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Directors Report

Matters / Documents to be considered:

1. Current business options going forward.
2. Accounts (unaudited).

Current business options going forward

It is anticipated that, for at least a further twelve months, Pastel biotech Limited will not actively pursue the development and commercialisation of the other technologies for which it retains intellectual property rights. This will allow S.J.Osborne to concentrate on activities related to Pastel BioScience Limited's commercial activities.

Accounts (Unaudited)

The unaudited accounts for Pastel biotech Limited, presented on the accompanying pages, were approved by the Directors. These will be sent to Companies House before the 30th July 2007 deadline.

A handwritten signature in black ink, appearing to be 'S.J. Osborne'.

Date: 14-12-06

Dr. Stephen Osborne, Acting CEO and Company Director

MONDAY



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COMPANIES HOUSE

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Financial Statements for Pastel biotech Limited

Balance Sheet for Pastel biotech Limited at 30-9-06

	<u>Notes</u>	<u>£</u>
Fixed Assets		
Intangible assets	2	0.00
Tangible assets	3	0.00
Investments		0.00
		<u>0.00</u>
Current Assets		
Stock		0.00
Debtors		0.00
Cash	4	1,899.96
		<u>1,899.96</u>
Creditors: amounts falling due within one year		0.00
Net Current Assets		<u>1,899.96</u>
Net Assets		<u><u>1,899.96</u></u>
Capital and Reserves		
Called-up share capital (Authorised = 1,000 shares at £1 each)		2.00
Share premium account		0.00
Other reserves	5	4,998.00
Profit and loss account (deficit)		(3,100.04)
Equity shareholders' funds		<u><u>1,899.96</u></u>

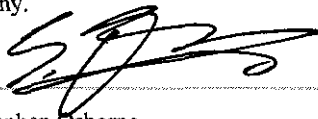
Note:

(a) For the year ended 30th September 2006 the company was entitled to exemption under section 249A(1) of the Companies Act 1985.

(b) Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

(c) The directors acknowledge their responsibility for:

- i. ensuring the company keeps accounting records which comply with section 221; and
- ii. preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.



Dr. Stephen Osborne
Director & Acting Chief Executive Officer

Date : 14-12-06

Initials: S.J. Osborne



Financial Statements for Pastel biotech Limited

Profit and Loss Account for Pastel biotech Limited for the period 1-10-05 to 30-9-06

	<u>Notes</u>	<u>£</u>
Turnover	6	<u>0.00</u>
Research and development costs		0.00
Administrative expenses		<u>(89.28)</u>
Operating expenses		(89.28)
Other operating income: grants receivable		<u>0.00</u>
Net operating expenses		<u>(89.28)</u>
Operating loss		(89.28)
Interest receivable		<u>0.00</u>
Loss on ordinary activities before taxation	7	(89.28)
Tax credit on loss on ordinary activities		<u>0.00</u>
Loss for the period		<u><u>(89.28)</u></u>

Notes to the Financial Statements for Pastel biotech Limited

Initials: S.J. Osborne



Financial Statements for Pastel biotech Limited

for the period to 30-9-06

1. The financial statements are unaudited and the results for the period are derived solely from continuing operations. Comparable figures for the prior years accounting period are not provided. In addition:

(a) For the year ended 30th September 2006 the company was entitled to exemption under section 249A(1) of the Companies Act 1985.

(b) Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

(c) The directors acknowledge their responsibility for:

i. ensuring the company keeps accounting records which comply with section 221; and

ii. preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company;

(d) The accounts have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies.

2. A patent application, which has been referred to in previous financial statements under intangibles but for which no value was attributed, has now been legally assigned to Pastel BioScience Limited.

3. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual value on a straight line basis over their useful economic lives of the assets concerned. The principle annual rates used for this purpose are:

Computer equipment: 33.33%

Single item: Compaq laptop computer bought 9th April 2001 for £1,338.99.

Book value at 30-9-06 = £0.00.

4. Cash balances are held on short-term deposit with Barclays Bank Plc. The Company does not have any committed borrowing facilities apart from the personal loan made by S.J.Osborne (Note 5).

5. Other reserves covers a personal loan made by S.J.Osborne and repayable before end 2010.

6. The Company is currently at the research and development stage and as such has had no revenues from any source during the accounting period 1-10-05 to 30-9-06

7. Loss on ordinary activities before taxation is stated after charging:

(i) depreciation charge for the year on owned tangible fixed assets = £0.00

(ii) bank charges of £4.47 that include a charge of £2.98 from an accounting error in previous financial year

8. A data input error has been noted for the previous set of accounts (Y/E 30-9-05) where, on the Balance Sheet the following voices: Cash, Net Current Assets and Current Assets were incorrectly given as £1992.22. The actual values should have been £1989.24

The financial statements were approved by the directors on 30th December 2006 and are signed on their behalf by:



14-12-06

Dr. Stephen Osborne
Director and Acting Chief Executive Officer

Initials: S.J.Osborne

SJO