivership;

7.2.7 has been publicly criticised by statutory or regulatory authorities (including recognised professional bodies); or

7.2.8 has been disqualified by a court from acting as a director of any company or from acting in the management or conduct the affairs of any company.

8 Share Option Schemes

As at the date of Admission, EMI Options over a total of 48,620 Ordinary Shares of the Company have been granted, all of these EMI Options are currently exercisable and will lapse if not exercised within 12 months of the date of First Admission. If any of these EMI Options are exercised then the Directors currently intend to exercise the discretion conferred upon them under the EMI Rollover Scheme to restrict the sale of the Ordinary Shares issued pursuant to the exercise of such EMI options for a period of up to two years following Admission subject to allowing the sale of sufficient shares to meet the costs of exercising the EMI Options. Further Unapproved Options over a total of 56,890 Ordinary Shares of the Company have been granted to non-qualifying individuals. Details of the Unapproved Options are provided at paragraph 8.2 of this Part V.

The EMI Options are granted in accordance with Chapter 9 of Part 7 and Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 and are intended to be qualifying options for the purposes of the Chapter 9 and Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 and Part 4 Schedule D of the Taxation of Chargeable Gains Act 1992.

8.1 ***The Enterprise Management Incentive Schemes***

The Company has established two enterprise management incentive share option schemes (the EMI Rollover Scheme and the EMI Scheme) under which directors and employees of the Group may be granted options (Options) to acquire Ordinary Shares. The EMI Rollover Scheme was created for the purpose of rolling over options already granted under an enterprise management incentive share option scheme established by Syntopix. No further options are to be granted under the EMI Rollover Scheme. Future options are to be granted under the EMI Scheme. The EMI Scheme is administered by the remuneration committee of the board of directors of the Company.

The principal features of both the EMI Rollover Scheme and the EMI Scheme are as follows:

8.1.1 *Eligibility*

Any full time director or employee who devotes at least 25 hours per week or 75 per cent. of his total working time (if less) to the business of the Group is eligible to participate. Actual participation is at the discretion of the remuneration committee. Options are personal to the

participant and not capable of assignment. Options shall be granted by deed with no consideration payable by the participant.

8.1.2 *Material Interest*

No person may participate in the EMI Scheme if he has a "material interest" in the Company. Material interest means (broadly) ownership over 30 per cent. or more of the issued Ordinary Shares.

8.1.3 *Individual Participation Limits*

The aggregate market value (measured at the date of grant) of Ordinary Shares over which all outstanding Options which are qualifying Options for the purposes of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) may be held by any one participant under the EMI Scheme and under any other EMI share option scheme adopted or operated by the Company may not exceed £100,000.

8.1.4 *Exercise Price*

The exercise price for each Ordinary Share under Option will be determined by the remuneration committee.

8.1.5 *Exercise of Options*

An Option will normally be exercisable only within the period of ten years after the date of grant.

8.1.6 *Performance Target*

The remuneration committee may impose objective conditions as to the performance of the Group which must normally be satisfied before Options can be exercised. Having granted Options and set a performance target, the remuneration committee may vary the performance target provided that the committee reasonably considers that the performance target set no longer represents a fair measure of performance and provided that any new conditions are no more difficult nor easy to satisfy. Any change in the performance target will be notified to shareholders through the Company's annual report and accounts.

8.1.7 *Scheme Limits*

No Options may be granted under the EMI Scheme on any date, if as a result:

(a) the total number of Ordinary Shares issued or issuable pursuant to options granted in the previous ten years under all share option schemes of the company would exceed ten per cent. of the Ordinary Shares in issue at that date; or

(b) the aggregate market value (at the date of grant) of all Ordinary Shares over which outstanding Options subsist under the EMI Scheme would exceed £3 million.

8.1.8 *Income Tax and National Insurance Contributions*

The EMI Scheme contains provisions that will ensure that any income tax, employee's and employer's national insurance contributions that arise as a result of the exercise of any Options will be payable by the participant.

8.1.9 *Shares Issued on Exercise of Options*

Ordinary Shares allotted under the Scheme rank *pari passu* with the Company's existing issued Ordinary Shares (save that they will not qualify for any dividends or other distributions by reference to a record date prior to the date of exercise of the Option).

8.1.10 *Takeovers*

In the event of a takeover, amalgamation or reconstruction of the Company, Options may be exercised in full.

8.1.11 *Variation of Share Capital*

In the event of a variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital or otherwise, then the number of Ordinary Shares subject to a subsisting Option and the price payable on exercise may be adjusted.

8.1.12 *Alterations to the EMI Scheme*

The Board may alter the EMI Scheme but material amendments to the advantage of participants cannot take effect without shareholder approval, unless they are amendments to comply with or take account of applicable legislation or statutory regulations or any change therein or to maintain favourable taxation treatment for the Company or participants or potential participants.

8.1.13 *Pension Rights*

None of the benefits which may be received under the EMI Scheme shall be pensionable.

8.2 ***The Unapproved Option Scheme***

The Company has established an unapproved share option scheme. This is similar to the EMI Scheme referred to at paragraph 8.1 of this Part V save as follows:

8.2.1 *Eligibility*

The Unapproved Option Scheme is open to any employee or director of the Group regardless of the amount of time such employee or director devotes to the Group.

8.2.2 *Material Interest*

There is no restriction on a person participating if he has a "material interest" (which means (broadly) ownership over 30 per cent. or more of the issued Ordinary Shares).

8.2.3 *Individual Participation Limits*

There are no individual limits on any one participant in the Unapproved Option Scheme.

8.2.4 *Scheme Limits*

No Options may be granted under the Unapproved Option Scheme on any date, if as a result the total number of Ordinary Shares issued or issuable pursuant to options granted in the previous ten years under all share option schemes of the Company would exceed ten per cent. of the Ordinary Shares in issue at that date. There are no financial limits on the value of Ordinary Shares under option.

8.2.5 *Tax*

The optionholders will not benefit from the advantageous tax treatment afforded to the holders of EMI Options.

9 Material Contracts and Related Party Transactions

Save for the contracts described in this paragraph 9, no member of the Group has entered into any contract (not being a contract entered into in the ordinary course of business) (i) within the two years immediately preceding the date of this document which is or may be material or (ii) at any other time and which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

9.1 ***Placing Agreement***

The Placing Agreement contains the following terms:

(i) the Company appointed KBC Peel Hunt as its agent to procure subscribers at the Placing Price of the Placing Shares, KBC Peel Hunt agreed (subject as set out in paragraph 9.1(vi) below) to use its reasonable endeavours to procure subscribers at the Placing Price for the Placing Shares;

(ii) the obligation of KBC Peel Hunt referred to in paragraph (i) above is conditional on, *inter alia*, in the case of the Existing Ordinary Shares, Non EIS Shares and Non VCT Shares, First Admission taking place on or before 9.00 a.m. 23 March 2006 and in the case of the EIS Shares and the VCT Shares, Second Admission taking place on or before 9.00 a.m. 24 March 2006, or such later date as KBC Peel Hunt may determine;

(iii) the Company agreed to pay KBC Peel Hunt a commission at the rate of 4 per cent. of the value of the Placing Shares and a corporate finance fee of £200,000;

(iv) the Company agreed to pay all the costs and expenses of and incidental to the Placing;

(v) the Company and each of the Directors have given certain warranties and undertakings to KBC Peel Hunt in relation, *inter alia*, to the accuracy of the information contained in this document, the financial position of the Group, the intellectual property rights held by the Group and to other matters in relation to the Group and its business. In addition KBC Peel Hunt has the benefit of certain indemnities provided by the Company and each of the Directors relating to certain losses and liabilities if they are incurred by KBC Peel Hunt in the performance of its duties, save to the extent that any such losses and liabilities arise from KBC Peel Hunt's wilful default, negligence or breach of its obligations under an express term of the Placing Agreement;

(vi) KBC Peel Hunt may terminate the Placing Agreement at any time prior to First Admission in certain circumstances, including a breach of any of the warranties or undertakings contained in the Placing Agreement or upon the occurrence of certain force majeure events; and

(vii) the Directors have agreed with the Company and KBC Peel Hunt not to dispose of any of the Ordinary Shares held by them on Admission before the first anniversary of Admission (save in limited circumstances) and before the second anniversary of Admission only to dispose of such Ordinary Shares with the consent of and through KBC Peel Hunt while KBC Peel Hunt is broker to the Company.

9.2 ***Share for share exchange agreement***

On 15 March 2006, a share for share exchange agreement was entered into between the Company and the shareholders of Syntopix at that time (the Syntopix Shareholders), pursuant to which the Company acquired the whole of the issued share capital of Syntopix from the Syntopix Shareholders in consideration of the issue and allotment to the Syntopix Shareholders of 3,388,999 Ordinary Shares credited as fully paid for each ordinary share in Syntopix and the crediting up as fully paid of 10 Ordinary Shares held by Dr. Jon Cove. The effect of this agreement was to create a mirror image of the shareholder base of Syntopix in the Company at that date.

9.3 ***Licence Agreement***

On 20 February 2006 a licence agreement was entered into between University of Leeds IP Limited and Syntopix pursuant to which University of Leeds Limited granted Syntopix an exclusive, royalty free, worldwide licence in respect of certain intellectual property created under the terms of an Intellectual Property Management and Revenue Sharing Agreement between (1) University of Leeds (2) The Wellcome Trust Limited and (3) Syntopix dated 5 December 2003 (the IPMA Agreement) and a non-exclusive, royalty free worldwide agreement to certain background intellectual propery held by the University of Leeds before commencement of the IPMA Agreement. The IPMA Agreement was terminated on the execution of the licence agreement. The licence agreement also provides for the execution of the assignment referred to in this paragraph 9.3. The Licence is terminable on the

insolvency of Syntopix or if Syntopix is in material breach of the licence agreement which would include failure to use its reasonable endeavours to commercially exploit the exclusively licensed intellectual property but not a failure to exploit the non-exclusively licensed intellectual property. The licence granted may be transferred intra-group with the University of Leed's reasonable consent.

As part of the licence agreement University of Leeds IP Limited is obliged to procure that the University of Leeds assigns UK patent application number 0505902.2 (filed on 23 March 2005) relating to a combination of antimicrobial compounds for tropical treatment of *S. aureus* infections and acne at such time as Syntopix raises in aggregate at least £1 million of finance. This assignment will be effected shortly following Admission.

9.4 ***Related Party Transactions***

9.4.1 Darren Bamforth is a director of Atraxa Consulting Limited which provides services to the Company on an arms length basis in its normal course of business. Following Admission, the provision of services will include the services of Darren Bamforth as Finance Director to the Group. The amount charged during the year ended 31 July 2005 amounted to £5,100 inclusive of VAT. Following Admission the amount to be charged per annum by Atraxa Consulting Limited for the services of Darren Bamforth as Finance Director to the Group is £15,000. In addition, Atraxa Consulting Limited will continue to provide accountancy services to the Group on an arm's length basis.

9.4.2 Dr Jon Cove is seconded to the Company by the University of Leeds under the terms of a secondment agreement. The secondment agreement provides that Dr Jon Cove is to spend 80 per cent. of his normal working hours carrying out the role of Research Director of the Company. The initial period of the secondment is until 1 March 2007. The Company may on 6 months notice to the University of Leeds and Dr Jon Cove terminate this contract, such notice not to expire prior to 1 March 2007. The Company pays the University of Leeds a fee of £50,000 per annum. The secondment agreement restricts Dr Jon Cove from competing with the Group and/or soliciting customers and employees for a period of 12 months after the termination of the secondment agreement.

10 Legal and Arbitration Proceedings

Save as set out below, no member of the Group is, nor has been, involved in the previous 12 months in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, a significant effect on the Company's and/or Group's financial position or profitability.

11 UK Taxation

The following paragraphs, which are intended as a general guide based on current legislation and HM Revenue & Customs practice as at the date of this document, summarise advice received by the Directors about the UK tax position of Shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes and who beneficially hold their shares as investments (otherwise than under an individual savings account ('ISA')). Any Shareholder who is in doubt as to their tax position, or who is subject to tax in a jurisdiction other than the United Kingdom, is strongly recommended to consult their professional advisers.

11.1 ***Enterprise Investment Scheme ("EIS") Tax Relief***

The following information provides an outline only of the EIS. It is strongly recommended that potential investors obtain independent advice from a professional adviser to take into account the effect of the legislation in the context of their particular personal circumstances.

The tax legislation in respect of the EIS income tax and EIS deferral relief is found in sections 289 - 312 Income and Corporation Taxes Act 1988 and schedule 5B to Taxation of Capital Gains Act 1992. The following is a summary of the more common conditions and should not be construed as comprehensive.

11.1.1 *EIS Relief*

Income tax relief, capital gains tax deferral relief, capital gains tax disposal relief and loss relief may all be available to investors under the EIS legislation. EIS relief can be claimed only by a "qualifying investor" (see below) who subscribes for new "eligible shares" (see below) issued by a "qualifying company" (see below).

(a) Income Tax Relief

Individuals who qualify may deduct an amount that is equal to the lower rate of income tax on the amounts subscribed for qualifying shares in qualifying companies from their total liability to income tax for the tax year in which the shares are issued. EIS Relief is obtained at a rate of up to 20 per cent. The maximum investment is £200,000 per tax year. Spouses are entitled to a maximum of £200,000 each. The minimum amount subscribed must be at least £500.

For income tax purposes (but not capital gains tax deferral, see below), the individual does not need to be a UK resident. However, income tax relief is only available where an investor has a UK income tax liability. The amount of income tax relief cannot exceed an individual's tax liability before other reliefs given by way of discharge of tax. Relief is normally given in the tax year in which the individual invests.

(b) Capital Gains Tax Disposal Relief

To the extent that EIS income tax relief is given and not withdrawn, any capital gain accruing to an individual on the first disposal of the shares issued three or more years after the date of issue (or, if later, three or more years after the anniversary of the date trading commences) is not chargeable to capital gains tax. The exemption does not extend to any gain deferred by capital gains tax deferral (see below).

(c) Loss Relief

Where an investor incurs a loss on the first disposal of their shares, the loss calculated after deducting EIS income tax relief from the base cost usually may be set against either chargeable gains or taxable income at the election of the investor.

11.1.2 *"Qualifying Investor" for EIS Income Tax Relief*

An individual must not be, nor have been within the previous two years prior to the date of issue of the shares, connected with the Company, or become connected with it within the next three years (or, if later, within the three years following the date of commencement of trading), if they are to retain the tax reliefs. The main rules relating to connection are that:

(a) neither the individual nor their associates may be an employee, partner or paid director of the Company (subject to (c) below) or its subsidiaries. An unpaid director is not disqualified if they are reimbursed travelling or subsistence expenses which would otherwise be allowable for taxation;

(b) neither the individual nor their associates may control the Company or possess more than 30 per cent. of the issued ordinary share or loan capital or voting powers in the Company or rights carrying entitlements to 30 per cent., of the assets available for distribution to equity holders; and

(c) an individual may become a paid director of the Company provided at the time they subscribe for eligible shares they were not, and had not previously been, otherwise connected with the Company nor with the trade earned carried on by the Company by reference to (a) or (b) above. Any remuneration paid to a director must be reasonable.

There is also various anti-avoidance legislation, in particular the value received rules. Under these, EIS income tax relief may be reduced or withdrawn where the investor receives any

value from the Company, and EIS relief of the investor may also be withdrawn where other shareholders of the Company are repaid capital or receive value from the Company.

11.1.3 *Qualifying Company*

For a period of three years following the issue of the shares (or, if later, three years following the date of the commencement of the trade) the Company must only:

(a) exist wholly or substantially for the purposes of carrying on a qualifying trade; or

(b) be the parent company of a group which exists wholly, or substantially wholly for the purposes of carrying on qualifying trades; and

(c) not be disqualified by anti-avoidance rules.

At least 80 per cent., of the money raised by the issue of qualifying shares, and all other shares (if any) in the company of the same class which are issued on the same day, must be applied wholly for the purpose of a qualifying business activity within 12 months of the date of the issue of the shares or, if later, the commencement of trade and the balance within 24 months of the date of issue (or, if later, the date of the commencement of the trade).

To be qualifying, the shares of the company must not be quoted on a recognised investment exchange at the time the eligible shares are issued and no arrangements must exist at that time for the company to become quoted.

11.1.4 *Eligible Shares*

Eligible EIS shares are new ordinary shares which, throughout the period of 3 years beginning with the date on which they are issued or if later, the date of commencement of the trade, carry no present or future preferential right to dividends or to the Company's assets on its winding up and carry no present or future right to be redeemed.

11.1.5 *Provisional Approval*

The Company has received from HM Revenue & Customs provisional approval that the Company will be carrying on a qualifying business activity and that the shares to be issued will be "eligible shares". Provisional approval, once given, is indicative but is not binding on HM Revenue & Customs. The position could also be affected by acts or omissions of the Company during the 3 year period from the issue of the shares (or, if later, the date of commencement of the trade) and also if the monies raised are not used for qualifying purposes within the relevant time limits.

11.1.6 *Claims*

Investors claim income tax relief by submitting a tax relief certificate (form EIS 3) issued to them by the Company to HM Revenue & Customs dealing with their own tax affairs. The claims for relief must be made no later than 5 years after the 31 January following the end of the year in which the shares are issued.

11.1.7 *Carry Back of Relief*

For shares subscribed on or after 6 April and before 6 October, up to one half of the investment (up to £25,000) may be effectively carried back to the previous tax year if the relevant claim is made, so long as the maximum investment of £200,000 for the previous year is not exceeded.

11.1.8 *Withdrawal of EIS Relief*

If the conditions for EIS Relief relating to a company cease to be satisfied during the period of three years from the issue of the shares (or, if later, three years from the date of commencement of the trade), the relief will be withdrawn. EIS Relief will also be wholly or partly withdrawn if, for example, the claimant receives significant value from the Company (other than dividends) or disposes of the shares within three years of the date of issue (or, if later, within

three years of the date of commencement of the trade). EIS Relief will also be lost if an investor takes out a loan under special terms connected in any way with the shares.

11.1.9 *Capital Gains Tax deferral*

Capital gains tax deferral enables investors to defer capital gains by reinvesting in qualifying investments. Provided a capital gain realised on any asset is reinvested in new "eligible shares" of a "qualifying company" within 3 years of the disposal giving rise to the gain or not more than 1 year prior to a disposal giving rise to a gain, assessment to tax on the gain arising may be deferred until the qualifying investment is sold or, if within 3 years from subscription (or commencement of trade, if later) otherwise ceases to qualify. At this point, the deferred gain would come back into charge, without the benefit of any additional taper relief.

The legislation, conditions and anti-avoidance rules for deferral relief are broadly similar to those for EIS income tax relief outlined above, but there are differences.

11.2 ***Venture Capital Trusts ("VCT") Relief***

The Company has received provisional clearance from HM Revenue & Customs of the Company's status as a qualifying VCT investment. The provisional clearance which, in accordance with customary HM Revenue & Customs practice relates to the qualifying status of the Company and its trade, has been obtained on the basis of the facts provided to HM Revenue & Customs. Subsequent conditions placed on the Company may affect its qualifying status.

Whilst the Company cannot guarantee to conduct its activities in a way to allow it to maintain its status as a qualifying VCT investment, the Directors intend, as far as possible, to do so.

The above information does not set out the provisions relating to EIS and VCT legislation in full and potential investors are advised to seek independent advice on whether they satisfy the conditions for relief and circumstances in which relief may be unavailable or withdrawn. Any person who is any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser.

11.3 ***UK Taxation - General***

The statements set out below are general in nature and are intended only as a general guide to certain aspects of current UK law and practice and apply only to certain categories of persons. The summary does not purport to be a complete analysis of all the potential tax consequences of acquiring, holding and disposing of Ordinary Shares and only relates to the position of shareholders who are the beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as investments; in particular it does not address the position of certain classes of shareholders, such as dealers in securities.

Prospective purchasers of Ordinary Shares who are in any doubt about their tax position, and in particular those who are subject to taxation in any jurisdiction other than the UK, are strongly recommended to consult their own tax advisers concerning the tax consequences of the acquisition, ownership and disposal of Ordinary Shares.

This summary is based upon UK law and practice as of the date of this document. UK law and practice may be subject to change. **Any investor who is in any doubt as to his or her tax position, or who may be subject to tax in any other jurisdiction, should consult his or her professional adviser.**

11.4 ***Dividends***

No tax will be withheld from dividend payments on Ordinary Shares.

Under Current UK tax legislation, no tax is now withheld from dividends paid by the Company. Advanced Corporation Tax ("ACT") has been abolished since 6 April 1999.

UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credits, the tax credit for dividends paid from 6 April 1999,

being 10 per cent. of the combined amount of the dividend and the tax rate (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder's lower and basic rate (but not the higher rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax. The special rate of tax set for the higher rate taxpayer who receive dividends is 32.5 per cent. After taking account of the 10 per cent., tax credit, such a tax payer would have to account for additional tax of 22.5 per cent.

UK tax resident corporate shareholders will not normally be liable to UK corporation tax or income tax in respect of any dividend received from the Company.

Non-UK resident shareholders and shareholders subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser concerning their liabilities to tax on dividends received and the effect of the above changes for them.

11.5 ***Taxation of Chargeable Gains***

Any disposal of Ordinary Shares by a shareholder resident or ordinarily resident for tax purposes in the UK or a non-UK resident shareholder who carries on a trade, profession or vocation in the UK through a branch or agency and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch or agency may, depending on the shareholder's circumstances, and subject to any available exemptions, allowances or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax (or for companies, corporation tax on chargeable gains). Special rules apply to disposals by individuals at a time when they are temporarily not resident or ordinarily resident in the UK.

11.6 ***UK Inheritance Tax***

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or on the death of, an individual holder of such assets may (subject to certain exemptions and reliefs, in particular Business Asset Relief) give rise to a liability to UK inheritance tax. This is regardless of whether or not the individual holder is domiciled or deemed to be domiciled in the UK and whether or not the holder is resident and/or ordinarily resident in the UK for tax purposes. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply where the donor reserves or retains some interest or benefit in the property being transferred. Special rules also apply to trustees of settlements who hold Ordinary Shares bringing them within the charge to UK inheritance tax.

11.7 ***Stamp duty and stamp duty reserve tax ("SDRT")***

No liability to stamp duty or SDRT should arise on the allotment of Placing Shares by the Company under the Placing.

Subsequent sales of Placing Shares inside CREST will generally be liable to SDRT at the rate of 0.5 per cent. on the amount of value of the consideration rounded up to the nearest £5. The SDRT is normally settled by CREST, on behalf of the purchaser or transferee, on the same day as the sale, but otherwise is payable on the "accountable date" for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made. Subsequent sales of Placing Shares outside CREST will generally be liable to *ad valorem* stamp duty, at the rate of 0.5 per cent. on the amount of value of the consideration rounded up to the nearest £5. An obligation to account for SDRT at the rate of 0.5 per cent. on the amount of value of the consideration will also arise if an unconditional agreement to transfer the Placing Shares is not completed by a duly stamped instrument of transfer before the "accountable date" for SDRT purposes, as described above.

Stamp duty is normally, and SDRT is always, the liability of the purchaser or transferee of the Placing Shares. However, where an instrument of transfer which completes an unconditional agreement to transfer shares is duly stamped within six years after the agreement was entered into (or it becomes unconditional) the stamp duty will satisfy the SDRT liability and any SDRT paid can be recovered.

The information in this paragraph is intended as a general summary of the UK tax position and should not be construed as constituting advice. Potential investors should obtain advice from their own investment or taxation adviser.

12 Working Capital

In the opinion of the Directors, having made due and careful inquiry, the Group has sufficient working capital for its present requirements, that is for at least 12 months from Admission.

13 Miscellaneous

13.1 The auditors of Syntopix Limited are BDO Stoy Hayward LLP, whose registered office is 8 Baker Street, London, W1V 3LL. BDO Stoy Hayward LLP has audited, without qualification, the consolidated accounts of Syntopix Limited for the financial periods ended 31 July 2004 and 31 July 2005, in accordance with generally accepted auditing standards in the UK. BDO Stoy Hayward LLP is a member firm of the Institute of Chartered Accountants in England and Wales.

13.2 BDO Stoy Hayward LLP, which is a member firm of the Institute of Chartered Accountants in England and Wales, has given and has not withdrawn its written consent to the inclusion in this document of its reports set out in Part III of this document in the form and context in which they appear and has authorised the contents of its reports.

BDO Stoy Hayward LLP accepts responsibility for its reports contained in Part III of this document. To the best of the knowledge of BDO Stoy Hayward LLP (which has taken all reasonable care to ensure that such is the case), the information contained in those reports is in accordance with the facts and contains no omission likely to affect its import.

13.3 Greaves Brewster LLP which is a firm of patent attorneys, has given and has not withdrawn its written consent to the inclusion in this document of its report set out in Part IV of this document and the references to its name in the form and context in which they appear and has authorised the contents of such Part of this document.

Greaves Brewster LLP accepts responsibility for its report contained in Part IV of this document. To the best of the knowledge of Greaves Brewster LLP (which has taken all reasonable care to ensure that such is the case), the information contained in that report is in accordance with the facts and contains no omission likely to affect its import.

13.4 KBC Peel Hunt, which is authorised and regulated by the Financial Services Authority, has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

13.5 Total expenses of, or incidental to, the Placing and Admission which are payable by the Company are estimated to be approximately £0.7 million (excluding value added tax). The gross proceeds of the Placing are expected to be £4.0 million (£3.3 million net of expenses).

13.6 The accounting reference date of the Company and each other member of the Group is 31 July.

13.7 There has been no significant change in the financial or trading position of either the Company or Syntopix since 31 December 2005 and 31 July 2005 respectively, being the dates up to which their financial information in Part III was prepared.

13.8 Save as set out in Part IV of this document, the Company is not dependent on any patents or licences, industrial, commercial or financial contracts or new manufacturing processes to an extent that is material to the Company's business or profitability.

13.9 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and persons who are trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the date of this document was made or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

13.9.1 fees totalling £10,000 or more; or

13.9.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

13.9.3 any other benefit with a value of £10,000 or more at the date of Admission.

13.10 Application for trading of the Ordinary Shares is not being and will not be sought on any other stock exchange other than AIM.

13.11 The Existing Ordinary Shares in issue at the date of this document and the Placing Shares in issue immediately following Admission, will be in registered form. Temporary documents of title will not be issued under the Placing.

13.12 The Placing Shares will be issued at 177 pence per Ordinary Share representing a premium over the nominal value per Ordinary Share of 167 pence.

13.13 Copies of this document are available free of charge from the Company's registered office and at the offices of KBC Peel Hunt at 111 Old Broad Street, London EC2N 1PH during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until one month after Admission.

17 March 2006