



## **Syntopix Group plc Interim report 2007**

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

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

Syntopix Group plc was admitted to AIM in March 2006 to enable it to progress its drug development programme in dermatology and to enhance its profile among prospective partners.

01. Highlights	_____
02. Joint statement from the Chairman and Chief Executive Officer	_____
04. Consolidated profit and loss account	_____
04. Statement of total recognised gains and losses	_____
05. Consolidated balance sheet	_____
05. Consolidated cash flow statement	_____
06. Reconciliation of net cash flow to movement in net funds	_____
06. Reconciliation of operating loss to operating cash flows	_____
07. Notes to the consolidated interim financial statements	_____
08. Company information	_____

**Operational highlights****Good progress with lead candidate development programme**

- MHRA approval to conduct first Phase I clinical trial.
- Clinical Research Organisation appointed.
- Formulations of other compounds initiated for further human use studies.

**Continued development of the pipeline:**

- Compound library now contains over 1,000 compounds for screening.
- Growing patent portfolio which is continually being evaluated.

**Financial highlights**

- Cash balance at 31 January 2007 of £2.5 million (31 January 2006: £323,000).
- Tight overhead cost control.
- Development programme costs in line with budget.

## Syntopix is entering an exciting new phase with

We are pleased to report the interim result for the six months to 31 January 2007.

Since our last annual report, we have refined our licensing strategy and now believe that Phase I clinical data, not Phase II, should provide sufficient interest to our potential licensing partners. This approach has been validated in discussions with two large multinational dermatological companies. Our modified strategy has several benefits, most notably that we can screen more compounds faster in human use studies, to the extent that we are now six months ahead of our original schedule. Therefore, we plan to enter potential licensing discussions earlier than originally planned.

### Lead candidate development programme

In January 2007 we announced that the Group had entered into an agreement with a Clinical Research Organisation in preparation for the start of the Group's first Phase I clinical trial. We received approval in February 2007 from an independent Ethics Committee to conduct our first Phase I clinical study which is due to start imminently.

We have developed formulations which will be used in the trials to determine the ability of SYN 0017 (an anti-oxidant present in foods and cosmetics), SYN 0401 (an anti-fungal present in personal healthcare products), and a combination of SYN 0017 and SYN 0016 (an oxidising agent present in pharmaceutical preparations) to inhibit *Propionibacterium acnes* (*P. acnes*) when applied to healthy volunteers.

In addition to the Phase I clinical trial, we are also intending to conduct a second human use study. Formulations of SYN 0126 (a compound currently used in a wide variety of cosmetic preparations), and a combination of SYN 0126 with SYN 0091 (a bacteriostatic agent used in soap and cosmetics) are being prepared for this study, to start in the third quarter of 2007, with results in the fourth quarter.

Another human use study this year will start in the fourth quarter of 2007, and is likely to be a Phase I clinical study. The compounds to be tested will depend in some part on the results of the first study, but it is intended to test at least one new compound in this study.

By the end of 2007 the Group will have completed several human use studies, and it is our intention to seek licensing partners for any compound(s) which show a positive outcome in a human use study. Over the past six months we have generated significant interest in these studies, and we believe a licensing agreement will follow a successful outcome.

### Pipeline

The Group continues its research activities to generate further potential synergistic combinations. We are screening combinations of compounds, and now have over 1,000 in our library. Approximately 30% of these show sufficient antimicrobial activity against *P. acnes* and/or *Staphylococcus aureus* to indicate suitability for topical use.

## the start of our human use studies

Our intellectual property portfolio continues to grow: Syntopix has a patent portfolio that currently comprises nine patent applications. Each application is continually re-evaluated for commercial relevance, and in the last twelve months we have filed a new application every six to eight weeks.

### Financial summary

During the six months to 31 January 2007 the Group's focus has been the continuation of our lead candidate development programme through pre-clinical development and into clinical trials, with the intention of achieving future revenue streams through milestone payments and licensing deals with third parties.

The development programme is proceeding in line with our expectations and the expenditure of £491,000 on Research and Development (R&D) activity for the six months ended 31 January 2007 is within our budget. During the period the Group received European grant income of £20,000 which has mitigated some of the costs of maintaining our patent portfolio, and we anticipate further grant receipts during the forthcoming months. Additionally the Group has benefited from the receipt of R&D tax credits which has reduced the overall expenditure on our programme.


Administrative overheads are running at a comparable rate to those incurred in the year ended 31 July 2006 and are closely controlled. The Group benefits from its association with the University of Bradford and the purpose built microbiology laboratory facilities at the University's Institute of Pharmaceutical Innovation are provided to Syntopix at significantly reduced rates.

Cash balances at 31 January 2007 were £2,501,993 (31 January 2006: £323,396). The Group's financial strategy continues to be to monitor costs carefully during the period until licensing deals can be achieved and revenues can begin to be generated. The Group periodically conducts small research consultancy projects, and whilst not significant in the period ended 31 January 2007, a number of revenue generating projects are currently in progress.

This is the first period in which we are required to comply with FRS 20 – "Share Based Payments". Under this accounting standard we are required to calculate the fair value of share options issued. This means that the loss for the six months to 31 January 2007 has been increased by £52,546 (six months to 31 January 2006: loss increased by £410) and the loss for the year ended 31 July 2006 has been increased by £16,832.

### Outlook

We are very pleased with progress to date. Preparatory work undertaken since the flotation and during the first half of the year has delivered real momentum in the business and we look forward to the future with confidence.



**Dr Rod Adams**  
Chairman  
18 April 2007



**Dr Stephen Jones**  
Chief Executive Officer  
18 April 2007

## Consolidated profit and loss account

for the six months ended 31 January 2007

	Six months ended 31 January 2007 £	Six months ended 31 January 2006 Restated £	Year ended 31 July 2006 Restated £
Turnover	2,500	16,800	31,914
Research and development costs	(490,763)	(169,078)	(493,645)
Administrative expenses	(356,355)	(130,331)	(608,982)
Other operating income	20,000	2,949	2,949
<b>Operating loss</b>	<b>(824,618)</b>	<b>(279,660)</b>	<b>(1,067,764)</b>
Interest receivable	55,123	6,796	53,993
Interest payable	(937)	(17)	(76)
<b>Loss on ordinary activities before taxation</b>	<b>(770,432)</b>	<b>(272,881)</b>	<b>(1,013,847)</b>
Taxation	92,207	35,352	86,169
<b>Loss for the financial period</b>	<b>(678,225)</b>	<b>(237,529)</b>	<b>(927,678)</b>
<b>Loss per share</b>			
Basic and diluted	(11.9p)	(8.8p)	(22.0p)

All Group activities relate to continuing operations.

## Statement of total recognised gains and losses

for the six months ended 31 January 2007

	Six months ended 31 January 2007 £	Six months ended 31 January 2006 Restated £	Year ended 31 July 2006 Restated £
Loss for the period	(678,225)	(237,529)	(927,678)
Total recognised gains and losses relating to the period	(678,225)	(237,529)	(927,678)
Prior year adjustment (see note 2)	(16,832)	—	—
<b>Total recognised gains and losses since the last annual report</b>	<b>(695,057)</b>	<b>(237,529)</b>	<b>(927,678)</b>

## Consolidated balance sheet

as at 31 January 2007

	31 January 2007 £	31 January 2006 Restated £	31 July 2006 Restated £
<b>Fixed assets</b>			
Tangible assets	117,470	102,702	121,041
<b>Current assets</b>			
Debtors	179,368	73,668	123,976
Cash at bank and in hand	2,501,993	323,396	3,247,430
	<b>2,681,361</b>	397,064	3,371,406
<b>Creditors: amounts falling due within one year</b>	<b>(162,556)</b>	(172,669)	(230,493)
<b>Net current assets</b>	<b>2,518,805</b>	224,395	3,140,913
<b>Net assets</b>	<b>2,636,275</b>	327,097	3,261,954
<b>Capital and reserves</b>			
Called up share capital	568,398	286,984	568,398
Share premium account	3,379,046	—	3,379,046
Merger reserve	337,935	389,811	337,935
Profit and loss account	(1,649,104)	(349,696)	(1,023,425)
<b>Equity shareholders' funds</b>	<b>2,636,275</b>	327,097	3,261,954

## Consolidated cash flow statement

for the six months ended 31 January 2007

	Six months ended 31 January 2007 £	Six months ended 31 January 2006 Restated £	Year ended 31 July 2006 Restated £
Cash outflow from operating activities	(873,431)	(240,566)	(878,390)
Returns on investments and servicing of finance	54,186	6,779	53,917
Taxation	86,168	—	—
Capital expenditure and financial investment	(12,360)	(109,583)	(141,346)
<b>Cash outflow before financing</b>	<b>(745,437)</b>	(343,370)	(965,819)
Financing	—	21,343	3,567,826
<b>(Decrease)/increase in cash in the period</b>	<b>(745,437)</b>	(322,027)	2,602,007

**06****Reconciliation of net cash flow to movement in net funds**

for the six months ended 31 January 2007

	Six months ended 31 January 2007 £	Six months ended 31 January 2006 Restated £	Year ended 31 July 2006 Restated £
(Decrease)/increase in cash in the period	<b>(745,437)</b>	(322,027)	2,602,007
Cash outflow from decrease in debt financing	—	—	62,101
<b>Movement in net funds in the period</b>	<b>(745,437)</b>	(322,027)	2,664,108
<b>Net funds at the beginning of the period</b>	<b>3,247,430</b>	583,322	583,322
<b>Net funds at the end of the period</b>	<b>2,501,993</b>	261,295	3,247,430

**Reconciliation of operating loss to operating cash flows**

for the six months ended 31 January 2007

	Six months ended 31 January 2007 £	Six months ended 31 January 2006 Restated £	Year ended 31 July 2006 Restated £
Operating loss	<b>(824,618)</b>	(279,660)	(1,067,764)
Depreciation	<b>15,931</b>	6,881	20,305
Share option expense	<b>52,546</b>	410	16,832
(Increase) in debtors	<b>(49,354)</b>	(31,166)	(30,657)
(Decrease)/increase in creditors	<b>(67,936)</b>	62,969	182,894
<b>Net cash outflow from operating activities</b>	<b>(873,431)</b>	(240,566)	(878,390)

## Notes to the consolidated interim financial statements

for the six months ended 31 January 2007

- 1 The interim financial statements have been prepared in accordance with UK GAAP, using accounting policies and practices consistent with those applied in the 2006 annual report and accounts with the exception of the application of FRS 20 (see below). The interim statements have neither been reviewed nor audited by the Group's auditors.

The financial information contained in this report does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985.

The figures for the year ended 31 July 2006 have been extracted from the statutory accounts which have been filed with the Registrar of Companies but have been restated for the impact of FRS 20. The auditors' report for the 2006 accounts was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

- 2 The adoption of FRS 20 – "Share Based Payments" requires a prior period adjustment to be made. This has reduced retained profits for the year ended 31 July 2006 by £16,832 but has no effect on net assets at that date.

FRS 20 is effective for accounting periods beginning on or after 1 January 2006 and must be applied retrospectively to equity settled awards that were granted after 7 November 2002 and had not vested by 1 January 2006.

- 3 The interim results were approved by the Board of Directors on 18 April 2007.
- 4 Copies of this interim report are available on the Group's website: [www.syntopix.com](http://www.syntopix.com) and upon application to Syntopix Group plc, Institute of Pharmaceutical Innovation, University of Bradford, Bradford BD7 1DP.
- 5 The calculation of basic and diluted loss per share is based upon the loss after tax divided by the weighted average number of shares in issue during the period. Due to the losses incurred there is no dilutive effect from the issue of share options.

	(Loss) £	Weighted average number of shares	EPS pence
Basic and diluted loss per share			
Six months ended 31 January 2007	(678,225)	5,683,981	(11.9)
Six months ended 31 January 2006	(237,529)	2,698,544	(8.8)
Twelve months ended 31 July 2006	(927,678)	4,211,384	(22.0)



**Mr Darren Bamforth**

Secretary  
18 April 2007

## 08 Company information

---

Directors	R H Adams S P Jones J D Bamforth J H Cove E A Eady G O Humphreys A J Aubrey H M Shaw	(Chairman) (Chief Executive Officer) (Finance Director) (Research Director) (Scientific Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director)
Secretary	J D Bamforth	
Registered office	Institute of Pharmaceutical Innovation University of Bradford Bradford West Yorkshire BD7 1DP	
Company registration number	05656604	
Brokers and nominated advisers	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH	
Auditors	BDO Stoy Hayward LLP 1 City Square Leeds LS1 2DP	
Solicitors	Walker Morris Kings Court 12 King Street Leeds LS1 2HL	
Principal bankers	HSBC Bank plc 33 Park Row Leeds LS1 1LD	
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	





**Syntopix Group plc**

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

Tel. +44 (0)845 125 9204

Fax. +44 (0)845 125 9205

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