NXP Semiconductors N.V.
Form SC 13G/A
February 14, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G/A

Under the Securities Exchange Act of 1934

(Amendment No. 2)*

NXP Semiconductors N.V.

(Name of Issuer)

COMMON STOCK

NOMINAL VALUE .20 PER SHARE
(Title of Class of Securities)

N6596X109
(CUSIP Number)

December 31, 2012
(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

¨ Rule 13d 1(b)

¨ Rule 13d 1(c)

x Rule 13d 1(d)

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. N6596X109

1	Names of Reporting Person:		
	Apax Partners Europe Managers Ltd		
2	Check the Appropriate Box if a Member of a Group (See Instructions) (a) ¨ (b) x		
3	SEC Use Only		
4	Citizenship or Place of Organization		
	England		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	Sole Voting Power	
		0	
	6	Shared Voting Power	
		14,487,057	
	7	Sole Dispositive Power	
		0	
	8	Shared Dispositive Power	
		14,487,057	
9	Aggregate Amount Beneficially Owned by Each Reporting Person		
	14,487,057		
10	Check if the Aggregate Amount in Row (9) Excludes Certain Shares (see Instructions) ¨		
11	Percent of Class Represented by Amount in Row (9)		

5.75%*

12 Type of Reporting Person (See Instructions)

OO

* Based on 251,751,500 shares of the Issuer s common stock outstanding as of December 31, 2012 (as reported in the Issuer s final prospectus supplement (File No. 333-176435) filed on February 6, 2013), and based on outstanding share count and ownership amounts as of this date hereof. As of December 31, 2012, the ownership percentage was 7.15%. See item 4.

CUSIP No. N6596X109

1 Names of Reporting Person:

Apax Europe VI GP Co. Limited

2 Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ¨ (b) x

3 SEC Use Only

4 Citizenship or Place of Organization

Guernsey

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		
	5	Sole Voting Power 0
	6	Shared Voting Power 14,487,057
	7	Sole Dispositive Power 0
	8	Shared Dispositive Power 14,487,057

9 Aggregate Amount Beneficially Owned by Each Reporting Person

14,487,057

10 Check if the Aggregate Amount in Row (9) Excludes Certain Shares (see Instructions) ¨

11 Percent of Class Represented by Amount in Row (9)

5.75%*

12 Type of Reporting Person (See Instructions)

OO

* Based on 251,751,500 shares of the Issuer s common stock outstanding as of December 31, 2012 (as reported in the Issuer s final prospectus supplement (File No. 333-176435) filed on February 6, 2013), and based on outstanding share count and ownership amounts as of this date hereof. As of December 31, 2012, the ownership percentage was 7.15%. See item 4.

CUSIP No. N6596X109

1	Names of Reporting Person: Apax Europe VI GP L.P. Inc.	
2	Check the Appropriate Box if a Member of a Group (See Instructions) (a) ¨ (b) x	
3	SEC Use Only	
4	Citizenship or Place of Organization Guernsey	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	Sole Voting Power 0
	6	Shared Voting Power 14,487,057
	7	Sole Dispositive Power 0
	8	Shared Dispositive Power 14,487,057
9	Aggregate Amount Beneficially Owned by Each Reporting Person 14,487,057	
10	Check if the Aggregate Amount in Row (9) Excludes Certain Shares (see Instructions) ¨	
11	Percent of Class Represented by Amount in Row (9)	

5.75*

12 Type of Reporting Person (See Instructions)

PN

* Based on 251,751,500 shares of the Issuer s common stock outstanding as of December 31, 2012 (as reported in the Issuer s final prospectus supplement (File No. 333-176435) filed on February 6, 2013), and based on outstanding share count and ownership amounts as of this date hereof. As of December 31, 2012, the ownership percentage was 7.15%. See item 4.

CUSIP No. N6596X109

1 Names of Reporting Person:

Apax Europe VI-A, L.P.

2 Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ¨ (b) x

3 SEC Use Only

4 Citizenship or Place of Organization

England

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	Sole Voting Power 0
	6	Shared Voting Power 14,487,057
	7	Sole Dispositive Power 0
	8	Shared Dispositive Power 14,487,057

9 Aggregate Amount Beneficially Owned by Each Reporting Person

14,487,057

10 Check if the Aggregate Amount in Row (9) Excludes Certain Shares (see Instructions) ¨

11 Percent of Class Represented by Amount in Row (9)

5.75%*

12 Type of Reporting Person (See Instructions)

PN

* Based on 251,751,500 shares of the Issuer s common stock outstanding as of December 31, 2012 (as reported in the Issuer s final prospectus supplement (File No. 333-176435) filed on February 6, 2013), and based on outstanding share count and ownership amounts as of this date hereof. As of December 31, 2012, the ownership percentage was 7.15%. See item 4.

CUSIP No. N6596X109

1 Names of Reporting Person:

Apax NXP (UK) VI A1 GP Co. Ltd

2 Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ¨ (b) x

3 SEC Use Only

4 Citizenship or Place of Organization

England

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	Sole Voting Power 0
	6	Shared Voting Power 14,487,057
	7	Sole Dispositive Power 0
	8	Shared Dispositive Power 14,487,057

9 Aggregate Amount Beneficially Owned by Each Reporting Person

14,487,057

10 Check if the Aggregate Amount in Row (9) Excludes Certain Shares (see Instructions) ¨

11 Percent of Class Represented by Amount in Row (9)

5.75%*

12 Type of Reporting Person (See Instructions)

OO

* Based on 251,751,500 shares of the Issuer s common stock outstanding as of December 31, 2012 (as reported in the Issuer s final prospectus supplement (File No. 333-176435) filed on February 6, 2013), and based on outstanding share count and ownership amounts as of this date hereof. As of December 31, 2012, the ownership percentage was 7.15%. See item 4.

CUSIP No. N6596X109

1 Names of Reporting Person:

Apax NXP VI A L.P.

2 Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ¨ (b) x

3 SEC Use Only

4 Citizenship or Place of Organization

England

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	Sole Voting Power 0
	6	Shared Voting Power 14,487,057
	7	Sole Dispositive Power 0
	8	Shared Dispositive Power 14,487,057

9 Aggregate Amount Beneficially Owned by Each Reporting Person

14,487,057

10 Check if the Aggregate Amount in Row (9) Excludes Certain Shares (see Instructions) ¨

11 Percent of Class Represented by Amount in Row (9)

5.75%*

12 Type of Reporting Person (See Instructions)

PN

* Based on 251,751,500 shares of the Issuer s common stock outstanding as of December 31, 2012 (as reported in the Issuer s final prospectus supplement (File No. 333-176435) filed on February 6, 2013), and based on outstanding share count and ownership amounts as of this date hereof. As of December 31, 2012, the ownership percentage was 7.15%. See item 4.

CUSIP No. N6596X109

1	Names of Reporting Person: Meridian Holding S.à.r.l.		
2	Check the Appropriate Box if a Member of a Group (See Instructions) (a) ¨ (b) x		
3	SEC Use Only		
4	Citizenship or Place of Organization Luxembourg		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	Sole Voting Power 0	
	6	Shared Voting Power 14,487,057	
	7	Sole Dispositive Power 0	
	8	Shared Dispositive Power 14,487,057	
9	Aggregate Amount Beneficially Owned by Each Reporting Person 14,487,057		
10	Check if the Aggregate Amount in Row (9) Excludes Certain Shares (see Instructions) ¨		
11	Percent of Class Represented by Amount in Row (9)		

5.75%*

12 Type of Reporting Person (See Instructions)

OO

* Based on 251,751,500 shares of the Issuer s common stock outstanding as of December 31, 2012 (as reported in the Issuer s final prospectus supplement (File No. 333-176435) filed on February 6, 2013), and based on outstanding share count and ownership amounts as of this date hereof. As of December 31, 2012, the ownership percentage was 7.15%. See item 4.

Item 1.

(a) ***Name of issuer:***

NXP Semiconductors N.V.

(b) ***Address of issuer s principal executive offices:***

High Tech Campus 60, 5656 AG Eindhoven, The Netherlands

Item 2.

(a) ***Name of person filing:***

Apax Partners Europe Managers Ltd

Apax Europe VI GP Co. Limited

Apax Europe VI GP L.P. Inc.

Apax Europe VI-A, L.P.

Apax NXP (UK) VI A1 GP Co. Ltd

Apax NXP VI A L.P.

Meridian Holding S.à.r.l.

(b) ***Address or principal business office or, if none, residence:***

The principal business office for Apax Europe VI GP Co. Limited, Apax Europe VI GP L.P. Inc. and Apax Europe VI-A, L.P. is:

Third Floor

Royal Bank Place

1 Glategny Esplanade

St. Peter Port

Guernsey GY1 2HJ

The principal business office for Apax Partners Europe Managers Ltd, Apax NXP (UK) VI A1 GP Co. Ltd and Apax NXP VI A L.P. is:

33 Jermyn Street

London, SW1Y 6DN

England

The principal business office for Meridian Holding S.à.r.l. is:

1-3, Boulevard de la Foire

L-1528, Luxembourg

(c) ***Citizenship:***

See Item 4 of each cover page

(d) ***Title of class of securities:***

Common stock, nominal value .20 per share

(e) ***CUSIP No.:***

N6596X109

Item 3.

Not applicable

Item 4. Ownership.

(a) Amount beneficially owned:

Meridian Holding S.à.r.l. is a Luxembourg limited liability company and owns 14,487,057 shares of the Issuer s common stock as of the date hereof and owned 18,010,831 shares of the Issuer s common stock as of December 31, 2012. Apax NXP VI A L.P. is an English limited partnership and owns 66.59% of the outstanding shares of Meridian Holding S.à.r.l. Apax NXP (UK) VI A1 GP Co. Ltd, an English private limited company, is the general partner of Apax NXP VI A L.P. Apax WW Nominees Ltd, an English company, holds, directly or indirectly, 100% of the interests in Apax NXP (UK) VI A1 GP Co. Ltd as nominee for Apax Partners Europe Managers Ltd, the custodian of Apax Europe VI-A, L.P., an English limited partnership. Apax Europe VI GP L.P. Inc., a Guernsey limited partnership, is the general partner of Apax Europe VI-A, L.P. Apax Europe VI GP Co. Limited, a Guernsey company, is the general partner of Apax Europe VI GP L.P. Inc.

Apax Partners Europe Managers Ltd, an English company, holds 100% of the interests in Apax WW Nominees Ltd. Apax Partners Europe Managers Ltd has also been appointed by Apax Europe VI GP L.P. Inc. (acting by Apax Europe VI GP Co. Limited, its general partner) as discretionary investment manager of the investments of Apax Europe VI-A, L.P. Apax Partners Europe Managers Ltd, Apax Europe VI GP Co. Limited and Apax Europe VI GP L.P. Inc. are responsible for the investments and general administration of Apax Europe VI-A, L.P. Because of the foregoing relationships, each of Apax NXP VI A L.P., Apax NXP (UK) VI A1 GP Co. Ltd, Apax Europe VI-A, L.P., Apax Europe VI GP L.P. Inc., Apax Europe VI GP Co. Limited and Apax Partners Europe Managers Ltd may be deemed to beneficially own all of the shares of the Issuer s common stock held by Meridian Holding S.à.r.l.

NXP Co-Investment Investor S.à.r.l. owns 15,029,155 shares of the Issuer s common stock as of the date hereof and owned 18,684,787 shares of the Issuer s common stock as of December 31, 2012. NXP Co-Investment Partners L.P. is the sole shareholder of NXP Co-Investment Investor S.à.r.l. NXP Co-Investment GP Ltd. is the general partner of NXP Co-Investment Partners L.P. NXP Co-Investment GP Ltd. is owned by Silver Lake (Offshore) AIV GP II, Ltd., KKR Europe II Limited, BCP IX NXP Ltd. and Apax Europe VI NXP Founder GP, Ltd., none of which owns a majority. The share ownership reported for the filing persons reporting on this Schedule 13G/A does not include the 15,029,155 shares of the Issuer s common stock held by NXP Co-Investment Investor S.à.r.l., and each of the filing persons reporting on this Schedule 13G/A disclaims beneficial ownership of any shares of the Issuer s common stock owned by NXP Co-Investment Investor S.à.r.l.

(b) Percent of class:

See Item 11 of each cover page

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote:

See Item 5 of each cover page

(ii) Shared power to vote or to direct the vote:

See Item 6 of each cover page

(iii) Sole power to dispose or to direct the disposition of:

See Item 7 of each cover page

(iv) Shared power to dispose or to direct the disposition of:

See Item 8 of each cover page

Item 5. ***Ownership of 5 Percent or Less of a Class***.

Not applicable

Item 6. ***Ownership of More than 5 Percent on Behalf of Another Person.***

See Item 4 above

Item 7. ***Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.***

Not applicable

Item 8. ***Identification and Classification of Members of the Group.*** 414 414 1,759

Other long-term obligations	2,500		1,000	1,500	

On September 23, 2004, we entered into an amendment (the Credit Agreement Amendment) of our credit agreement with Comerica Bank (Comerica), effective as of September 1, 2004. Our note to Comerica had matured on January 25, 2004, but we were unable to pay the matured amount and instead we commenced negotiations which ultimately led to the Credit Agreement Amendment. The outstanding principal balance of our bank debt immediately prior to the Credit Agreement Amendment was $4,472,000. Under the Credit Agreement Amendment, we issued an amended promissory note to Comerica in the amount of $599,000 (the Comerica Note), and Comerica sold the remaining principal of $3,873,000 to Remington Capital, LLC (Remington), which is an affiliate of Redwood West Coast, LLC, our majority shareholder. We simultaneously issued an amended promissory note to Remington in the amount of $3,873,000 (the Remington Note).

The Comerica Note bears interest at the rate of prime plus 2%, and is payable in monthly installments, from October 1, 2004 to August 1, 2007, of $9,000 plus accrued interest (except the payments due on September 1, 2005 and 2006 are in the amount of $151,000 plus accrued interest). The Remington Note, which is subordinate to the Comerica Note, bears interest at the fixed rate of 7.75%, and is payable in blended monthly installments of principal and interest, from September 25, 2004 to August 25, 2014, of $46,000. Both the Comerica Note and the Remington Note are secured by substantially all of our assets.

Pursuant to the Credit Agreement Amendment, we issued to both Comerica and Remington warrants to purchase 250,000 shares of our unregistered common stock at an exercise price of $0.17 per share. The warrants are exercisable at any time through September 1, 2010.

In addition, on September 2, 2004, we entered into a Series C Purchase Agreement (the Series C Agreement) with Redwood Holdings, LLC, Paul Hays and Fintan and Janice Molloy. Under the Series C Agreement, simultaneously with the closing under the Credit Agreement Amendment, we sold to the above named parties a total of 250 newly-issued shares of unregistered Series C preferred stock for consideration totaling $250,000 in cash. Redwood Holdings, LLC and Mr. Hays each received 100 shares at the September 23, 2004 closing, and Mr. and Mrs. Molloy received 50 shares at the September 23, 2004 closing. Each share of Series C preferred stock is convertible at any time into 7,785 unregistered shares of our common stock (subject to anti-dilution adjustments).

On October 3, 2004, we sold to an unrelated third party 50 newly-issued shares of our unregistered Series C preferred stock for consideration totaling $50,000 in cash. Each share of Series C preferred stock is convertible at any time into 7,785 unregistered shares of our common stock (subject to anti-dilution adjustments).

Remington is indirectly owned 100% by Jerry L. Ruyan, Thomas A. Donelan and Christopher P. Hendy (collectively Redwood). Redwood also owns 94% of the remaining 2,800 shares of our Series C preferred stock originally outstanding and is our controlling shareholder. Mr. Donelan and Mr. Hendy, two of the three members of our board of directors, each own 24.9% of Redwood Holdings, LLC. Mr. Hays is our President and

Chief Executive Officer, and is also a member of our board of directors.

As of December 31, 2004, we had working capital of $4,943,000. We have a $1,000,000 contractual obligation due in July 2005, and another $1,500,000 contractual obligation, to the same party, due in July 2006.

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We do not believe that our cash position will be sufficient to fund our operations and service our bank debt for the next twelve months if we also pay the $1,000,000 contractual obligation when it becomes due. The contractual obligation is unsecured. In the event that we do not make the payment when it comes due, the $1,500,000 due in July 2006 becomes immediately due, and the entire $2,500,000 will begin bearing interest at 10.5%. We plan on approaching the party to whom we owe these contractual obligations in an effort to enter into a payment arrangement; however, there can be no assurance that any such renegotiation will be successful. As a result, we may well require additional financing in the future, and there can be no assurance that such financing would be available to us on favorable terms, or at all. Because our stock price is low, any equity financing would significantly dilute current shareholders.

Our operations are moderately seasonal due to the sales of our canine heartworm diagnostic products. Our sales and profits have historically tended to be concentrated in the first half of the year, as our distributors prepare for the heartworm season by purchasing diagnostic products for resale to veterinarians. The operations of SBIO-E have reduced our seasonality as sales of their large animal diagnostic products tend to occur evenly throughout the year. In addition, sales of our SCA 2000 instruments and supplies and our poultry diagnostic products reduce our seasonality.

Certain Risk Factors

Our future operating results are subject to a number of factors, including:

We have a short-term obligation that we cannot afford to pay in accordance with it terms; we may need additional capital in the future

Our auditors report on our 2004 financial statements contains a going-concern explanatory paragraph.

As of December 31, 2004, we had working capital of $4,943,000. We have a $1,000,000 contractual obligation due in July 2005, and another $1,500,000 contractual obligation, to the same unrelated party, due in July 2006. We do not believe that our current working capital will be sufficient to fund our operations and service our bank debt for the next twelve months if we also pay the $1,000,000 contractual obligation when it becomes due. The contractual obligation is unsecured. In the event that we do not make the payment when it comes due, the $1,500,000 due in July 2006 becomes immediately due, and the entire $2,500,000 will begin bearing interest at 10.5%. We plan to renegotiate this unsecured debt; however, there can be no assurance that any such renegotiation will be successful. As a result, we may well require additional financing in the future, and there can be no assurance that such financing would be available to us on favorable terms, or at all. Because our stock price is low, any equity financing would significantly dilute current shareholders. We may also need to raise additional funds if our estimates of revenues, working capital and/or capital expenditure requirements change or prove inaccurate or in order for us to respond to unforeseen technological or marketing hurdles or to take advantage of unanticipated opportunities.

Further, our future capital requirements will depend on many factors beyond our control or ability to accurately estimate, including continued scientific progress in our product development programs, the cost of manufacturing scale-up, the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims, competing technological and market developments, and the cost of establishing effective sales and marketing arrangements. Such funds may not be available at the time or times needed, or available on terms acceptable to us. If adequate funds are not available, or are not available on acceptable terms, we may not be able to take advantage of market opportunities, to develop new products, or to otherwise respond to competitive pressures. This inability could materially harm our business.

If we are unable to fully succeed in responding to competition in the canine heartworm market and in other business, it could also hinder our ability to obtain any other necessary additional capital and/or create sooner the need to obtain financing.

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We may be unable to fully succeed in reintroducing our key Witness® products

Agen was the contract manufacturer of certain of our Witness® in-clinic diagnostic products, and Agen ceased supplying these products in April 2003. We have licensed the alternate-source Witness® canine heartworm, feline leukemia virus and canine parvovirus products with the USDA (now supplied by another contract manufacturer), and we began selling the canine heartworm product in January 2004, the feline leukemia virus product in August 2004 and the canine parvovirus product in February 2005. In addition to the risks that the alternate-source products will experience quality issues, cannot be supplied reliably, etc., we cannot ensure that after our products have been off the market for several months we will necessarily be able to regain our previous market share and our previous price points.

The market in which we operate is intensely competitive, especially with regard to our key canine heartworm diagnostic products, and many of our competitors are larger and more established

The market for animal health care products is extremely competitive. Companies in the animal health care market compete to develop new products, to market and manufacture products efficiently, to implement effective research strategies, and to obtain regulatory approval. Our current competitors include IDEXX Laboratories, a significantly larger company, Heska Corporation and Agen. These companies have greater financial, manufacturing, marketing, and research resources than we do. In addition, IDEXX Laboratories prohibits its distributors from selling competitors products, including ours. Further, additional competition could come from new entrants to the animal health care market. We cannot assure you that we will be able to compete successfully in the future or that competition will not harm our business.

Our canine heartworm diagnostic products constituted 24% of our sales for the year ended December 31, 2004. In addition to our historic competition with IDEXX Laboratories, the sales leader in this product category, our sales have been substantially affected by Heska entering the market in 1999, and their benefiting from us being out of the market after Agen terminated our supply agreement. Since October 2003, Agen has also entered the market. Additional competition, including erosion of the average selling price, from Agen in this key market with this product has seriously damaged us. We could face renewed competition from other new competitors when our U.S. heartworm patent expires in December 2005.

Under our settlement with Agen in June 2004, we licensed Agen our U.S. heartworm patent. In addition we agreed to sell to Agen the same biological components as are used in our own Witness® in-clinic canine heartworm and canine parvovirus diagnostic products. Agen is therefore able to manufacture and sell canine heartworm diagnostic and canine parvovirus products that are substantially the same as ours. If Agen were to have its in-clinic canine heartworm diagnostic products made by the same contract manufacturer as we use, it would further diminish our ability to distinguish our products in the marketplace and achieve satisfactory pricing.

As previously mentioned, as a result of Agen ceasing to contract manufacture our Witness® products our sales were materially adversely affected in 2003 and 2004, and we believe that our sales could be materially adversely affected in 2005 and beyond if we are unable to fully succeed in reintroducing the alternate-source products into the market. There can be no assurances that we will be able to achieve our previous sales levels of these in-clinic products.

We have a history of losses and an accumulated deficit

Although we were profitable in 2003, we had a loss in 2004, and we have had a history of annual losses. We have incurred a consolidated accumulated deficit of $46,113,000 at December 31, 2004. We may not achieve annual profitability again, and if we are profitable in the future there can be no assurance that profitability can be sustained.

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We rely on third party distributors for a substantial portion of our sales

We have historically depended upon distributors for a large portion of our sales, and we may not have the ability to establish and maintain an adequate independent sales and marketing capability in any or all of our targeted markets. Distributor agreements render our sales exposed to the efforts of third parties who are not employees of Synbiotics and over whom we have no control. Their failure to generate significant sales of our products could materially harm our business. Reduction by these distributors of the quantity of our products which they distribute would materially harm our business. Also, the distributors are not bound to us by long-term agreements, and a decision by any major distributor to stop doing business with us could materially hurt our revenues. Agen is currently distributing its products through Vedco, a co-operative buying group. Several of the members/owners of this buying group also distribute our products, but have decided to promote Agen s canine heartworm product instead of ours. IDEXX Laboratories prohibition against its distributors carrying competitors products, including ours, has made, and could continue to make, some distributors unavailable to us. In the past, we have lost major distributors to IDEXX Laboratories.

We depend on key executives and personnel

Our future success will depend, to a significant extent, on the ability of our management to operate effectively, both individually and as a group. Competition for qualified personnel in the animal health care products industry is intense, and we may not be successful in attracting and retaining such personnel. There are only a limited number of persons with the requisite skills to serve in those positions and it may become increasingly difficult to hire such persons. The loss of the services of any of our key personnel or the inability to attract or retain qualified personnel could harm our business.

We depend on third party manufacturers, and may experience problems in obtaining supplies of our key products

We contract for the manufacture of some of our products, including our Witness® in-clinic canine heartworm, feline leukemia virus and canine parvovirus diagnostic products and our SCA 2000 instrument products. We also expect that some of our anticipated new products will be manufactured by third parties. In addition, some of the products manufactured for us by third parties are licensed to us by their manufacturers. There are a number of risks associated with our dependence on third-party manufacturers including:

- the potential for a decision by the manufacturer to cease supplying us and/or to make and market competing products;
- reduced control over delivery schedules;
- quality assurance;
- manufacturing yields and costs;
- whether the manufacturer maintains financial and operational stability;
- the potential lack of adequate capacity during periods of excess demand;

limited warranties on products supplied to us;

increases in prices and the potential misappropriation of our intellectual property; and

limited negotiating leverage in the event of disputes with the third-party manufacturers.

If our third party manufacturers fail to supply us with an adequate number of finished products, our business would be significantly harmed. We have no long-term contracts or arrangements with any of our vendors that guarantee product availability, the continuation of particular payment terms or the extension of credit limits.

If we encounter delays or difficulties in our relationships with our manufacturers, the resulting problems could have a material adverse effect on us.

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As mentioned above, in 2003 Agen, the previous contract manufacturer of certain of our Witness® in-clinic products, ceased to supply us with those products, and entered the market with competing products.

We rely on new and recent products

We rely to a significant extent on new and recently developed products, and expect that we will need to continue to introduce new products to be successful in the future. There can be no assurance that we will obtain and maintain market acceptance of our products. There can be no assurance that future products, including our alternate-source in-clinic diagnostic products, will meet applicable regulatory standards, be capable of being produced in commercial quantities at acceptable cost or be successfully commercialized.

There can be no assurance that new products can be manufactured at a cost or in quantities necessary to make them commercially viable. If we are unable to produce internally, or to contract for, a sufficient supply of our new products on acceptable terms, or if we should encounter delays or difficulties in our relationships with manufacturers, the introduction of new products would be delayed, which could have a material adverse effect on our business.

Our canine heartworm business is moderately seasonal

Our operations are moderately seasonal due to the timing of sales of our canine heartworm diagnostic products. Our sales and profits have historically tended to be concentrated in the first half of the year as our distributors prepare for the heartworm season by purchasing diagnostic products for resale to veterinarians. One effect of this is a need to devote large amounts of cash to building canine heartworm diagnostic products inventory in preparation for the canine heartworm selling season at a time when our working capital is relatively low.

Any failure to adequately establish or protect our proprietary rights may adversely affect us, and our canine heartworm diagnostic patent expires in December 2005

We rely on a combination of patent, copyright, and trademark laws, trade secrets, and confidentiality and other contractual provisions to protect our proprietary rights. These measures afford only limited protection. Our means of protecting our proprietary rights in the U.S. or abroad may not be adequate and competitors may independently develop similar technologies. Our future success will depend in part on our ability to protect our proprietary rights and the technologies used in our principal products. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use trade secrets or other information that we regard as proprietary. In addition, the laws of some foreign countries do not protect our proprietary rights as fully as do the laws of the United States. Issued patents may not preserve our proprietary position. Even if they do, competitors or others may develop technologies similar to or superior to our own. If we do not enforce and protect our intellectual property, our business will be harmed. From time to time, third parties, including our competitors, have asserted patent, copyright, and other intellectual property rights to technologies that are important to us. We expect that we will increasingly be subject to infringement claims as the number of products and competitors in the animal health care market increases.

The results of any litigated matter are inherently uncertain. Litigation is costly regardless of its outcome and can require significant management attention. In the event of an adverse result in any litigation with third parties that could arise in the future, we could be required to:

pay substantial damages, including treble damages if we are held to have willfully infringed;

cease the manufacture, use and sale of infringing products;

expend significant resources to develop non-infringing technology; or

obtain licenses to the infringing technology.

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Licenses may not be available from any third party that asserts intellectual property claims against us on commercially reasonable terms, or at all.

Also, because our patents and patent applications cover novel diagnostic approaches:

- the patent coverage which we receive could be significantly narrower than the patent coverage we seek in our patent applications; and
- our patent positions involve complex legal and factual issues which can be hard for patent examiners or lawyers asserting patent coverage to successfully resolve.

Because of this, our patent position could be vulnerable and our business could be materially harmed. In any event, our important United States canine heartworm diagnosis patent will expire in December 2005.

The U.S. patent application system also exposes us to risks. In the United States, the first party to make a discovery is granted the right to patent it and patent applications are generally maintained in secrecy for 18 months. For these reasons, we can never know if we are the first to discover particular technologies. Therefore, we can never be certain that our technologies will be patented and we could become involved in lengthy, expensive, and distracting disputes concerning whether we were the first to make the disputed discovery. Any of these events would materially harm our business.

Our business is regulated by the United States and various foreign governments

Our business is subject to substantial regulation by the United States government, most notably the United States Department of Agriculture, and the French government. In addition, our operations may be subject to future legislation and/or rules issued by domestic or foreign governmental agencies with regulatory authority relating to our business. There can be no assurance that we will continue to be in compliance with any of these regulations.

For marketing outside the United States, we and our suppliers are subject to foreign regulatory requirements, which vary widely from country to country. There can be no assurance that we and our suppliers will meet and sustain compliance with any such requirements.

Redwood controls us

The Series C preferred stock owned by Redwood represents a majority of the voting power of all our stock. Redwood can, and does, control the election of our entire Board of Directors, and also controls all fundamental strategic decisions. In addition, an affiliate of Redwood acquired from Comerica Bank a $3,873,000 note issued by us and secured by our assets. At December 31, 2004, the outstanding balance on this note was $3,809,000. Our ability to negotiate effectively with the note holder, if such negotiation were ever to be necessary or desirable, might be compromised by Redwood s multifaceted control of us.

We use hazardous materials

Our business requires that we store and use hazardous materials and chemicals. Although we believe that our procedures for storing, handling, and disposing of these materials comply with the standards prescribed by local, state, and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. If any of these materials were mishandled, or if an accident with them occurred, the consequences could be extremely damaging and we could be held liable for them. Our liability for such an event would materially harm our business and could exceed all of our available resources for satisfying it.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our market risk consists primarily of the potential for changes in interest rates and foreign currency exchange rates.

Interest Rate Risk

The fair value of our long-term debt at December 31, 2004 was approximately $4,381,000, of which $572,000 has a variable interest rate based on the prime rate. A change in interest rates of five percentage points would not have a material impact on our financial condition, results of operations and cash flows as it relates to our variable rate debt.

Foreign Currency Exchange Rate Risk

Our foreign currency exchange rate risk relates to the operations of SBIO-E as it transacts business in Euros, its local currency. However, this risk is limited to our intercompany receivable from SBIO-E and the conversion of its financial statements into the U.S. dollar for consolidation. There is no foreign currency exchange rate risk related to SBIO-E s transactions outside of the European Union as those transactions are generally denominated in Euros. Similarly, all of the foreign transactions of our U.S. operations are denominated in U.S. dollars. We do not generally hedge our cash flows on intercompany transactions, nor do we hold any other significant derivative securities or hedging instruments based on currency exchange rates. As a result, the effects of a 5% change in exchange rates would have a material impact on our financial condition, results of operations and cash flows, but only to the extent that it relates to the conversion of SBIO-E s financial statements, including its intercompany payable to us, into the U.S. dollar for consolidation. For example, the increase in the value of the euro over the dollar as of and for the year ended December 31, 2004, resulted in a $638,000 increase in our revenues, a $728,000 increase in our expenses, a $371,000 increase in our assets and a $112,000 increase in our liabilities (other than shareholders equity). For the year ended December 31, 2004, 38% of our net sales were net sales of SBIO-E.

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Item 8. Financial Statements and Supplementary Data

Index to Financial Statements

All other schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements and notes thereto.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

and Shareholders of

Synbiotics Corporation

We have audited the consolidated financial statements listed in the accompanying index of Synbiotics Corporation and its subsidiary as of December 31, 2004 and 2003, and for each of the years in the three year period ended December 31, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Synbiotics Corporation and its subsidiary as of December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the years in the three year period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has an accumulated deficit of $46,113,000, and the Company has a $1,000,000 contractual obligation due in July 2005, and another $1,500,000 contractual obligation, to the same party, due in July 2006. The Company does not believe that its cash position will be sufficient to fund its operations and service its debt for the next twelve months if it also pays the $1,000,000 contractual obligation when it becomes due in July 2005. These factors, among others, raise substantial doubt about its ability to continue as a going concern. Management s plans in regards to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

LEVITZ, ZACKS & CICERIC

Certified Public Accountants

San Diego, California

March 8, 2005

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SYNBIOTICS CORPORATION

CONSOLIDATED BALANCE SHEET

	December 31, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and equivalents	$ 792,000	$ 1,045,000
Accounts receivable (net of allowance for doubtful accounts of $151,000 and $125,000 in 2004 and 2003)	2,574,000	2,686,000
Inventories	6,208,000	5,266,000
Other current assets	1,424,000	878,000
	10,998,000	9,875,000
Property and equipment, net	979,000	1,232,000
Goodwill, net	1,397,000	1,397,000
Intangibles, net	1,851,000	2,358,000
Other assets	297,000	479,000
	$ 15,522,000	$ 15,341,000
LIABILITIES AND SHAREHOLDERS EQUITY:		
Current liabilities:		
Accounts payable and accrued expenses	$ 4,557,000	$ 4,005,000
Current portion of long-term debt	546,000	4,804,000
Other current liabilities	952,000	
	6,055,000	8,809,000
Long-term debt	3,835,000	
Other liabilities	1,313,000	2,134,000
	5,148,000	2,134,000
Commitments and contingencies (Note 13)		
Shareholders equity:		
Series C convertible preferred stock, $1,000 liquidation preference per share (aggregating $3,100,000 and $2,800,000 at December 31, 2004 and 2003), 4,000 shares authorized, 3,100 and 2,800 shares issued and outstanding at December 31, 2004 and 2003	2,904,000	2,604,000
Common stock, no par value, 70,000,000 shares authorized, 21,154,000 and 20,025,000 shares issued and outstanding at December 31, 2004 and 2003	46,636,000	46,316,000
Common stock warrants	1,110,000	1,035,000
Accumulated other comprehensive loss	(218,000)	(411,000)
Accumulated deficit	(46,113,000)	(45,146,000)
Total shareholders equity	4,319,000	4,398,000

	$ 15,522,000	$ 15,341,000

See accompanying notes to consolidated financial statements.

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SYNBIOTICS CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

	Year Ended December 31,		
	2004	**2003**	**2002**
Revenues:			
Net sales	$ 18,746,000	$ 18,805,000	$ 21,362,000
License fees			300,000
Royalties	473,000	406,000	9,000
	19,219,000	19,211,000	21,671,000
Operating expenses:			
Cost of sales	9,051,000	9,133,000	10,450,000
Research and development	1,486,000	1,177,000	1,380,000
Selling and marketing	4,165,000	4,150,000	4,378,000
General and administrative	5,628,000	3,489,000	8,772,000
Patent litigation settlement	(850,000)	(515,000)	
Impairment losses			2,877,000
	19,480,000	17,434,000	27,857,000
(Loss) income from operations	(261,000)	1,777,000	(6,186,000)
Other expense:			
Interest, net	(446,000)	(492,000)	(669,000)
(Loss) income before income taxes	(707,000)	1,285,000	(6,855,000)
(Benefit from) provision for income taxes	(60,000)	(2,000)	7,000
(Loss) income from continuing operations	(647,000)	1,287,000	(6,862,000)
Discontinued operations, net of tax			217,000
(Loss) income before cumulative effect of a change in accounting principle	(647,000)	1,287,000	(6,645,000)
Cumulative effect of a change in accounting principle, net of tax			(7,756,000)
Net (loss) income	(647,000)	1,287,000	(14,401,000)
Translation adjustment	193,000	547,000	453,000
Comprehensive (loss) income	$ (454,000)	$ 1,834,000	$ (13,948,000)
Net (loss) income available to common shareholders	$ (868,000)	$ 1,077,000	$ (14,596,000)
Basic (loss) income per share:			
(Loss) income from continuing operations	$ (0.04)	$ 0.06	$ (0.48)
Discontinued operations, net of tax			.01
Cumulative effect of a change in accounting principle, net of tax			(0.53)

Net (loss) income	$ (0.04)	$ 0.06	$ (1.00)
Diluted (loss) income per share:			
Income (loss) from continuing operations	$ (0.04)	$ 0.03	$ (0.48)
Discontinued operations, net of tax			.01
Cumulative effect of a change in accounting principle, net of tax			(0.53)
Net (loss) income	$ (0.04)	$ 0.03	$ (1.00)

See accompanying notes to consolidated financial statements.

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SYNBIOTICS CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2004	**2003**	**2002**
Cash flows from operating activities:			
Net (loss) income	$ (647,000)	$ 1,287,000	$ (14,401,000)
Adjustments to reconcile net (loss) income to net cash (used for) provided by operating activities:			
Depreciation and amortization	1,096,000	1,170,000	899,000
Receivable for patent litigation settlement	(425,000)	(265,000)	
Retention bonus payable in common stock			2,641,000
Legal settlement payable in common stock			15,000
Impairment losses			2,877,000
Note receivable for discontinued operations			(500,000)
Cumulative effect of a change in accounting principle			7,756,000
Changes in assets and liabilities, net of effect of acquisitions:			
Accounts receivable	165,000	79,000	802,000
Inventories	(844,000)	436,000	(125,000)
Other assets	(81,000)	24,000	267,000
Accounts payable and accrued expenses	381,000	(1,455,000)	(1,475,000)
Deferred revenue			(300,000)
Other liabilities	132,000	163,000	150,000
Net cash (used for) provided by operating activities	(223,000)	1,439,000	(1,394,000)
Cash flows from investing activities:			
Acquisition of property and equipment	(179,000)	(276,000)	(193,000)
Receipts from notes receivable	233,000	92,000	
Net cash provided by (used for) investing activities	54,000	(184,000)	(193,000)
Cash flows from financing activities:			
Payments of long-term debt	(424,000)	(1,186,000)	(1,241,000)
Proceeds from issuance of preferred stock, net	300,000		2,604,000
Net cash (used for) provided by financing activities	(124,000)	(1,186,000)	1,363,000
Net (decrease) increase in cash and equivalents	(293,000)	69,000	(224,000)
Effect of exchange rates on cash	40,000	107,000	54,000
Cash and equivalents beginning of period	1,045,000	869,000	1,039,000
Cash and equivalents end of period	$ 792,000	$ 1,045,000	$ 869,000

See accompanying notes to consolidated financial statements.

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SYNBIOTICS CORPORATION

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

	Common Stock		Preferred Stock Series B		Preferred Stock Series C		Common Stock	Accumulated Other Comprehensive Income	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Warrants	(Loss)	Deficit	Total
Balance, December 31, 2001	8,990,000	$ 40,286,000					$ 1,035,000	$ (1,411,000)	$ (31,766,000)	$ 8,144,000
Reclassification of mandatorily redeemable common stock (Note 9)	621,000	3,107,000								3,107,000
Issuance of common stock pursuant to retention bonus agreements (Note 10)	8,255,000	2,642,000								2,642,000
Issuance of common stock in conjunction with the settlement of litigation	88,000	15,000								15,000
Issuance of preferred stock (Note 10)			2,800	$ 2,604,000						2,604,000
Exchange of preferred stock (Note 10)			(2,800)	(2,604,000)	2,800	$ 2,604,000				
Cumulative translation adjustment								453,000		453,000
Net loss									(14,401,000)	(14,401,000)
Balance, December 31, 2002	17,954,000	46,050,000			2,800	2,604,000	1,035,000	(958,000)	(46,167,000)	2,564,000
Issuance of common stock in lieu of cash dividends on preferred stock (Note 10)	2,071,000	266,000							(266,000)	
								547,000		547,000

Cumulative translation adjustment										
Net income									1,287,000	1,287,000
Balance, December 31, 2003	20,025,000	46,316,000			2,800	2,604,000	1,035,000	(411,000)	(45,146,000)	4,398,000
Issuance of common stock in lieu of cash dividends on preferred stock (Note 10)	1,129,000	320,000							(320,000)	
Issuance of preferred stock (Note 10)					300	300,000				300,000
Issuance of common stock warrants in conjunction with amendment of debt agreement (Note 10)							75,000			75,000
Cumulative translation adjustment								193,000		193,000
Net loss									(647,000)	(647,000)
Balance, December 31, 2004	21,154,000	$ 46,636,000			3,100	$ 2,904,000	$ 1,110,000	$ (218,000)	$ (46,113,000)	$ 4,319,000

See accompanying notes to consolidated financial statements.

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES:

The Company

Synbiotics Corporation (the Company), incorporated in 1982, develops, manufactures and markets diagnostic products for animals. The Company s principal markets are veterinary practices, laboratories and poultry producers in the United States, Canada, Europe, Africa, Asia, Oceania and Latin America. The Company s products are sold primarily to wholesale distributors, and also directly to veterinarians, laboratories and poultry producers.

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of its wholly-owned subsidiary Synbiotics Europe SAS (SBIO-E). All significant intercompany transactions and accounts have been eliminated in consolidation.

Trade Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Amounts owed to the Company from one customer represented 27% of the Company s trade accounts receivable as of December 31, 2004, substantially all of which was collected subsequent to December 31, 2004.

Inventories

Inventories are stated at the lower of cost or market; cost is determined using the first-in, first-out method.

Property and Equipment

Property and equipment, including leasehold improvements, are recorded at cost. Maintenance costs are charged to operations as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of five to eight years or the lease terms, if shorter.

Goodwill and Other Intangible Assets

As of January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 (FAS 142), Goodwill and Other Intangible Assets . FAS 142 changed the accounting for goodwill from an amortization method to an impairment-only approach. Under FAS 142, goodwill is tested annually and whenever events or circumstances occur indicating that goodwill might be impaired. In connection with the adoption of FAS 142, the Company performed a transitional goodwill impairment assessment. As a result of this impairment assessment, in the first quarter of 2002 the Company recorded an impairment loss of $7,756,000 which is classified as a cumulative effect of a change in accounting principle for the year ended December 31, 2002. Subsequent impairment assessments will be performed, at a minimum, in the fourth quarter of each year; and subsequent impairments, if any, will be classified as an operating expense. The Company s measurement of fair value upon adoption was based upon a fairness opinion prepared by an independent investment advisor in

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

conjunction with the Redwood transaction (Note 3). The Company s measurement of fair value for subsequent impairment assessments will be the market price of the Company s common stock on the date the assessment is performed.

Patents and licenses are recorded at cost and are amortized ratably over the life of the respective patents or licenses.

Long-Lived Assets

As of January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets (FAS 144). FAS 144 supersedes FAS 121 Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of . FAS 144 applies to all long-lived assets (including discontinued operations) and consequently amends Accounting Principles Board Opinion No. 30 (APB 30), Reporting Results of Operations Reporting the Effects of Disposal of a Segment of a Business . FAS 144 develops one accounting model for long-lived assets that are to be disposed of by sale. FAS 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, FAS 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. The adoption of FAS 144 did not have a material impact on the Company s financial position or results of operations.

Fair Value of Financial Instruments

The carrying amounts for cash and cash equivalents at December 31, 2004 and 2003 approximate their fair values. The carrying amount of the debt approximates fair value at December 31, 2004 and 2003 as the variable interest rate on the debt approximates current market rates of interest. The carrying amount of the other liabilities approximates fair value at December 31, 2004 and 2003 as the imputed interest rate of 8.42% approximates current market rates of interest.

Translation of Financial Statements

The financial statements for SBIO-E whose functional currency is the Euro are translated in the following manner: assets and liabilities at the year end rates; shareholders equity at historical rates; and results of operations at the monthly average exchange rates. The effects of exchange rate changes are reflected as a separate component of shareholders equity.

Revenue Recognition

Revenue from products is recognized when title and risk of loss transfers to the customer. Amounts charged to customers for shipping and handling are included in net sales, and shipping and handling costs are included in cost of sales. The Company provides promotional discounts and rebates to certain of its distributors. Based upon the structure of these rebate programs and the Company s past history, the Company is able to accurately estimate the amount of rebates at the time of sale. These rebates are recorded as a reduction of net sales. License fee revenue is recognized ratably over the license term when the Company has a further performance obligation to the licensee. In the event that the Company has no further performance obligation to the licensee, license fee revenue is recognized upon receipt.

Advertising Costs

The Company recognizes the costs of advertising at the time such charges are incurred. Advertising expense totaled $231,000, $342,000 and $338,000 during the years ended December 31, 2004, 2003 and 2002, respectively.

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-Based Compensation

The Company measures its stock-based employee compensation using the intrinsic value method. The following disclosures present as reported amounts, utilizing the intrinsic value method, and pro forma amounts, after applying the fair value method, related to stock-based awards made to employees that were outstanding as of December 31, 2004, 2003 and 2002:

	Year Ended December 31,		
	2004	**2003**	**2002**
Net (loss) income:			
As reported	$ (647,000)	$ 1,287,000	$ (14,401,000)
Pro forma	$ (720,000)	$ 1,147,000	$ (14,615,000)
Basic net (loss) income per share:			
As reported	$ (0.04)	$ 0.06	$ (1.00)
Pro forma	$ (0.05)	$ 0.05	$ (1.01)
Diluted net (loss) income per share:			
As reported	$ (0.04)	$ 0.03	$ (1.00)
Pro forma	$ (0.05)	$ 0.03	$ (1.01)
Stock-based employee compensation:			
As reported	$	$	$
Pro forma	$ 73,000	$ 140,000	$ 214,000

For disclosure purposes, the fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for grants in 2004, 2003 and 2002, respectively: dividend yield of 0% for all years; expected volatility of 131.5%, 148.1% and 121.3%; risk-free interest rates of 2.8%, 2.1% and 3.1%; and expected lives of 3.8 years, 3.7 years and 3.7 years.

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123R, Share-Based Payments (FAS 123R). FAS 123R is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation , and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees and its related implementation guidance.

FAS 123R requires that the cost of all awards of equity instruments made to employees in exchange for employment services be recorded at fair value on the grant date, and the cost charged to expense as the award vests. The determination of fair value is based upon option-pricing models (for example, Black-Scholes) adjusted for characteristics unique to the equity instrument.

The Company will be required to charge to expense the fair value of employee stock options which vest on or after July 1, 2005, and expects to record compensation expense related to unvested employee stock options outstanding as of December 31, 2004, as follows: 2005 $33,000; 2006 $67,000; 2007 $46,000; 2008 $9,000.

Income Taxes

The Company s current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax asset or liability is computed for the expected future impact of differences

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

between the financial reporting and tax bases of assets and liabilities as well as the expected future tax benefit to be derived from tax loss and tax credit carryforwards. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount more likely than not to be realized in future tax returns. The effect of tax rate changes are reflected in income during the period such changes are enacted.

Net (Loss) Income Per Share

Basic net (loss) income per share is computed as net (loss) income less cumulative preferred stock dividends divided by the weighted average number of common shares outstanding during the period. Diluted net (loss) income per share is computed as net (loss) income divided by the weighted average number of common shares and potential common shares, using the treasury stock method, outstanding during the period (Note 12).

Cash and Equivalents

Cash and equivalents include cash investments which are highly liquid and have an original maturity of three months or less.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comprehensive (Loss) Income

Comprehensive (loss) income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company reports in the financial statements, in addition to net (loss) income, comprehensive (loss) income and its components including foreign currency items.

Segment Reporting

Operating segments are determined consistent with the way that management organizes and evaluates financial information internally for making operating decisions and assessing performance. The Company operates in one segment.

Concentrations of Risk

The Company relies on a third party for the manufacture of certain of its canine heartworm diagnostic products. The Company has the right to manufacture these products in the event that the third party is unable to supply these products. However, the regulatory process involved in transferring the manufacturing may cause a delay in the manufacturing and a possible loss of sales, which may affect operating results adversely.

NOTE 2 GOING CONCERN:

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

shown in the consolidated financial statements, although profitable in 2003, during 2004 and 2002 the Company incurred net losses of $647,000 and $14,401,000, respectively, and had an accumulated deficit of $46,113,000 as of December 31, 2004.

The Company has a $1,000,000 contractual obligation due in July 2005, and another $1,500,000 contractual obligation, to the same party, due in July 2006. These obligations are recorded at their accreted value in the accompanying consolidated balance sheet under other current liabilities and other liabilities. The Company does not believe that its cash position will be sufficient to fund its operations and service its bank debt for the next twelve months if it also pays the $1,000,000 contractual obligation when it becomes due in July 2005. The contractual obligation is unsecured. In the event that the Company does not make the payment when it comes due, the $1,500,000 due in July 2006 becomes immediately due, and the entire $2,500,000 will begin bearing interest at 10.5%. The Company plans to renegotiate this unsecured debt; however, there can be no assurance that any such renegotiation will be successful.

These factors raise substantial doubt about the Company s ability to continue as a going concern for a reasonable period of time. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3 RELATED PARTY AND CONTROLLING SHAREHOLDER:

Thomas A. Donelan, Christopher P. Hendy and Jerry L. Ruyan own 99% of Redwood Holdings, LLC. Redwood Holdings, LLC, owns 4% of the Company s Series C preferred stock (Note 10), and also owns 3% of the Company s common stock (Note 10).

Redwood West Coast, LLC, owns 90% of the Company s Series C preferred stock (Note10). Messrs. Donelan, Hendy and Ruyan and Redwood Holdings, LLC, collectively, own 94% of Redwood West Coast, LLC.

Remington Capital, LLC, is the holder of a promissory note from the Company with a balance at December 31, 2004, of $3,809,000 (Note 8), and is the holder of a warrant to purchase 250,000 shares of the Company s common stock (Note 10). Remington Capital, LLC, is indirectly owned 100% by Redwood Holdings, LLC.

Representatives of Redwood Holdings, LLC, Redwood West Coast, LLC, and Remington Capital, LLC, (collectively Redwood) constitute 67% of the Company s Board of Directors. Redwood controls approximately 58% of the Company s voting stock, and is therefore the Company s controlling shareholder.

The Company pays to Redwood a monthly management fee of $15,000.

Note 4 DISCONTINUED OPERATIONS:

In August 2002, the Company sold its instrument manufacturing operations, located in Rome, New York, to Danam Acquisition Corp., located in Dallas, Texas, in exchange for a $500,000 note receivable. The note is payable, beginning in September 2002, in 60 monthly principal payments of $8,000 plus interest at 5%, is secured by the assets of the disposed operations (all of which had been previously written off by the Company), and is guaranteed by Drew Scientific Group PLC (the parent of Danam Acquisition Corp.) The Company has recorded the $500,000 gain in discontinued operations.

In November 2002, the Company terminated the license agreement for its PennHIP® operations, located in Malvern, Pennsylvania, and transferred all of the assets related to the PennHIP® operations to the University of Pennsylvania. No consideration was received for the transferred assets.

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 PATENT LITIGATION SETTLEMENTS:

In November 1998, the Company filed a lawsuit against Heska Corporation in the United States District Court for the Southern District of California alleging that Heska infringed a patent owned by the Company relating to heartworm diagnostic technology. In March 2003, the Company and Heska entered into settlement and license agreements which resolved all outstanding claims in the lawsuit. As part of those agreements, each party licensed certain intellectual property rights from the other party, including Heska licensing from the Company the patent relating to the heartworm diagnostic technology. In addition, the Company received $250,000 in April 2003, will receive $265,000 in 24 monthly installments of $11,000 beginning in January 2004. As a result, the Company has recorded a one-time credit to operating expenses totaling $515,000 during the year ended December 31, 2003. Also, the Company is receiving royalty payments on Heska s sales of licensed canine heartworm diagnostic products beginning April 2003.

In September 2003, the Company filed a lawsuit against Agen Biomedical Ltd. (Agen) in the United States District Court for the Southern District of California alleging that Agen infringed a patent owned by the Company relating to heartworm diagnostic technology. In June 2004, the Company and Agen entered into a settlement agreement which resolved all outstanding claims in the lawsuit. As part of the agreement, each party licensed certain intellectual property rights from the other party, including Agen licensing from the Company the patent relating to the heartworm diagnostic technology. In addition, the Company received $425,000 in June 2004, and will receive $425,000 in June 2005. As a result the settlement, the Company recorded a one-time credit to operating expenses totaling $850,000 during the year ended December 31, 2004. In addition, the Company will supply certain biologicals to Agen at specified prices, and the Company will receive a percentage of Agen s sales of Agen products containing the supplied biologicals.

NOTE 6 COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS:

	December 31,	
	2004	2003
Inventories:		
Raw materials	$ 3,125,000	$ 2,532,000
Work in process	357,000	477,000
Finished goods	2,726,000	2,257,000
	$ 6,208,000	$ 5,266,000
Other current assets:		
Notes receivable	$ 658,000	$ 233,000
Prepaid taxes	342,000	282,000
Income taxes receivable	192,000	138,000
Other	232,000	225,000

	$ 1,424,000	$ 878,000
Property and equipment:		
Laboratory equipment	$ 2,438,000	$ 2,203,000
Leasehold improvements	586,000	561,000
Office and computer equipment	1,505,000	1,444,000
Construction in progress		21,000
	4,529,000	4,229,000
Less accumulated depreciation and amortization	(3,550,000)	(2,997,000)
	$ 979,000	$ 1,232,000

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Depreciation expense was $459,000, $545,000 and $515,000 during the years ended December 31, 2004, 2003 and 2002, respectively.

	December 31,	
	2004	2003
Accounts payable and accrued expenses:		
Accounts payable	$ 2,767,000	$ 1,284,000
Accrued vacation	484,000	365,000
Accrued compensation	327,000	440,000
Accrued royalties	339,000	247,000
Accrued professional fees	156,000	371,000
Other	484,000	1,298,000
	$ 4,557,000	$ 4,005,000

NOTE 7 GOODWILL AND OTHER INTANGIBLES:

On January 1, 2002, the Company adopted FAS 142 (Note 1). As a result, in the first quarter of 2002 the Company recorded an impairment loss of $7,756,000 which is classified as a cumulative effect of a change in accounting principle, and ceased to amortize goodwill. In the fourth quarter of 2002, the Company performed its annual impairment assessment, and, as a result of decreases in the market price of the Company s common stock during 2002, recorded an additional impairment loss of $2,877,000. The fair value used in the annual assessment was determined based upon the market price of the Company s common stock on December 31, 2002. Based upon the market price of the Company s common stock on December 31, 2004 and 2003, there was no impairment loss resulting from the annual impairment assessment in 2004 or 2003.

The Company has allocated all of its goodwill to its only reporting unit, which is also its only reportable segment (Note 14). Changes in the carrying amount of goodwill were as follows:

Balance at December 31, 2001	$ 12,074,000
Impairment loss	(10,633,000)
Effect of currency exchange rates	(44,000)
Balance at December 31, 2002, 2003 and 2004	$ 1,397,000

Other intangible assets were as follows:

	December 31, 2004		December 31, 2003	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Patents	$ 5,423,000	$ 3,685,000	$ 5,108,000	$ 2,922,000
Licenses	618,000	505,000	618,000	446,000
	$ 6,041,000	$ 4,190,000	$ 5,726,000	$ 3,368,000

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amortization expense was $631,000 and $625,000 during the years ended December 31, 2004 and 2003, respectively. The weighted-average amortization periods for patents and licenses are 9 years and 10 years, respectively, and the weighted-average amortization period for total intangible assets is 9 years. Annual pretax amortization for other intangibles over the next five years is estimated to be as follows:

2005	$ 613,000
2006	604,000
2007	497,000
2008	66,000
2009	45,000
	$ 1,825,000

NOTE 8 NOTE PAYABLE AND LONG-TERM DEBT:

On September 23, 2004, the Company entered into an amendment (the Credit Agreement Amendment) of its credit agreement with Comerica Bank (Comerica), effective as of September 1, 2004. The outstanding principal balance of the Company s bank debt immediately prior to the Credit Agreement Amendment was $4,472,000. Under the Credit Agreement Amendment, the Company issued an amended promissory note to Comerica in the amount of $599,000 (the Comerica Note), and Comerica sold the remaining principal of $3,873,000 to Remington Capital, LLC (Remington). The Company simultaneously issued an amended promissory note to Remington in the amount of $3,873,000 (the Remington Note).

The Comerica Note bears interest at the rate of prime plus 2% (effectively 7.25% at December 31, 2004), and is payable in monthly installments, from October 1, 2004 to August 1, 2007, of $9,000 plus accrued interest (except the payments due on September 1, 2005 and 2006 are in the amount of $151,000 plus accrued interest). The Remington Note, which is subordinate to the Comerica Note, bears interest at the fixed rate of 7.75%, and is payable in blended monthly installments of principal and interest, from September 25, 2004 to August 25, 2014, of $46,000. Both the Comerica Note and the Remington Note are secured by all of the Company s assets.

In conjunction with the Credit Agreement Amendment, the Company issued to Comerica and Remington warrants to purchase an aggregate of 500,000 shares of the Company s common stock (Note 10).

Principal payments during the next five years are as follows: 2005 $544,000; 2006 $544,000; 2007 $390,000; 2008 $343,000; 2009 $371,000.

Interest paid during 2004, 2003 and 2002 totaled $317,000, $334,000 and $502,000, respectively. The 2004 amount includes $75,000 paid to Remington.

NOTE 9 MANDATORILY REDEEMABLE COMMON STOCK:

621,000 shares issued in conjunction with the 1997 acquisition of SBIO-E were subject to certain registration rights as well as put and call provisions. As of December 31, 2001, the Company classified the shares on the balance sheet as mandatorily redeemable and had accreted the value of the shares to the put option price, using the interest method, with the accretion being charged directly to retained earnings.

On June 1, 2001, the Company assigned its feline leukemia virus vaccine distribution agreement with Intervet, Inc. to Merial Limited, Merial S.A.S. and Merial, Inc. (collectively Merial). In exchange, Merial waived its right to sell to the Company the above mentioned 621,000 shares of the Company s common stock at

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$5.00 per share (the Put Right). Merial also agreed to allow the Company to pay accrued royalties, under a separate agreement, totaling $613,000 in ten monthly installments of $61,300 which began in July 2001. If the Company failed to meet its royalty payment obligation, the Put Right would have reverted to Merial. When the final royalty payment was made in April 2002, and the Put Right was extinguished, the Company reclassified the mandatorily redeemable common stock to shareholders equity.

In March 1999, the Company amended its U.S. feline leukemia virus vaccine supply agreement with Merial, and the Company received $1,453,000 which it was recognizing as license fee revenue ratably over the remaining life of the supply agreement. As the Company has assigned its distribution agreement with Intervet, Inc. to Merial, the Company has no further contractual obligations under the supply agreement and recognized, in June 2001, the remaining $868,000 of deferred license fee revenue.

NOTE 10 SHAREHOLDERS EQUITY:

In January 2002, the Company amended cash retention bonus agreements with certain employees (the Converted Retention Bonuses) so that, instead of cash, the employees received, on May 15, 2002, an aggregate of 8,255,000 shares of the Company s common stock under the 1995 Stock Option/Stock Issuance Plan. The Company also agreed to pay the employees income tax withholding obligation related to the Converted Retention Bonuses. In January 2002, the Company recorded compensation expense, including the employees income tax withholding obligation, related to the Converted Retention Bonuses totaling $3,029,000. In addition, the Company also amended its remaining employee cash retention bonus agreements (the Cash Retention Bonuses) so that the amounts that would have become payable upon the consummation of the Redwood transaction would instead be payable in January 2003, and were paid in December 2002. The Company recorded compensation expense totaling $653,000 in January 2002 related to the Cash Retention Bonuses.

Redwood, the majority holder of the Series C preferred stock, as permitted by the Certificate of Determination of the Series C preferred stock, elected to receive shares of the Company s common stock in lieu of the cash dividends as follows:

Accrued Through	Date Declared	Amount	Shares Issued	Date Distributed
January 31, 2003	March 26, 2003	$ 213,000	1,662,000	March 26, 2003
April 30, 2003	June 12, 2003	53,000	409,000	June 12, 2003
January 31, 2004	March 11, 2004	158,000	354,000	March 11, 2004
July 31, 2004	September 7, 2004	105,000	445,000	September 7, 2004
October 31, 2004	December 6, 2004	58,000	330,000	December 7, 2004
January 31, 2005	March 1, 2005	58,000	452,000	March 2, 2005

Preferred Stock

The Company is authorized to issue up to 25,000,000 shares of preferred stock. The preferred stock may be issued in one or more series. The Board of Directors is authorized to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, and the liquidation preferences of any wholly unissued series of preferred stock, and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Series A Preferred Stock

The Company has a Series A Junior Participating Preferred Stock (the Series A Preferred) consisting of 200,000 shares. Each share of Series A Preferred is entitled to 1,000 votes. Each Series A Preferred share is entitled to dividends, payable in cash quarterly, in an amount equal to 1,000 times the aggregate per share amount of dividends declared on the common stock. In the event that no common stock dividends are declared, each share of Series A Preferred is entitled to $.001 per share. The Series A Preferred is entitled to a liquidation preference of $1,000 per share, plus accrued and unpaid dividends; provided, however, that each Series A Preferred share is entitled to receive an aggregate amount per share equal to 10,000 times the aggregate amount per share distributed to the holders of common stock. In the event of a consolidation, merger, combination, etc., each share of Series A Preferred shall be exchanged into 1,000 times the aggregate per share consideration of the common stock. There were no shares of Series A Preferred issued and outstanding as of December 31, 2004 and 2003.

Series A Preferred Stock Purchase Rights

As part of the Company s implementation of a poison pill shareholder rights plan, the Company issued preferred share purchase rights (the Rights) to purchase, for $10.00 (the Purchase Price), 1/1000th of a share of Synbiotics Series A Preferred (the Unit). The Rights are not exercisable until the earlier to occur of (i) a public announcement that beneficial ownership of 20% or more of the Company s outstanding common stock has been acquired or (ii) 10 business days (or a later date as determined by the Board of Directors) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer to acquire beneficial ownership of 20% or more of the outstanding common stock of the Company.

At any time after the beneficial ownership of 20% or more of the outstanding shares of the Company s common stock has been acquired (but before the acquiring party has acquired 50% of the outstanding common stock) the Company may exchange all or part of the Rights for Units at an exchange ratio equal to (subject to adjustment to reflect stock splits, stock dividends and similar transactions) the Purchase Price divided by the then current per share market price per Unit on the Distribution Date. In January 2002, in conjunction with the Redwood transaction (Note 3), the rights plan was amended so that the Rights would not be exercisable upon the consummation of the Redwood transaction.

At any time prior to the public announcement that the beneficial ownership of 20% or more of the outstanding common stock of the Company has been acquired, the Company may redeem the Rights in whole, but not in part, at a price of $0.001 per Right (the Redemption Price). The redemption of the rights will be effective at such time as the Board of Directors in its sole discretion may establish.

The Rights will expire on October 7, 2008, unless the expiration date is extended or unless the Rights are earlier redeemed or exchanged by the Company.

Series B Preferred Stock

In January 2002, the Company designated and authorized 4,000 shares of Series B Preferred Stock (the Series B Preferred). In January 2002, the Company issued to Redwood 2,800 shares of Series B Preferred in exchange for $2,800,000 cash, less $186,000 of issuance costs. In October 2002, the Company entered into a Stock Swap Agreement with Redwood whereby the Company issued 2,800 shares of Series C Preferred Stock to Redwood in exchange for Redwood s 2,800 shares of Series B Preferred.

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Series C Preferred Stock

In October 2004, the Company sold to an unrelated third party 50 newly-issued shares of unregistered Series C preferred stock (the Series C Preferred) of the Company for consideration totaling $50,000 in cash.

In September 2004, the Company entered into a Series C Purchase Agreement (the Series C Agreement) with Redwood Holdings, LLC (Note 3), Paul Hays and Fintan and Janice Molloy. Under the Series C Agreement, simultaneously with the closing under the Credit Agreement Amendment (Note 8), the Company sold to the above named parties a total of 250 newly-issued shares of unregistered Series C Preferred for consideration totaling $250,000 in cash. Redwood Holdings, LLC and Mr. Hays each received 100 shares at the September 23, 2004 closing, and Mr. and Mrs. Molloy received 50 shares at the September 23, 2004 closing. Mr. Hays is the Company s President and Chief Executive Officer, and is also a member of the Company s Board of Directors.

In October 2002, the Company designated and authorized 4,000 shares of Series C Preferred, and entered into a Stock Swap Agreement with Redwood whereby the Company issued 2,800 shares of Series C Preferred to Redwood in exchange for Redwood s 2,800 shares of Series B Preferred.

Each Series C Preferred share is entitled to cumulative dividends, payable in cash quarterly (although an election can be made by Redwood, as the majority holder of the Series C Preferred, to receive the dividends in shares of the Company s common stock in the event the dividends are not paid within 30 days), in an annual amount of $75 per share; each Series C Preferred share is also entitled to, in effect, the dividends which had accumulated on a corresponding Series B Preferred share before the time of the swap. The Series C Preferred is entitled to a liquidation preference of $1,000 per share, plus accumulated and unpaid dividends. Each share of Series C Preferred has voting power equivalent to 7,785 shares of common stock. Each share of Series C Preferred is convertible into 7,785 shares of common stock (subject to anti-dilution adjustments).

Stock Warrants

Pursuant to the Credit Agreement Amendment (Note 8), the Company issued to both Comerica and Remington warrants to purchase 250,000 shares of its unregistered common stock at an exercise price of $0.17 per share. The warrants are exercisable at any time through September 1, 2010. The Company has valued the warrants at $75,000 using the Black-Scholes option pricing model.

In conjunction with a November 2000 amendment to its bank debt agreement, the Company issued to the bank a warrant to purchase 250,000 shares of the Company s common stock at an exercise price of $2.00 per share. The warrant is exercisable at any time through November 30, 2007. The Company has valued the warrant at $32,000 using the Black-Scholes option pricing model.

In conjunction with the 1997 acquisition of SBIO-E, the Company issued to a financial institution a warrant to purchase 240,000 shares of the Company s common stock at an exercise price of $.01 per share. The warrant is exercisable at any time through May 31, 2007 and contains certain anti-dilution provisions and registration rights. The Company has valued the warrant at $1,003,000 using the Black-Scholes option pricing model. In January 2002, the warrant was adjusted, pursuant to its anti-dilution provisions, and is now exercisable into 343,000 shares of the Company s common stock at an exercise price of $0.007 per share.

Stock Option Plans

The Company has a 2004 Stock Option/Stock Issuance Plan (the 2004 Plan) and a 1995 Stock Option/Stock Issuance Plan (the 1995 Plan) (collectively, the Option Plans).

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under the 2004 Plan, adopted in July 2004, an aggregate of 3,000,000 shares of the Company s common stock were reserved for issuance. The 2004 Plan is administered by the Board of Directors and provides that exercise prices shall be determined, for non-qualified options, by the Board of Directors, and, for incentive options, not less than 100 percent of the fair market value of the shares at the date of grant. Options will generally vest at the rate of 1/16th of the granted shares in each continuous quarter of employment and have an exercise period not more than ten years from date of grant.

The Company had previously adopted the 1995 Plan whereby an aggregate of 2,600,000 shares of the Company s common stock were initially reserved for issuance. The 1995 Plan is administered by the Board of Directors and provides that exercise prices shall not be less than 85 percent (non-qualified options) and 100 percent (incentive options) of the fair market value of the shares at the date of grant. Options will generally vest at the rate of 1/16th of the granted shares in each continuous quarter of employment and have an exercise period not more than ten years from date of grant. In January 2002, in conjunction with the Redwood transaction (Note 3), the 1995 Plan was amended so that an aggregate of 10,753,000 shares of the Company s common stock was reserved for issuance. In July 2003, the Plan was further amended so that an aggregate of 13,753,000 shares of the Company s common stock was reserved for issuance.

The following is a summary of the Option Plans activity:

	Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2001	1,292,000	$ 3.44
Granted	1,600,000	$ 0.08
Forfeited	(958,000)	$ 3.44
Outstanding at December 31, 2002	1,934,000	$ 0.66
Granted	400,000	$ 0.34
Expired	(16,000)	$ 4.71
Outstanding at December 31, 2003	2,318,000	$ 0.58
Granted	500,000	$ 0.20
Expired	(77,000)	$ 3.33
Outstanding at December 31, 2004	2,741,000	$ 0.43

Options to purchase an aggregate of 960,000 shares, 518,000 shares and 334,000 shares were exercisable under the Option Plans as of December 31, 2004, 2003 and 2002, respectively, with weighted-average exercise prices of $0.94, $2.09 and $3.43 at December 31, 2004, 2003 and 2002, respectively. The weighted-average fair value of options granted under the Option Plans during the years ended December 31, 2004, 2003 and 2002 was $0.16 per share, $0.29 per share and $0.04 per share, respectively. There was no compensation expense during 2004, 2003 and 2002 related to the Option Plans.

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following is a summary of stock options outstanding at December 31, 2004:

	Options Outstanding			Options Exercisable	
Exercise Price Range	**Number**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise Price**	**Number**	**Weighted-Average Exercise Price**
$0.08 $1.00	2,500,000	8.7	$ 0.15	719,000	$ 0.13
$1.01 $2.54	42,000	5.1	$ 2.45	42,000	$ 2.45
$2.55 $3.81	123,000	2.6	$ 3.27	123,000	$ 3.27
$3.82 $4.50	76,000	2.9	$ 4.04	76,000	$ 4.04
$0.08 $4.50	2,741,000	8.2	$ 0.43	960,000	$ 0.94

Pursuant to an employment agreement, the Company will issue to its President, on December 30, 2005, options to purchase 400,000 shares of the Company s common stock at an exercise price equal to the fair market value of the Company s common stock on December 30, 2005.

In January 2002, in conjunction with the Converted Retention Bonuses, the Company cancelled options outstanding aggregating 880,000 shares of the Company s common stock. In addition, options to purchase an aggregate of 72,000 shares of the Company s common stock were modified to provide for immediate vesting, and to extend the expiration date to January 25, 2004. No compensation expense was recorded related to these modifications as the exercise prices of all of the options involved was greater than the fair market value of the shares on the modification date.

NOTE 11 INCOME TAXES:

The Company recorded a net (benefit from) provision for income taxes from continuing operations for the years ended December 31, 2004, 2003 and 2002 as follows:

	Year Ended December 31,		
	2004	**2003**	**2002**

Current income tax expense (benefit) from continuing operations:			
Federal			$ (14,000)
State	$ 6,000	$ 1,000	4,000
Foreign	18,000	13,000	20,000
	24,000	14,000	10,000
Deferred income tax (benefit) from continuing operations:			
Federal			
State			
Foreign	(84,000)	(16,000)	(3,000)
	(84,000)	(16,000)	(3,000)
Net income tax (benefit) expense from continuing operations	$ (60,000)	$ (2,000)	$ 7,000

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred tax assets comprise the following:

	December 31,	
	2004	**2003**
Net operating loss carryforwards	$ 3,031,000	$ 7,782,000
Tax credit carryforwards	282,000	580,000
Patent litigation settlement	361,000	435,000
Depreciation	498,000	382,000
Goodwill	2,326,000	2,660,000
Capital loss carryforwards	412,000	412,000
Accrued compensation	113,000	117,000
Other reserves and accruals	249,000	242,000
	7,272,000	12,610,000
Less valuation allowance	(7,272,000)	(12,610,000)
	$	$

The valuation allowance for deferred tax assets at December 31, 2004 and 2003 is due to management s determination that, as a result of the Company s liquidity concerns and accumulated deficit, it is more likely than not that the deferred tax assets will not be realized in the future.

A reconciliation of the (benefit from) provision for income taxes to the amount computed by applying the statutory Federal income tax rate to income before income taxes follows:

	Year Ended December 31,		
	2004	**2003**	**2002**
Amounts computed at statutory Federal rate	$ (241,000)	$ 437,000	$ (2,331,000)
State income taxes	4,000	86,000	(271,000)
Foreign income taxes	(107,000)	60,000	740,000
Income (deductions) for financial reporting purposes for which there is no current tax (benefit) provision	(112,000)	(26,000)	(9,000)
Utilization of Federal general business tax credits			(41,000)
Expiration of Federal general business tax credits	286,000	188,000	81,000

Expiration of Federal net operating loss carryforwards	5,445,000	220,000	37,000
Expiration of state net general business tax credits	3,000		
Increase (decrease) in valuation allowance	(5,338,000)	(967,000)	1,801,000
	$ (60,000)	$ (2,000)	$ 7,000

The Company has available Federal net operating loss carryforwards at December 31, 2004 of approximately $5,086,000, which expire from 2005 to 2024. Available state net operating loss carryforwards at December 31, 2004 total approximately $4,222,000, which expire from 2005 to 2014. Due to the change in the Company s ownership in 2002, the Company s utilization of both Federal and state net operating carryforwards generated prior to February 2002 is limited to $60,000 per year. Foreign net operating loss carryforwards available to the Company at December 31, 2004 total approximately $2,979,000, for which there is no expiration date. Unused investment tax and research and development and alternative minimum tax credits at December 31, 2004 aggregate approximately $373,000 and expire from 2005 to 2013.

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 (LOSS) INCOME PER SHARE:

The following is a reconciliation of net (loss) income and share amounts used in the computations of (loss) income per share:

	Year Ended December 31,		
	2004	**2003**	**2002**
Basic net (loss) income used:			
(Loss) income from continuing operations	$ (647,000)	$ 1,287,000	$ (6,862,000)
Less cumulative preferred stock dividends	(221,000)	(210,000)	(195,000)
(Loss) income from continuing operations used in computing basic (loss) income from continuing operations per share	(868,000)	1,077,000	(7,057,000)
Discontinued operations, net of tax			217,000
Cumulative effect of a change in accounting principle, net of tax			(7,756,000)
Net (loss) income used in computing basic net (loss) income per share	$ (868,000)	$ 1,077,000	$ (14,596,000)
Diluted net (loss) income used:			
(Loss) income used in computing basic (loss) income from continuing operations per share	$ (868,000)	$ 1,077,000	$ (7,057,000)
Add cumulative preferred stock dividends		210,000	
(Loss) income used in computing diluted (loss) income from continuing operations per share	(868,000)	1,287,000	(7,057,000)
Discontinued operations, net of tax			217,000
Cumulative effect of a change in accounting principle, net of tax			(7,756,000)
Net (loss) income used in computing diluted net (loss) income per share	$ (868,000)	$ 1,287,000	$ (14,596,000)
Shares used:			
Weighted average common shares outstanding used in computing basic (loss) income per share	20,552,000	19,529,000	14,599,000
Weighted average options and warrants to purchase common stock as determined by application of the treasury method		731,000	
Weighted average common shares issuable upon conversion of preferred stock as determined by the if-converted method		21,797,000	
Shares used in computing diluted net (loss) income per share	20,552,000	42,057,000	14,599,000

Weighted average options and warrants to purchase common stock as determined by the application of the treasury method and weighted average shares of common stock issuable upon conversion of the Series C Preferred as determined by the if-converted method totaling 26,190,000 shares, 326,000 shares and 22,534,000 shares have been excluded from the shares used in computing diluted net (loss) income per share for the years ended December 31, 2004, 2003 and 2002, respectively, as their effect is anti-dilutive.

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On March 1, 2005, the Company declared a dividend on the Series C preferred stock totaling $58,000, for dividends accrued and payable as of January 31, 2005. Redwood, the majority holder of the Series C preferred stock, as permitted by the Certificate of Determination of the Series C preferred stock, elected to receive shares of the Company s common stock in lieu of the cash dividends. As a result, 452,000 shares of the Company s common stock were issued to the holders of the Series C preferred stock on March 2, 2005.

NOTE 13 COMMITMENTS AND CONTINGENCIES:

The Company leases office, laboratory and manufacturing facilities and equipment under operating leases. The facilities leases provide for escalating rental payments. Future minimum rentals under noncancelable operating leases as of December 31, 2004 are as follows:

2005	$ 956,000
2006	766,000
2007	524,000
2008	414,000
2009	414,000
Thereafter	1,759,000
	$ 4,833,000

Total rent expense under noncancelable operating leases was $1,107,000, $1,130,000 and $1,485,000 during the years ended December 31, 2004, 2003 and 2002, respectively.

NOTE 14 SEGMENT INFORMATION AND SIGNIFICANT CUSTOMERS:

The Company has determined that it has only one reportable segment based on the fact that all of its products are animal health products. Although the Company sells diagnostic and instrument products, it does not base its business decision making on a product category basis.

The following are revenues for the Company s diagnostic and instrument products:

Year Ended December 31,

	2004	2003	2002
Diagnostics	$ 16,898,000	$ 17,511,000	$ 20,369,000
Instruments	1,848,000	1,294,000	993,000
Other revenues	473,000	406,000	309,000
	$ 19,219,000	$ 19,211,000	$ 21,671,000

The following are revenues and long-lived assets information by geographic area:

	Year Ended December 31,		
	2004	2003	2002
Revenues:			
United States	$ 11,515,000	$ 11,170,000	$ 14,430,000
France	2,489,000	2,126,000	1,783,000
Other foreign countries	5,215,000	5,915,000	5,458,000
	$ 19,219,000	$ 19,211,000	$ 21,671,000

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SYNBIOTICS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31,	
	2004	2003
Long-lived assets:		
United States	$ 2,574,000	$ 3,078,000
France	1,950,000	2,388,000
	$ 4,524,000	$ 5,466,000

During the year ended December 31, 2004, sales to one customer totaled $1,930,000. There were no sales to any one customer that totaled 10% or more of total revenues during the years ended December 31, 2003 and 2002.

NOTE 15 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

Selected quarterly financial data for 2004 and 2003 is as follows:

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	2004	$ 5,131,000	$ 4,560,000	$ 4,208,000	$ 4,847,000
	2003	6,148,000	4,774,000	4,056,000	3,827,000
Gross profit	2004	2,683,000	2,554,000	2,157,000	2,301,000
	2003	3,185,000	2,434,000	2,062,000	1,991,000
(Loss) income before extraordinary item and cumulative effect of change in accounting principle	2004	(495,000)	357,000	(252,000)	(257,000)
	2003	1,398,000	224,000	(164,000)	(171,000)
Basic (loss) income before extraordinary item and cumulative effect of change in accounting principle per share		(0.03)	0.01	(0.02)	(0.02)
		0.07	0.01	(0.01)	(0.01)

	2004 2003				
Diluted (loss) income before extraordinary item and cumulative effect of change in accounting principle per share	2004 2003	(0.03) 0.03	0.01 0.01	(0.02) (0.01)	(0.02) (0.01)
Net (loss) income	2004 2003	(495,000) 1,398,000	357,000 224,000	(252,000) (164,000)	(257,000) (171,000)
Basic net (loss) income per share	2004 2003	(0.03) 0.07	0.01 0.01	(0.02) (0.01)	(0.02) (0.01)
Diluted net (loss) income per share	2004 2003	(0.03) 0.03	0.01 0.01	(0.02) (0.01)	(0.02) (0.01)

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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)), have concluded that, as of December 31, 2004, our disclosure controls and procedures are effective.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Directors:

Name; Positions; Business Experience During the Past Five Years; Directorships in Reporting Companies	Director Since	Age
Thomas A. Donelan	2002	49
Member of Redwood Holdings, LLC, a privately held venture capital firm, since 1995.		
Paul R. Hays	2003	44
Our President, since December 2002, and Chief Executive Officer since February 2005; our Chief Operating Officer from December 2002 to February 2005; Executive Vice President U.S. Business of Boehringer Ingelheim Vetmedica, Inc. from August 2001 to October 2002; Vice President Corporate Marketing of Boehringer Ingelheim Vetmedica GmbH from August 1998 to July 2001; Chairman of the Board of BioScreen GmbH from August 1998 to July 2001; Vice President Sales and Marketing of Boehringer Ingelheim Vetmedica, Inc. from November 1994 to July 2001.		
Christopher P. Hendy	2002	47

Member of Redwood Holdings, LLC, a privately held venture capital firm, since 1996.

Executive Officers:

Name, Age, and Other Business Experience During the Past Five Years	Position
Paul R. Hays (44) Formerly Executive Vice President U.S. Business of Boehringer Ingelheim Vetmedica, Inc. from August 2001 to October 2002; Vice President Corporate Marketing of Boehringer Ingelheim Vetmedica GmbH from August 1998 to July 2001; Chairman of the Board of BioScreen GmbH from August 1998 to July 2001; Vice President Sales and Marketing of Boehringer Ingelheim Vetmedica, Inc. from November 1994 to July 2001.	President, since December 2002, and Chief Executive Officer since February 2005; Chief Operating Officer from December 2002 to February 2005.
Keith A. Butler (43)	Vice President Finance, Chief Financial Officer and Secretary since September 2002; Corporate Controller from March 1991 to September 2002.

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Name, Age, and Other Business Experience During the Past Five Years	Position
Clifford Frank (55)	Vice President Operations since September 2002; Director of Operations from September 1992 to September 2002.
Serge Leterme (44)	Vice President Research and Development since October 1998; President and Director General of Synbiotics Europe, SAS since June 2002.
B. Kent Luther (40)	Vice President Sales and Marketing since May 2003.
Formerly Director Swine National Sales of Boehringer Ingelheim Vetmedica, Inc. from September 2001 to May 2003; Manager Marketing of Boehringer Ingelheim Vetmedica, Inc. from June 1999 to September 2001.	

Audit Committee Financial Expert

Our board of directors has determined that we do not have an audit committee financial expert serving on our Audit Committee. The reasons that we do not have an audit committee financial expert are: we are a small company controlled by Redwood (whose representatives occupy two of our three board of director seats); we want to save money in regards to fees paid to independent directors, especially someone qualified to serve as an audit committee financial expert; and our board of directors is satisfied that no such audit committee financial expert is necessary to protect our shareholders given our current circumstances.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership of our equity securities with the Securities and Exchange Commission. Officers, directors and greater than 10% shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms furnished to us, or written representations that no Forms 5 were required, during the fiscal year ended December 31, 2004, our officers, directors and greater than 10% beneficial owners complied with all applicable Section 16(a) filing requirements.

Code of Ethics

We have not adopted a code of ethics that applies to our principal executive officer and our principal financial officer. Our board of directors is satisfied that no such code is necessary to protect us and our shareholders given our current circumstances, in addition to our long history of uniformly ethical conduct.

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Item 11. Executive Compensation

The following table provides certain summary information concerning the compensation earned for services rendered in all capacities to us for the fiscal years ended December 31, 2004, 2003 and 2002 by each person (the Named Executive Officers) who

was our chief executive officer in 2004;

was serving as an executive officer on December 31, 2004 and was one of the four most highly compensated executive officers whose total 2004 salary and bonus exceeded $100,000; or

but for the fact that he was not serving as an executive officer on December 31, 2004, would have been included under the preceding bullet point.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation	
					Awards	
Name and Principal Position	Fiscal Year	Salary ($)(1)	Bonus ($)(2)	Other Annual Compensation ($)(3)	Securities Underlying Options/ SARS (#)	All Other Compensation ($)(4)
Keith A. Butler	2004	$ 121,286				$ 3,672
	2003	$ 115,412	$ 1,106			$ 3,459
Vice President	2002	$ 108,193	$ 37,842			$ 3,243
Clifford Frank	2004	$ 140,425				$ 4,246
	2003	$ 137,000	$ 1,106			$ 4,110
Vice President	2002	$ 133,532	$ 47,030			$ 3,321
Paul R. Hays	2004	$ 250,000	$ 20,000		400,000	$ 6,150
	2003	$ 250,000	$ 18,734	$ 64,627	2,000,000	$ 313
President and Chief Executive Officer	2002	$ 1,370				
Serge Leterme	2004	$ 165,736				
	2003	$ 148,253				
Vice President	2002	$ 137,648	$ 81,604	$ 14,063		
B. Kent Luther						
	2004	$ 188,700			100,000	$ 3,811
Vice President	2003	$ 118,471		$ 56,149		

(1) Includes amounts deferred under the 401(k) Compensation Deferral Savings Plan pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended.

(2) The 2002 amounts were pursuant to retention bonus agreements; the bonuses were paid in shares of Synbiotics common stock as follows: Mr. Butler 294,583 shares; Mr. Frank 366,105 shares; Dr. Leterme 635,250 shares.

(3) Consists of relocation expenses paid on behalf of Messrs. Hays and Luther in 2003, and contractually scheduled forgiveness of a loan made to Dr. Leterme to defray relocation expenses.

(4) Includes matching contributions made by us to Mr. Butler s 401(k) account, Mr. Frank s 401(k) account, Mr. Hays s 401(k) account and Mr. Luther s 401(k) account.

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The following table contains information concerning the grant of stock options to the Named Executive Officers:

Option/SAR Grants in Last Fiscal Year

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options/ SARs Granted (#)	% of Total Options/ SARs Granted to Employees in Fiscal Year	Exercise Price ($/sh)	Expiration Date	5% ($)	10% ($)
Paul R. Hays	400,000(1)	80.0%	$ 0.14	12/30/2014	$ 35,218	$ 89,250
B. Kent Luther	100,000(2)	20.0%	$ 0.42	02/26/2014	$ 26,414	$ 66,937

(1) The option becomes exercisable quarterly over a four-year period following the date of grant, which was December 30, 2004. The option has a maximum term of ten years, subject to earlier termination in the event of the optionee s cessation of service with us.
(2) The option becomes exercisable quarterly over a four-year period following the date of grant, which was February 26, 2004. The option has a maximum term of ten years, subject to earlier termination in the event of the optionee s cessation of service with us.

The following table provides information, with respect to the Named Executive Officers, concerning the exercise of stock options during the last fiscal year and unexercised stock options held as of the end of the fiscal year:

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

Name	Shares Acquired on Exercise (#)	Value Realized	Number of Securities Underlying Unexercised Options/ SARs at December 31, 2004(#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options/ SARs at December 31, 2004($)

				Exercisable/ Unexercisable
Paul R. Hays	$	700,000	$	42,000
		1,700,000	$	74,000
B. Kent Luther	$	18,750		
		81,250		

(1) Value is defined as the market price of our common stock at fiscal year end less the exercise price. The closing sale price of our common stock at December 31, 2004, was $0.15.

We have not granted any stock appreciation rights (SARs).

Employment Contracts and Change-in-Control Arrangements

We entered into an employment agreement dated December 30, 2002 with Paul R. Hays. The employment agreement, which expires December 30, 2005, provided for salary at an initial rate of $250,000 per annum, and provided for the issuance, upon Mr. Hays s relocation to San Diego, of options to purchase 1,600,000 shares of our common stock (at $0.08 per share). Mr. Hays s current salary rate is $20,833 per month. The agreement also provides for the annual issuance, on December 30, 2003, 2004 and 2005, of options to purchase 400,000 shares of our common stock; the option price for each of the annual options will be determined by the fair market value of our common stock on December 30 of the year in which the options are granted. Mr. Hays may receive a bonus for the years ending December 31, 2003, 2004 and 2005 calculated as follows: four percent (4.0%) of the first $1,000,000 of EBITDA in excess of $2,000,000 plus six percent (6.0%) of EBITDA in excess of $3,000,000. EBITDA is defined as earnings before; interest, income taxes, depreciation, amortization and any settlements/awards resulting from litigation existing as of December 30, 2002. There was no bonus earned under this agreement by Mr. Hays in 2004. If Mr. Hays is terminated without cause within the first 18 months of the agreement, he will receive twelve months salary at his then base salary rate. If Mr. Hays is terminated without cause within the last 18 months of the agreement, he will receive six months salary at his then base salary rate. If Mr. Hays is terminated without cause at any time during the agreement due to a change in control of us, he will receive twelve months salary at his then base salary rate.

We entered into an employment agreement dated May 12, 2003 with B. Kent Luther. The employment agreement, which expires December 30, 2005, provided for salary at an initial rate of $185,000 per annum. Mr. Luther s current salary rate is $16,033 per month. If Mr. Luther is terminated without cause, he will receive six months salary at his then base salary rate. If Mr. Luther is terminated (other than for cause) in connection with an acquisition of us, he will receive twelve months salary at his then base salary rate.

We entered into an employment agreement dated July 1, 2002 with Serge Leterme. The employment agreement provided for salary at an initial rate of 136,5000 euros per annum. Dr. Leterme s current base salary rate is 11,375 euros per month (equivalent to $15,397 per month as of December 31, 2004). In addition, we have provided Dr. Leterme with a company car, for which we are bearing the leasing costs and reasonable expenses incurred by Dr. Leterme for business activities. If Dr. Leterme is terminated without cause, he will receive the greater of six months salary at his then base salary rate or the amount of legal severance in France.

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee consists of Messrs. Donelan, Hays and Hendy. Mr. Hays is our employee. None of our executive officers served during 2004 as a director or compensation committee member of any other company, where the other company had one of its executive officers on our board of directors or Compensation Committee.

Report on Executive Compensation

The Compensation Committee acts on behalf of our Board of Directors to establish our general compensation policy for all of our employees. The Compensation Committee typically reviews base salary levels on or about June 1 of each year, and reviews target bonuses for the Chief Executive Officer and other executive officers and employees at or about the beginning of each year. The Compensation Committee administers our incentive and equity plans, including the 2004 Stock Option/Stock Issuance Plan and the 1995 Stock Option/Stock Issuance Plan.

The following is a report by the Compensation Committee:

General Compensation Policy

All policies, plans and actions of the Compensation Committee are formulated or taken with the goal of maximizing shareholder value by aligning the financial interests of the President (who is our senior executive officer) and the other executive officers with those of the Company s shareholders. This is achieved through a combination of salary, short-term incentive compensation, including cash and stock bonuses, and long-term incentive compensation, including stock options. The Compensation Committee s policy is to provide the

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Company s executive officers with compensation opportunities which are based upon their personal performance, the Company s financial performance and their contribution to that performance and which are competitive enough to attract and retain highly skilled individuals.

Each executive officer s compensation package is comprises one or more of the following:

- base salary that is competitive with the market and reflects individual performance,
- short-term incentive compensation, payable in cash or stock and tied to the Company s achievement of annual performance goals, and
- long term, stock-based incentive awards designed to strengthen the mutuality of interests between the Company s executive officers and its shareholders.

Factors

Several of the more important factors which the Compensation Committee considered in establishing the components of each executive officer s compensation package for the 2004 fiscal year are summarized below. Additional factors were also taken into account, and the Compensation Committee may in its discretion apply entirely different factors, particularly different measures of financial performance, in setting executive compensation for future fiscal years. All compensation decisions will be designed to further the general compensation policy indicated above.

Base Salary

In setting base salaries, the Compensation Committee considered the following factors:

- industry experience, knowledge and qualifications,
- the salary levels in effect for comparable positions within the Company s principal-industry marketplace competitors,
- historical salary levels, and
- internal comparability considerations.

The Compensation Committee did not rely upon any specific compensation surveys for comparative compensation purposes. Instead, the Compensation Committee made its decisions as to the appropriate market level of base salary for each executive officer on the basis of its understanding of the salary levels in effect for similar positions at those companies with which the Company competes for executive talent.

Each executive officer s base salary is adjusted yearly on the basis of the factors described above, subject to floor levels in certain officers employment agreements.

Short-Term Incentive Compensation

Annual cash or stock bonuses are awarded to the extent that the Company meets financial objectives set by the Board of Directors at the beginning of each year. The amounts of the bonus payments, if any, are determined by the Compensation Committee, in its discretion. Mr. Hays was awarded a bonus of $20,000 in 2004 in lieu of a salary increase. No nominal bonuses were awarded to the other executive officers for 2004.

Long-Term Stock Based Incentive Compensation

The Compensation Committee believed that equity-based compensation in the form of stock options can, under appropriate conditions, link the interests of management and shareholders by focusing management on increasing shareholder value. The actual value of equity-based compensation depends entirely on appreciation of the Company s common stock.

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The Company s employment agreement with Mr. Hays provided for the issuance, upon Mr. Hays s relocation to San Diego, of options to purchase 1,600,000 shares of the Company s common stock (at $0.08 per share). These options were granted on April 9, 2003. The agreement also provides for the annual issuance, on December 30, 2003, 2004 and 2005, of options to purchase 400,000 shares of the Company s common stock; the option price for each of the annual options is determined by the fair market value of the Company s common stock on December 30 of the year in which the options are granted. All of the options vest quarterly over four years from the date of grant. On February 26, 2004, the Company granted to Mr. Luther, its Vice President Sales and Marketing, an option to purchase 100,000 shares of the Company s common stock at $0.42 per share. The option vests quarterly over four years from the date of grant.

Although the Compensation Committee believed the performance of the Company and of the executive officers was satisfactory in 2004, the Compensation Committee s view is that incentive compensation (above any contractual requirements) should be minimized until the Company s turnaround is further along.

Chief Executive Officer Compensation

In setting the total compensation payable to Mr. Hays, who has served as the Company s President since December 30, 2002, the Compensation Committee sought to be competitive with other companies in the industry. As described above under Employment Contracts, Severance Agreements and Change in Control Agreements, an employment agreement between the Company and Mr. Hays sets forth the terms and conditions, including minimum compensation, governing Mr. Hays s employment. Other than as described above, Mr. Hays did not receive any other cash or stock compensation during 2004.

Compliance with Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code disallows a tax deduction to publicly held companies for compensation paid to certain of their executive officers, to the extent that compensation exceeds $1 million per covered officer in any fiscal year. The limitation applies only to compensation that is not considered to be performance-based. Non-performance based compensation paid to the Company s executive officers for the 2004 fiscal year did not exceed the $1 million limit per officer. The Compensation Committee does not anticipate that the non-performance based compensation to be paid to the Company s executive officers for will exceed that limit. The Company s 2004 Stock Option/Stock Issuance Plan and its 1995 Stock Option/Stock Issuance Plan have been structured so that any compensation deemed paid in connection with the exercise of option grants made under those plans with an exercise price equal to the fair market value of the option shares on the grant date will qualify as performance-based compensation which will not be subject to the $1 million limitation. Since it is unlikely that the cash compensation payable to any of the Company s executive officers in the foreseeable future will approach the $1 million limit, the Compensation Committee has decided at this time not to take any action to limit or restructure the elements of cash compensation payable to the Company s executive officers. The Compensation Committee will reconsider this decision if the individual cash compensation of any executive officer ever approaches the $1 million level.

The Compensation Committee is of the opinion that the compensation packages provided to the Company s President and the other executive officers reflect its goal of offering compensation that is fair to these officers and the Company s shareholders alike by providing adequate base salaries together with substantial opportunity for personal financial growth which will parallel management s ability to increase shareholder value. It is intended that the total economic advantage and opportunities provided to the executive officers will be at least equivalent to that provided by comparable corporations.

Thomas A. Donelan

Paul R. Hays

Christopher P. Hendy

Compensation Committee of the Board of Directors

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Stock Performance Graph

The graph below compares the cumulative total shareholder return on our common stock, which is currently traded on the over-the-counter market, from December 31, 2000 to December 31, 2004 with the cumulative total return on the Nasdaq Stock Market U.S. Index and a self-constructed industry peer group index over the same period (assuming the investment of $100 in our common stock and in each of the other indices on December 31, 1999, and reinvestment of all dividends). The self-constructed industry peer group consists of Abaxis, Inc., Heska Corporation and IDEXX Laboratories, Inc.

The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock.

	Investment Value of December 31,				
	2000	2001	2002	2003	2004
Synbiotics Corporation	$ 17	$ 9	$ 3	$ 12	$ 6
Nasdaq Stock Market U.S. Index	128	86	54	125	44
Industry Peer Group Index	102	119	125	293	311

Compensation of Directors

Each of our outside directors currently receives an annual fee of $10,000 for their services. Employee directors do not receive any fees for attendance at meetings of the board of directors or committee meetings.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2004 regarding our compensation plans under which our equity securities are authorized for issuance:

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders	2,741,000	$ 0.43	5,466,450
Equity compensation plans not approved by security holders		n/a	
Total	2,741,000	$ 0.43	5,466,450

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Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the beneficial ownership of each class of our voting stock as of March 21, 2005 of each of our directors, director nominees, 5% shareholders and the Named Executive Officers (as defined in Executive Compensation and Other Information), and of our directors and executive officers as a group. Except as noted, and except for the effect of applicable community-property laws, each person has sole investment and voting power over the shares shown. Percentages are calculated based on 45,738,152 shares of our common stock assumed outstanding (21,606,126 shares actually outstanding and 24,132,026 assumed outstanding upon conversion of the Series C preferred stock) and 3,100 shares of our Series C preferred stock outstanding as of March 21, 2005.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock:		
Keith A. Butler(1) c/o Synbiotics Corporation 11011 Via Frontera San Diego, CA 92127		
Thomas A. Donelan(1)(2)(4)(6) c/o Redwood Holdings, LLC 9468 Montgomery Road Cincinnati, OH 45242	23,917,745	52.0%
Clifford Frank(1) c/o Synbiotics Corporation 11011 Via Frontera San Diego, CA 92127	366,105	*
Paul R. Hays(1)(3)(5) c/o Synbiotics Corporation 11011 Via Frontera San Diego, CA 92127	1,753,701	3.8%
Christopher P. Hendy(1)(2)(4)(6) c/o Redwood Holdings, LLC	24,253,723	52.7%

9468 Montgomery Road Cincinnati, OH 45242		
Serge Leterme, Ph.D.(1) c/o Synbiotics Europe 2 rue Alexander Fleming 69367 Lyon, Cedex 07, France	636,938	1.4%
B. Kent Luther c/o Synbiotics Corporation 11011 Via Frontera San Diego, CA 92127	25,000	*
Redwood West Coast, LLC(1)(6) c/o Redwood Holdings, LLC 9468 Montgomery Road Cincinnati, OH 45242	21,796,668	47.7%

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Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Jerry L. Ruyan(1)(2)(4)(6) c/o Redwood Holdings, LLC 9468 Montgomery Road Cincinnati, OH 45242	25,553,187	55.9%
All executive officers and directors as a group (7 persons)(1)(2)(3)(4)(5)(6)	27,611,609	58.5%
Series C Preferred Stock:		
Paul R. Hays(5) c/o Synbiotics Corporation 11011 Via Frontera San Diego, CA 92127	100	3.2%
Redwood West Coast, LLC(6) 9468 Montgomery Road Cincinnati, OH 45242	2,800	90.3%
Jerry L. Ruyan(4)(6)(7) c/o Redwood Holdings, LLC 9468 Montgomery Road Cincinnati, OH 45242	2,900	93.5%
Thomas A. Donelan(4)(6)(7) c/o Redwood Holdings, LLC 9468 Montgomery Road Cincinnati, OH 45242	2,900	93.5%
Christopher P. Hendy(4)(6)(7) c/o Redwood Holdings, LLC 9468 Montgomery Road Cincinnati, OH 45242	2,900	93.5%
All executive officers and directors as a group (7 persons)(4)(5)(6)(7)	3,000	96.8%

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* Less than one percent.

(1) Excluding the effect of the assumed conversion of the Series C preferred stock, the percentage ownership of the common stock would be as follows: Mr. Butler 0.0%; Mr. Donelan 2.6%; Mr. Frank 1.7; Mr. Hays 7.8%; Mr. Hendy 4.2%; Dr. Leterme 2.9%; Mr. Luther 0.1%; Redwood West Coast, LLC 0.0%; Mr. Ruyan 17.4%; all executive officers and directors as a group (7 persons) 18.5%.

(2) Includes 766,483 shares of common stock held by Redwood Holdings, LLC which were acquired pursuant to elections of Redwood West Coast, LLC to receive shares of common stock in lieu of cash dividends on our Series C Preferred Stock held by Redwood West Coast, LLC, as permitted by the Certificate of Determination of our Series C preferred stock. As required by its Operating Agreement, Redwood West Coast, LLC directed that the shares of Common Stock be issued directly to its members. Redwood Holdings, LLC received 766,483 shares of our common stock in these distributions. Redwood Holdings, LLC is the owner of record of the 766,483 shares of our common stock. In addition, Redwood Holdings, LLC is the record owner of 100 shares of Series C preferred stock of Synbiotics Corporation. The shares are convertible at any time into such number of shares of common stock determined by dividing each share of Series C preferred stock, valued at $1,000, by the conversion price initially set at $0.12846. Mr. Donelan is a 24.9% beneficial owner, Mr. Hendy is a 24.9% beneficial owner and Mr. Ruyan is a 49.8% beneficial owner of Redwood Holdings, LLC, which has sole voting and dispositive power with respect to the shares. Messrs. Donelan, Hendy and Ruyan disclaim beneficial ownership of these share, except to the extent of their direct pecuniary interest in Redwood Holdings, LLC.

(3) Includes options to purchase our common stock which are exercisable on or before May 21, 2005 as follows: Mr. Hays 950,000 shares; Mr. Luther 25,000 shares.

(4) Includes a warrant to purchase 250,000 shares of our common stock for $0.17 per share held by Remington Capital, LLC. The warrant is exercisable at any time, in whole or in part, through September 1, 2010. Remington Capital, LLC is indirectly owned 100% by Redwood Holdings, LLC. Mr. Donelan is a 24.9% beneficial owner, Mr. Hendy is a 24.9% beneficial owner and Mr. Ruyan is a 49.8% beneficial owner of Redwood Holdings, LLC. Messrs. Donelan, Hendy and Ruyan disclaim beneficial ownership of these share, except to the extent of their direct pecuniary interest in Redwood Holdings, LLC.

(5) Mr. Hays is the owner of 100 shares of Series C preferred stock of Synbiotics Corporation. The shares are convertible at any time into such number of shares of common stock determined by dividing each share of Series C preferred stock, valued at $1,000, by the conversion price initially set at $0.12846.

(6) Redwood West Coast, LLC is the record owner of 2,800 shares of Series C preferred stock of Synbiotics Corporation. The shares are convertible at any time into such number of shares of common stock determined by dividing each share of Series C preferred stock, valued at $1,000, by the conversion price initially set at $0.12846. Mr. Donelan is a 17.7572% owner of Redwood West Coast, LLC owning 16.7581% individually and 0.9991% through Redwood Holdings, LLC (Mr. Donelan is a 24.9% owner of Redwood Holdings, LLC). Mr. Hendy is a 20.0038% owner of Redwood West Coast, LLC owning 19.0347% individually and 0.9991% through Redwood Holdings, LLC (Mr. Hendy is a 24.9% owner of Redwood Holdings, LLC). Mr. Ruyan is a 56.0053% owner of Redwood West Coast, LLC owning 54.0071% individually and 1.9982% through Redwood Holdings, LLC (Mr. Ruyan is a 49.8% owner of Redwood Holdings, LLC). In addition, Messrs. Donelan, Hendy and Ruyan serve on the Management Committee of Redwood West Coast, LLC, which has sole voting and dispositive power with respect to the shares. Messrs. Donelan, Hendy and Ruyan disclaim beneficial ownership of the shares reflected above, except to the extent of their direct and indirect pecuniary interests in Redwood West Coast, LLC.

(7) Includes 100 shares of Series C preferred stock of Synbiotics Corporation owned by Redwood Holdings, LLC. The shares are convertible at any time into such number of shares of common stock determined by dividing each share of Series C preferred stock, valued at $1,000, by the conversion price initially set at $0.12846. Mr. Donelan is a 24.9% owner of Redwood Holdings, LLC, Mr. Hendy is a 24.9% owner of Redwood Holdings, LLC, and Mr. Ruyan is a 49.8% owner of Redwood Holdings, LLC. Messrs. Donelan, Hendy and Ruyan disclaim beneficial ownership of the shares reflected above, except to the extent of their direct pecuniary interests in Redwood Holdings, LLC.

Item 13. Certain Relationships and Related Transactions

We pay Redwood Holdings, LLC a monthly consulting fee of $15,000 for as long as it indirectly holds at least 50% of our voting stock.

In addition, Remington Capital, LLC is the holder of a secured with a balance at December 31, 2004 of $3,809,000. The note bears interest at the fixed rate of 7.75%, and is payable in blended monthly installments of principal and interest, from September 25, 2004 to August 25, 2014, of $46,000, and is secured by all of the our assets. Remington Capital, LLC, is indirectly owned 100% by Redwood Holdings, LLC. Messrs. Donelan, Hendy and Ruyan own 99.6% of Redwood Holdings, LLC.

Item 14. Principal Accountant Fees and Services

Audit Fees

Audit fees billed to us by Levitz, Zacks & Ciceric for the audit of our consolidated financial statements included in our Annual Report on Form 10-K, and the review of the consolidated financial statements included in our quarterly reports on Form 10-Q, for the years 2004 and 2003, totaled $70,581, and $83,679 for 2004 and 2003, respectively.

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Audit-Related Fees

Audit-related fees billed to us by Levitz, Zacks & Ciceric totaled $11,466 and $23,775 in 2004 and 2003, respectively. Audit-related services were for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements (for example, consultations regarding the appropriate accounting treatment for certain transactions, and for consultations regarding the appropriate application of certain accounting standards), but are not reported under Audit Fees above.

Tax Fees

Tax fees billed to us by Levitz, Zacks & Ciceric for professional services rendered for tax compliance, tax advice and tax planning (for example, preparation and filing of our Federal and state income tax returns) totaled $18,343 and $32,918 in 2004 and 2003, respectively.

All Other Fees

There were no other fees billed to us by Levitz, Zacks & Ciceric with respect to the years 2004 and 2003.

Our Audit Committee approves all audit and non-audit services provided by our independent accounts prior to the accountant being engaged by us to perform such services, and our Audit Committee approved 100% of the services provided in the Audit-Related Fees and Tax Fees captions above. The Audit Committee has considered and believes that the provision of these non-audit services to us by Levitz, Zacks & Ciceric was compatible with maintaining Levitz, Zacks & Ciceric s independence.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) List of documents filed as a part of this report:

1. *Financial Statements*

Reference is made to the Index to Financial Statements under Item 8 in Part II hereof where these documents are listed.

2. *Financial Statement Schedules*

Reference is made to the Index to Financial Statements under Item 8 in Part II hereof where these documents are listed. All schedules not listed in the Index to Financial Statements under item 8 in Part II are inapplicable or the required information is included in the consolidated financial statements or notes thereto.

3. *Exhibits*

Exhibits marked with an asterisk have not been attached to this Annual Report on Form 10-K, but instead have been incorporated by reference to other documents filed by us with the Securities and Exchange Commission. We will furnish a copy of any one or more of these exhibits to any shareholder who so requests.

Exhibit	Title	Method of Filing
2.11*	Stock Purchase Agreement between the Registrant and Redwood West Coast, LLC, dated January 25, 2002.	Incorporated herein by reference to Exhibit 2.11 to the Registrant s Current Report on Form 8-K dated January 25,2002.
3.1*	Articles of Incorporation, as amended.	Incorporated herein by reference to Exhibit 3.1 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 1996.
3.1.1*	Certificate of Amendment of Articles of Incorporation, filed August 4, 1998.	Incorporated herein by reference to Exhibit 3.1 to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended September 30, 1998.
3.1.2*	Certificate of Amendment of Articles of Incorporation, filed September 23, 2002.	Incorporated herein by reference to Exhibit 3.1.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
3.2*	Bylaws, as amended.	Incorporated herein by reference to Exhibit 3.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
4.1*		

	Certificate of Determination of Series A Junior Participating Preferred Stock filed October 13, 1998.	Incorporated herein by reference to Exhibit 4.1 to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 1998.
4.2*	Rights Agreement, dated as of October 1, 1998, between the Company and ChaseMellon Shareholder Services, L.L.C., which includes the form of Certificate of Determination for the Series A Junior Participating Preferred Stock as Exhibit A, the form of Rights Certificate as Exhibit B and the Summary of Rights to Purchase Series A Preferred Shares as Exhibit C.	Incorporated herein by reference to the Registrant s Form 8-A filed October 7, 1998.

Exhibit	Title	Method of Filing
4.2.1*	Amendment to Rights Agreement between the Registrant and Mellon Investor Services LLC (formerly known as ChaseMellon Shareholder Services, L.L.C.), dated as of January 25, 2002.	Incorporated herein by reference to Exhibit 1 to the Registrant s Form 8-A/A filed January 28, 2002.
4.4*	Credit Agreement by and between the Registrant and Comerica Bank California, dated April 12, 2000.	Incorporated herein by reference to Exhibit 4.4 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.
4.4.1*	First Amendment to Credit Agreement by and between the Registrant and Comerica Bank California, dated April 18, 2000.	Incorporated herein by reference to Exhibit 4.4.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.
4.4.2*	Second Amendment to Credit Agreement by and between the Registrant and Comerica Bank California, dated November 14, 2000.	Incorporated herein by reference to Exhibit 4.4.2 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2000.
4.4.3*	Third Amendment to Credit Agreement and Loan Documents and Waiver of Defaults by and between the Registrant and Comerica Bank California, dated January 25, 2002.	Incorporated herein by reference to Exhibit 4.4.3 to the Registrant s Current Report on Form 8-K dated January 25, 2002.
4.4.5*	Letter Agreement between Comerica Bank California and the Registrant, dated September 4, 2003.	Incorporated herein by reference to Exhibit 4.4.5 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
4.4.6*	Fourth Amendment to Credit Agreement and Loan Documents and Waiver of Defaults between the Registrant and Comerica Bank (and Remington Capital, LLC), dated as of September 1, 2004.	Incorporated herein by reference to Exhibit 4.4.6 to the Registrant s Current Report on Form 8-K dated September 27, 2004.
4.4.7*	Promissory Note from the Registrant to Comerica Bank, dated September 1, 2004.	Incorporated herein by reference to Exhibit 4.4.7 to the Registrant s Current Report on Form 8-K dated September 27, 2004.
4.4.8*	Promissory Note from the Registrant to Remington Capital, LLC, dated September 1, 2004.	Incorporated herein by reference to Exhibit 4.4.8 to the Registrant s Current Report on Form 8-K dated September 27, 2004.
4.4.9*	Subordination Agreement dated as of September 1, 2004 between Comerica Bank and Remington Capital, LLC, and approved by the Registrant.	Incorporated herein by reference to Exhibit 4.4.9 to the Registrant s Current Report on Form 8-K dated September 27, 2004.
4.6*	Certificate of Determination of Preferences of Series C Preferred Stock, filed October 31, 2002.	Incorporated herein by reference to Exhibit 4.6 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10.1*	Lease of Premises by Registrant located at 11011 Via Frontera, San Diego, California, dated as of June 27, 2002.	Incorporated herein by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10.10*	Employment Contract between Synbiotics Europe, SAS, the Registrant and Serge Leterme, dated July 1, 2002.	Incorporated herein by reference to Exhibit 10.10 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2002.

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Exhibit	Title	Method of Filing
10.34.1*	Renewal and Amendment of Lease of Premises located at 16420 Via Esprillo, San Diego, California, dated as of November 1, 2000.	Incorporated herein by reference to Exhibit 10.34.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.
10.50*	1995 Stock Option/Stock Issuance Plan, as amended, including Form of Notice of Stock Option Grant/Stock Option Agreement.	Incorporated herein by reference to Exhibit 99.1 to the Registrant s Registration Statement on Form S-8, Registration No. 333-76298, dated January 4, 2002.
10.69*#	Settlement Agreement, Stipulation to Settlement Order Under Seal, Release and License Between Barnes-Jewish Hospital and the Registrant, dated as of July 28, 1998.	Incorporated herein by reference to Exhibit 10.70 to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended September 30, 1998.
10.75*	Warrant Agreement between the Registrant and Comerica Bank, dated as of December 1, 2000.	Incorporated herein by reference to Exhibit 10.75 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2000.
10.89*	Employment Agreement by and between the Registrant and Paul Richard Hays, dated as of December 30, 2002.	Incorporated herein by reference to Exhibit 10.89 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2002.
10.90*#	Settlement Agreement and Mutual Release of Claims by and between the Registrant and Heska Corporation, dated March 28, 2003.	Incorporated herein by reference to Exhibit 10.90 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10.91*#	License Agreement by and between the Registrant and Heska Corporation, dated March 28, 2003.	Incorporated herein by reference to Exhibit 10.91 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10.92*#	License Agreement by and between the Registrant and Heska Corporation, dated March 28, 2003.	Incorporated herein by reference to Exhibit 10.92 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10.93*	Consent Judgment and Injunction, dated April 22, 2003.	Incorporated herein by reference to Exhibit 10.93 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
10.94*	Employment Agreement by and between the Registrant and Brian Kent Luther, dated as of May 12, 2003.	Incorporated herein by reference to Exhibit 10.94 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10.95*#	Contract Development and Manufacturing Agreement, dated June 16, 2003.	Incorporated herein by reference to Exhibit 10.95 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10.96*#	Settlement Agreement and Mutual Release of Claims by and between the Registrant and Agen Biomedical Limited and their affiliates, dated as of June 25, 2004.	Incorporated herein by reference to Exhibit 10.96 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.

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Exhibit	Title	Method of Filing
10.97*	Series C Purchase Agreement among the Registrant and Redwood Holdings, LLC, Paul Hays and Fintan and Janice Molloy, dated September 2, 2004.	Incorporated herein by reference to Exhibit 10.97 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10.98*	Framework Agreement among Comerica Bank, Remington Capital, LLC and the Registrant, dated September 23, 2004.	Incorporated herein by reference to Exhibit 10.98 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10.99*	Warrant to Purchase Stock, in favor of Comerica Bank, dated as of September 1, 2004.	Incorporated herein by reference to Exhibit 10.99 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10.100*	Warrant to Purchase Stock, in favor of Remington Capital, LLC, dated as of September 1, 2004.	Incorporated herein by reference to Exhibit 10.100 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10.101*	Synbiotics Corporation 2004 Cash Bonus Plans Available To Corporate Officers, effective February 4, 2004.	Incorporated herein by reference to Exhibit 10.101 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10.102*	2004 Stock Option/Stock Issuance Plan.	Incorporated herein by reference to Exhibit 99.1 to the Registrant s Registration Statement on Form S-8, Registration No. 333-119769, dated October 15, 2004.
10.103*	Form of Notice of Grant of Stock Option/Stock Option Agreement.	Incorporated herein by reference to Exhibit 99.2 to the Registrant s Registration Statement on Form S-8, Registration No. 333-119769, dated October 15, 2004.
10.104	Escrow Agreement among Kendro Laboratory Products PLC and Cryonix, a division thereof, Agen Biomedical Limited (Agen) and the Registrant, effective October 5, 2004.	Filed herewith.
10.105	Synbiotics Corporation 2005 Cash Bonus Plans Available To Corporate Officers, effective March 17, 2005.	Filed herewith.
21	List of Subsidiaries.	Filed herewith.
23.1	Consent of Independent Auditors.	Filed herewith.
31.1	Certification Under Section 302 of the Sarbanes-Oxley Act of 2002/SEC Rule 13a-14(a).	Filed herewith.
31.2	Certification Under Section 302 of the Sarbanes-Oxley Act of 2002/SEC Rule 13a-14(a).	Filed herewith.
32	Certification Under Section 906 of the Sarbanes-Oxley Act of 2002/SEC Rule 13a-14(b).	Filed herewith.

* Incorporated by reference.

Management contract or compensatory plan or arrangement.

\# Certain confidential portions of this Exhibit were omitted by means of redacting a portion of the text (the Mark). This Exhibit has been filed separately with the Secretary of the Securities and Exchange Commission without the Mark pursuant to an Application Requesting Confidential Treatment under Rule 12b-24 under the Securities Exchange Act of 1934.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 22, 2005

SYNBIOTICS CORPORATION

By /s/ KEITH A. BUTLER

Keith A. Butler
Vice President Finance

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ PAUL R. HAYS **Paul R. Hays**	Chief Executive Officer, President and Director (Principal Executive Officer)	March 22, 2005
/s/ KEITH A. BUTLER **Keith A. Butler**	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 22, 2005
/s/ THOMAS J. DONELAN **Thomas J. Donelan**	Director	March 22, 2005
/s/ CHRISTOPHER P. HENDY **Christopher P. Hendy**	Director	March 22, 2005

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

EXHIBITS

TO

FORM 10-K

UNDER

SECURITIES EXCHANGE ACT OF 1934

SYNBIOTICS CORPORATION

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* Incorporated by reference.
Management contract or compensatory plan or arrangement.
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