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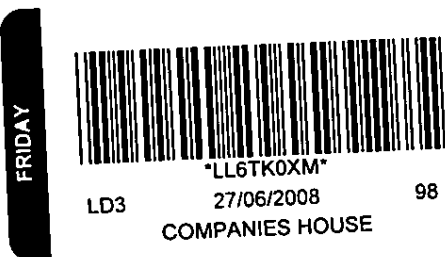


Rosanto Pharmaceuticals Limited

Report and Financial Statements

For 15 month period ended

30 September 2007



Rosanto Pharmaceuticals Limited

Annual report and financial statements for the period ended 30 September 2007

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Directors

Terry I Sadler
Ian Harvey

Secretary and registered office

Susan J Keast, York House, 327 Upper Fourth Street, Milton Keynes, Bucks, MK9 1EH

Company number

03322659

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

Rosanto Pharmaceuticals Limited

Report of the directors for the period ended 30 September 2007

The directors present their annual report and audited financial statements for the 15 month period ended 30 September 2007

Change of ownership

On 24 April 2007 the whole of the issued share capital of the Company was acquired by York Pharma plc. York Pharma issued 1,616,814 new Ordinary Shares at an issue price of 123.7 pence per share as consideration for the acquisition of 100% of the issued capital of the Company.

Principal activities

The company is primarily concerned with that of pharmaceutical research.

Review of the business

The profit and loss account is set out on page 7 and shows a loss for the period of £253,069 (2006: loss of £51,415). There was no turnover from product sales but operating income of £15,000 (2006: £nil) consisted of grants receivable from external funding bodies and research income.

Rosanto Pharmaceutical Limited's pipeline currently comprises three products/projects:

- | | | |
|---------|-----------------|--------------|
| • YP008 | (antipsoriatic) | Pre-clinical |
| • YP009 | (anti-cancer) | Pre-clinical |
| • YP010 | (antiviral) | Pre-clinical |

The key current issue and performance indicator for the continuing success of the business revolves around the timely progression of the company's products/projects through the R&D process to bring them to the point of commercialisation. This has been addressed by the implementation of an industry standard project management and budgetary control system, combined with a detailed and regular Board review process.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the company during the period were:

- | | |
|----------------|---------------------------|
| T I Sadler | (appointed 27 April 2007) |
| I Harvey | (appointed 27 April 2007) |
| Prof E Anggard | (resigned 23 April 2007) |
| Prof S Roberts | (resigned 23 April 2007) |
| Prof G Santoro | (resigned 23 April 2007) |

Rosanto Pharmaceuticals Limited

Report of the directors for the period ended 30 September 2007 (*Continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

By order of the Board



S J Keast
Secretary
26 June 2008

Rosanto Pharmaceuticals Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Rosanto Pharmaceuticals Limited

Report of the independent auditors

To the shareholders of Rosanto Pharmaceuticals Limited

We have audited the financial statements of Rosanto Pharmaceuticals Limited for the period ended 30 September 2007 on pages 7 to 14 which comprise the profit and loss account, balance sheet and the related notes. These financial statements have been prepared under the accounting policies as set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with these financial statements. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Rosanto Pharmaceuticals Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

London

27 June 2008

Rosanto Pharmaceuticals Limited**Profit and loss account for the period ended 30 September 2007**

| | Note | 15 months ended 30 September 2007 £ | Year ended 30 June 2006 £ |
|--|-------------|--|--|
| Other operating income | | 15,000 | - |
| Gross profit | | 15,000 | - |
| Administrative expenses | | (262,694) | (51,415) |
| Operating loss | 4 | (247,694) | (51,415) |
| Interest payable and similar charges | 5 | (5,375) | - |
| Loss on ordinary activities before taxation | | (253,069) | (51,415) |
| Taxation on loss from ordinary activities | 6 | - | - |
| Loss for the period | | (253,069) | (51,415) |

All amounts relate to continuing activities.

All recognised gains and losses are included within the profit and loss account for the period

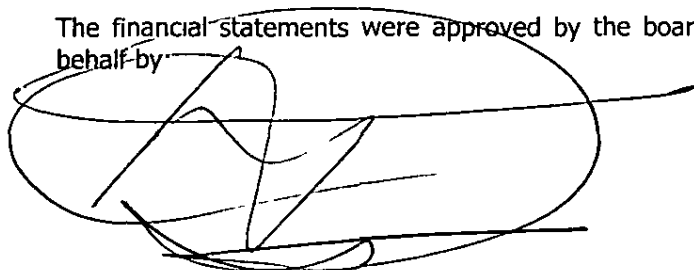
The notes on pages 9 to 14, form part of these financial statements.

Rosanto Pharmaceuticals Limited

Balance sheet at 30 September 2007

| | Note | 30 September 2007 £ | 30 September 2007 £ | 30 June 2006 £ | 30 June 2006 £ |
|---|------|---------------------------|---------------------------|----------------------|----------------------|
| Fixed assets | | | | | |
| Tangible assets | 7 | | 430 | | - |
| Current assets | | | | | |
| Debtors | 8 | 32,784 | | 23,025 | |
| | | <u>32,784</u> | | <u>23,025</u> | |
| Creditors: amounts falling due within one year | 9 | <u>335,429</u> | | <u>107,493</u> | |
| Net Current Liabilities | | | (302,645) | | (84,468) |
| Total assets less current liabilities | | | <u>(302,215)</u> | | <u>(84,468)</u> |
| Capital and reserves | | | | | |
| Called up share capital | 10 | | 176,612 | | 141,290 |
| Share premium account | 11 | | 2,988,729 | | 2,988,729 |
| Profit and loss account | 11 | | <u>(3,467,556)</u> | | <u>(3,214,487)</u> |
| Shareholders' funds | 12 | | <u>(302,215)</u> | | <u>(84,468)</u> |

The financial statements were approved by the board of directors on 26 June 2008 and were signed on its behalf by



Terry I Sadler
Director

The notes on pages 9 to 14, form part of these financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation and going concern

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. They have been prepared on a going concern basis as financial support will continue to be provided by the parent undertaking, York Pharma plc.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | |
|--------------------|---------------|
| Plant & Machinery | - 3 – 5 years |
| Computer equipment | - 3 years |

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Other operating income

Other operating income represents grants receivable from external funding bodies and research income.

Research

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure.

Rosanto Pharmaceuticals Limited

Notes forming part of the financial statements for the period ended 30 September 2007 (Continued)

2 Employees

The average number of employees, including directors, during the period was 3 (2006 3)

3 Directors

| | 15 months ended 30 September 2007 £ | Year ended 30 June 2006 £ |
|---|---|------------------------------------|
| Transactions with directors - expenses: | | |
| Prof E Anggard | 35,302 | 3,877 |
| Prof G Santoro | 17,500 | 665 |
| Prof S Roberts | 15,000 | 965 |
| | <u>67,802</u> | <u>5,507</u> |

T I Sadler and I Harvey are also employed by other York Pharma group companies and do not receive emoluments for their services to the company.

4 Operating loss

| | 15 months ended 30 September 2007 £ | Year ended 30 June 2006 £ |
|---|---|------------------------------------|
| This has been arrived at after charging | | |
| Depreciation of tangible fixed assets | 215 | - |
| Exchange Gain | (2,435) | - |
| Profit on disposal of fixed assets | 1 | - |
| Auditors' remuneration | 5,450 | 2,176 |
| Auditors' remuneration - non-audit services | 6,000 | - |
| | <u></u> | <u></u> |

Audit fees for the company are borne by the company's ultimate parent company, York Pharma plc

Non-audit services relate to the provision of services regarding the sale of the company and the provision of company secretarial services.

5 Interest payable

| | 15 months ended 30 September 2007 £ | Year ended 30 June 2006 £ |
|--------------------------------------|---|------------------------------------|
| Other interest | 3,347 | - |
| Loan interest to other group company | 2,028 | - |
| | <u>5,375</u> | <u>-</u> |

Rosanto Pharmaceuticals Limited

Notes forming part of the financial statements for the period ended 30 September 2007
(Continued)

6 Taxation on loss from ordinary activities

| | 15 months ended 30 September 2007 £ | Year ended 30 June 2006 £ |
|--|---|------------------------------------|
| <i>Current tax</i> | | |
| Current year | - | - |
| | <u>-</u> | <u>-</u> |
| | - | - |
| | <u>-</u> | <u>-</u> |
| | | |
| | 15 months ended 30 September 2007 £ | Year ended 30 June 2006 £ |
| The tax assessed for the period differs from the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below: | | |
| Loss on ordinary activities before taxation | (253,069) | (51,415) |
| | <u>(253,069)</u> | <u>(51,415)</u> |
| Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2006 – 19%) | (48,083) | (9,769) |
| Effect of: | | |
| Expenses not deductible for tax purposes | 41 | - |
| Capital allowances for period in excess of depreciation | 48,042 | 9,769 |
| Tax losses carried forward to future periods | <u>48,042</u> | <u>9,769</u> |
| Current tax charge for period | - | - |
| | <u>-</u> | <u>-</u> |

Rosanto Pharmaceuticals Limited

Notes forming part of the financial statements for the period ended 30 September 2007
(Continued)

7 Tangible assets

| | Computer Equipment £ | Plant and Machinery £ | Total £ |
|--------------------------|-------------------------------------|--------------------------------------|--------------------|
| <i>Cost or valuation</i> | | | |
| At 1 July 2006 | - | 266,302 | 266,302 |
| Additions | 645 | - | 645 |
| Disposals | | (266,302) | (266,302) |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 2007 | 645 | - | 645 |
| | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | |
| At 1 July 2006 | - | 266,302 | 266,302 |
| Charge for the period | 215 | - | 215 |
| Disposals | - | (266,302) | (266,302) |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 2007 | 215 | - | 215 |
| | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | |
| At 30 September 2007 | 430 | - | 430 |
| | <hr/> | <hr/> | <hr/> |
| At 30 June 2006 | - | - | - |
| | <hr/> | <hr/> | <hr/> |

8 Debtors

| | 30 September 2007 £ | 30 June 2006 £ |
|---------------------------------------|------------------------------------|-------------------------------|
| Other taxes and social security costs | 32,784 | 21,668 |
| Other debtors | - | 1,357 |
| | <hr/> | <hr/> |
| | 32,784 | 23,025 |
| | <hr/> | <hr/> |

All amounts shown under debtors fall due for payment within one year.

Rosanto Pharmaceuticals Limited

Notes forming part of the financial statements for the period ended 30 September 2007
(Continued)

9 Creditors: amounts falling due within one year

| | 30 September 2007 £ | 30 June 2006 £ |
|------------------------------------|------------------------------------|-------------------------------|
| Trade creditors | 3,543 | 85,035 |
| Directors loan account | - | 16,958 |
| Other creditors | 12,057 | 5,500 |
| Amounts owed to group undertakings | 319,829 | - |
| | <hr/> | <hr/> |
| | 335,429 | 107,493 |
| | <hr/> | <hr/> |

10 Share capital

| | 30 September 2007 Number | 30 June 2006 Number | Authorised 30 September 2007 £ | 30 June 2006 £ |
|------------------------------|---|------------------------------------|---|-------------------------------|
| <i>Equity share capital</i> | | | | |
| Ordinary shares of 1p each | 500,000,000 | 500,000,000 | 5,000,000 | 5,000,000 |
| Preference shares of 1p each | 500,000,000 | 500,000,000 | 5,000,000 | 5,000,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 1,000,000,000 | 1,000,000,000 | 10,000,000 | 10,000,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

| | 30 September 2007 Number | 30 June 2006 Number | Allotted, called up and fully paid 30 September 2007 £ | 30 June 2006 £ |
|-----------------------------|---|------------------------------------|---|-------------------------------|
| <i>Equity share capital</i> | | | | |
| Ordinary shares of 1p each | 17,661,200 | 14,129,000 | 176,612 | 141,290 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 17,661,200 | 14,129,000 | 176,612 | 141,290 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Changes in share capital

During the period 3,532,200 Options were converted into the same number of Ordinary Shares of 1p each giving gross receipts of £35,322.

Rosanto Pharmaceuticals Limited

Notes forming part of the financial statements for the period ended 30 September 2007 (Continued)

11 Reserves

| | Share premium account £ | Profit and loss account £ |
|----------------------|----------------------------------|------------------------------------|
| At 1 July 2006 | 2,988,729 | (3,214,487) |
| Loss for the period | - | (253,069) |
| | <hr/> | <hr/> |
| At 30 September 2007 | 2,988,729 | (3,467,556) |
| | <hr/> | <hr/> |

12 Reconciliation of movements in shareholders' deficit

| | 30 September 2007 £ | 30 June 2006 £ |
|---|---------------------------|----------------------|
| Loss for the period | (253,069) | (51,415) |
| Shares issued in the year – nominal value | 35,322 | - |
| Share premium on shares issued | - | - |
| | <hr/> | <hr/> |
| Net increase in shareholders' deficit | (217,747) | (51,415) |
| Opening shareholders' deficit | (84,468) | (33,053) |
| | <hr/> | <hr/> |
| Closing shareholders' deficit | (302,215) | (84,468) |
| | <hr/> | <hr/> |

13 Cash Flow Statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1, 'Cash Flow Statements', not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in the consolidated financial statements.

14 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose transactions with members of the group headed by York Pharma plc on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company's results are included within its consolidated financial statements.

15 Ultimate parent company

The company is a wholly owned subsidiary of York Pharma plc. Copies of the consolidated financial statements of York Pharma plc are available from Companies House or from the website at www.yorkpharma.com.