Proof 3: 25.7.2005

Provexis plc
(formerly Nutrinnovator Holdings plc)

Report and Financial Statements

Year Ended

31 March 2005

BDO Stoy Hayward
Chartered Accountants

Contents

Directors	Dawson Buck	(Non-Executive Chairman)
	Stephen Franklin	(Executive)
	Stephen Moon	(Executive)
	Neville Bain	(Non-Executive)
Secretary and registered office	Andrew Smithson, 10 Williams House, Manchester Science Park, Lloyd Street North, Greater Manchester M15 6SE.	
Company number	5102907	
Auditors	BDO Stoy Hayward LLP, 8 Baker Street, London W1U 3LL.	
Nominated advisor and broker	Arbuthnot Securities Limited, Arbuthnot House, Ropemaker Street, London EC2Y 9AR.	

Chairman's statement

The Group achieved considerable progress both in the year under review and since the year end, culminating in the successful reverse takeover by Provexis Limited of Nutrinnovator Holdings plc and the associated fundraising and re-admission of the new Provexis plc to trading on the AIM market of the London Stock Exchange plc on 23 June 2005.

The functional food sector continues to grow strongly in all major markets worldwide, and the strategy of developing food and beverage products to meet this demand was implemented effectively by the management team.

September 2004 saw the management agree a joint venture with Provexis Limited to co-develop and commercialise Sirco™, a functional fruit juice proven to maintain heart health. Sirco™ contains Fruitflow™, a patented bioactive food technology developed over a five year period by Provexis Limited. As this venture developed, the complementary skills of the respective management teams became apparent, resulting in us entering discussions with Nutrinnovator to combine the businesses by means of a reverse takeover.

Management have developed a strong functional food pipeline, through their relationships with globally renowned research institutes both in the UK and New Zealand, and have accessed new technologies in the areas of cancer prevention and heart health.

Management has focused on cash preservation and despite slower than expected trading of Altú food bar and investment of resource into development of the pipeline, cash balances at the year end were in line with expectations.

The reverse takeover resulted in the resignation of three directors in preparation for the merging of the Nutrinnovator and Provexis businesses. Doug Gardner and Thornton Mustard have left the Group, and I wish to thank them for their efforts in developing the Nutrinnovator business. Fiona Vigar has stepped down from the Board of the enlarged group, but continues to play an important role as Director of Marketing.

With the benefit of the combined skills of the new management team, the depth of the science-based functional food pipeline and the forthcoming launch of Sirco™ with major food retailers in the UK, management are confident in its ability to enhance shareholder value.

Dawson Buck
Chairman

The enlarged business has a management team which now combines experienced marketing and sales talent with strong scientific credentials and capability. This mix of talent is core to our competitive advantage in a market where few companies are able to both develop, and successfully market, scientifically-proven functional foods.

Sirco™ heart health juice

The Group has successfully developed and is preparing to launch Sirco™, the first heart health drink to contain the patented Fruitflow™ technology. Fruitflow™, developed by Provexis Limited under the name CardioFlow®, is a natural bioactive food ingredient extracted from tomato. When added to a fruit juice drink, where the extract is colourless and tasteless, it delivers proven heart health benefits to the consumer within hours of consumption. Fruitflow™ was developed by Provexis in order to help regular "healthy" consumers reduce the risk of heart attack and stroke. The natural bioactive works by reducing blood platelet aggregation, a significant contributing factor to a thrombosis (internal blood clot).

Considerable progress has been made with the new Sirco™ brand and two varieties (Orange, and Blueberry & Apple) have been developed in both one litre cartons and 250ml bottles.

The product will carry the claim "Helps to Maintain a Healthy Heart and Benefits Circulation" and this is supported by scientific data developed by Provexis over the last four years.

Positive discussions have been held with major retailers regarding the launch of Sirco™ and the UK launch date will be announced in due course.

Altù food bar

The limited investment in the Altú food bar, combined with a highly competitive market, resulted in sales of £299,667, significantly below expectations. The product enjoys national retail distribution in Waitrose, Boots, Holland & Barrett and Julian Graves, together with some wholesale distribution. A multipack format was launched in Waitrose in March, and Boots have agreed to extend the range and distribution in their stores.

We believe that the palatability and nutritional values of the Altú product may lend itself as a vehicle to carry future functional food products. As most functional food products are either beverages or bars, Altú enables the business to potentially exploit both categories in the future. The Board of the enlarged group have agreed to closely monitor and review the future of the brand.

New product development

The emergence of the Fruitflow™ opportunity resulted in the withdrawal of Altú Black, the lower sugar cola, following a London-based test marketing exercise. Whilst this exercise established the potential of the Altú Black product, management felt that continuing to seek technologies with a point of difference based on scientifically-supported functional claims offered greater opportunities to enhance shareholder value.

The Group reached heads of agreement with The Riddet Centre, a New Zealand based research institute, for a long-term collaboration with the Group having a right of first view of the Riddet pipeline. In addition, a specific Omega-3 heart health technology is currently being assessed, with a view to the Group entering into a joint venture agreement with The Riddet Centre to commercialise it.

We are also in negotiation with both The Institute of Food Research and Seminis Inc. to develop beverages with an active ingredient which is shown to reduce the risk of developing certain types of cancer.

The enlarged group (from the former Provexis Limited product development portfolio) now also benefits from a novel medical food product in development for the dietary management of Crohn's Disease. Crohn's Disease is a chronic, relapsing disease of the intestine which affects 1 in a 1000 people in the UK. Management of the condition is currently restricted to various drug regimes and surgery. The medical food, containing a patented extract from plantain, has successfully completed a pre-clinical phase and enters a human trial later in the year.

The Group has a three year technology acquisition agreement with Plant Bioscience Limited who continue to access their global network of 35 research institutes to find further functional food opportunities.

Financial performance

The Group focused primarily on cash preservation, given the slower than expected trading of Altú food bar and the resource requirements of the new product development strategy. Cash balances of £1,105,689 at the year end were in line with expectations.

The Group incurred losses of £1,824,094, which included a charge of £505,636 related to share options under accounting treatments UITF 17 and UITF 25. Net assets were £509,823 at the year end.

Revenues were £608,667 which included £298,667 of Altú food bar sales, and a further £310,000 paid to the Group by Provexis Limited as part of a cost recovery agreement which reimbursed the Group for product development costs related to the new Sirco™ product.

Outlook

We believe the Group is well positioned to take advantage of the strong growth in functional foods. The quality of the science which will underpin our product claims and the speed with which we are able to develop and launch new products are both, in our view, primary differentiators from the competition.

The major focus for management is the launch and establishment of the Sirco™ heart health product. Discussions with retailers, the development of the marketing and PR strategy, and the development of the required chilled supply chain are all well advanced.

In addition, we will continue to maintain and develop the current distribution base for the Altú Food Bar and ongoing negotiations and technology acquisition discussions with new product development partners will continue, with the intention of building a solid future product pipeline.

Stephen Franklin
Chief Executive Officer

The directors present the annual report and audited financial statements of the Group for the 12 months ended 31 March 2005. The Company was incorporated on 15 April 2004 and successfully floated its shares on the AIM market of the London Stock Exchange on 28 June 2004. In June 2005 it was the subject of a reverse takeover and consequently on 23 June 2005 changed its name to Provexis plc (formerly Nutrinnovator Holdings plc).

Principal activities and Business Review

The principal activities of the Group are the developing and marketing of food and drink products of superior nutritional quality, whilst retaining high quality taste, palatability and consumer appeal.

A more detailed review of the business and future developments is given in the Chairman's statement on page 1 and Management review on pages 2 and 3.

Results and dividends

The results of the Group for the 12 month period are set out on page 11 and show a loss for the year of £1.82m (10 months ended 31 March 2004 – £0.85m). The Directors do not recommend a dividend (10 months ended 31 March 2004 – £Nil).

Directors and their interests

The following Directors have held office during the year and subsequently:

D Buck	Non Executive Chairman	(appointed 23 June 2005)
N C Bain	Non Executive	(appointed 30 April 2004, Chairman until 22 June 2005)
S J Franklin	Executive	(appointed 23 June 2005)
S N Moon	Executive	(appointed 15 April 2004)
J Salisbury	Executive	(appointed 15 April 2004, resigned 29 November 2004)
F L Vigar	Executive	(appointed 30 April 2004, resigned 24 May 2005)
T D Mustard	Non Executive	(appointed 30 April 2004, resigned 24 May 2005)
D C Gardner	Executive	(appointed 18 August 2004, resigned 24 May 2005)

D Buck, N C Bain, S J Franklin and S N Moon will retire at the Annual General Meeting and, being eligible, will each seek election. The interests of the directors in the shares of the Company and options for such shares, were as detailed below both reflecting the year end figures and any subsequent changes. No director has any interest in any other Group company.

T D Mustard was a director of Provexis Nutrition Limited (formerly Nutrinnovator Limited) and was appointed as a director of the Company on 30 April 2004 and resigned on 24 May 2005.

Directors and their interests *(Continued)*

Directors' interests in shares and share options of the Company were as follows:

	Ordinary shares of 2p each			
	Beneficial shares		*Share options*	
	31 March 2005	*1 April 2004*	*31 March 2005*	*1 April 2004*
S N Moon	3,000,000	—	558,810	—
F L Vigar	1,000,000	—	186,270	—
D C Gardner	—	—	335,430	—
N C Bain	—	—	165,150	—
D Buck	—	—	—	—
S J Franklin	—	—	—	—
J Salisbury	—	—	—	—
T D Mustard	—	—	—	—

As at 22 July 2005, there had been the following changes in directors' interests since the year end, in addition to the changes in both their interests in shares and share options as a direct consequence of the capital re-organisation completed on 23 June 2005 (see Note 22):

- N C Bain acquired on 23 June 2005 447,000 new ordinary shares of 1p each.
- D Buck acquired on 23 June 2005 536,000 new ordinary shares of 1p each
- As a result of the reverse takeover of the Company which completed on 23 June 2005, S J Franklin became interested, after the capital re-organisation, in 3,234,129 new ordinary shares of 1p and in 5,871,469 share options.
- On 12 July 2005 S N Moon was granted a further 1,294,153 share options bringing the total number of options held by him to 2,411,773.
- On 12 July 2005 S J Franklin was granted a further 2,379,765 share options bringing the total number of options held by him to 8,251,234.

Directors' share options outstanding at 31 March 2005 were:

				Exercise dates	
	Date of grant	*Number*	*Exercise price*	*From*	*To*
S N Moon	17/06/2004	208,333	2p	2004	2014
	17/06/2004	350,477	2p	2004	2014
F L Vigar	17/06/2004	186,270	2p	2004	2014
D C Gardner	17/06/2004	335,430	48p	2006	2014
N C Bain	17/06/2004	165,150	2p	2005	2014

Directors and their interests *(Continued)*

Not all share options fully comply with the guidelines of the Association of British Insurers.

No Director's options were exercised during the year. The market price of the Company's share at 31 March 2005 was 42.5p and the range during the year was 64.5p to 42.5p. No consideration was payable for the grant of any of the above share options.

Related party transactions

Details of transactions with related parties undertaken by the Group during the year are disclosed in note 21 to the financial statements.

Charitable donations

During the year, the Group made charitable donations totalling £300 (2004 – £100). It is Group policy not to make political donations and no such donations were made during the year (2004 – £Nil).

Substantial shareholdings

As at 22 July 2005 the following interests in 3 per cent or more of the Company's existing ordinary share capital had been reported:

	Number of ordinary shares of 1 penny each	*% of issued ordinary shares of 1 penny each*
Rising Stars Growth Fund	58,959,444	23.62%
Progeny Bioventures Limited	31,969,179	12.81%
ANGLE Technology Limited	29,926,464	11.99%
North West Equity Fund	13,514,990	5.40%
Rowett Research Services Limited	13,167,873	5.28%

Employee involvement and policy

The Directors recognise the need for communication with employees at every level. Copies of the Annual Report and Financial Statements are available to all employees which, together with staff briefings on Group developments, keeps them informed of the Group's progress. The Group is committed to a policy or equal opportunity in matters relating to employment, training and career development of employees and is opposed to any form of less favourable treatment afforded on the grounds of disability, sex, marital status, nationality, race or religion. Full consideration is given to continuing the employment of staff who become disabled and to provide training and career development opportunities to disabled employees.

Payment of suppliers

It is the policy of the Group that each company within the Group should agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard written terms to individually negotiated contracts. Payments are normally made in accordance with these terms and conditions. At 31 March 2005 trade creditors represented for the Group 50 days of purchases (2004 – 109 days) and for the Company 30 days of purchases.

Annual General Meeting

The Annual General Meeting will be held on 23 August 2005. The Notice of the Meeting is set out on page 30. The Notice contains special business in relation to providing the Company with authority to purchase its own shares. Shareholders should complete the Proxy form accompanying this Report in accordance with the notes contained in the Notes of Annual General Meeting.

Auditors

BDO Stoy Hayward LLP were appointed as auditors of the Company on 12 May 2004. A resolution by the Company to appoint BDO Stoy Hayward LLP as auditors will be proposed at the Annual General Meeting.

On behalf of the Board

Stephen Moon
Director

22 July 2005

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the shareholders of Provexis plc

We have audited the financial statements of Provexis plc for the year ended 31 March 2005 on pages 11 to 29 which have been prepared under the accounting policies set out on pages 15 to 17.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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. 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 and other members of the Group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, Management Review, and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 United Kingdom Auditing Standards 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 group'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company at 31 March 2005 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP

Chartered Accountants
and Registered Auditors

London

22 July 2005

Consolidated profit and loss account for the year ended 31 March 2005

	Note	*Year ended 31 March 2005* £	*Ten months ended 31 March 2004* £
Turnover	2	**608,667**	74,878
Cost of sales		**(469,695)**	(52,328)
Gross profit		**138,973**	22,550
Distribution costs		**(30,821)**	(9,575)
Administrative expenses			
Share option costs	3	**(505,636)**	—
Other administrative expenses		**(1,441,158)**	(872,854)
		(1,946,794)	(872,854)
Operating loss	4	**(1,838,642)**	(859,879)
Interest receivable		**34,286**	5,866
Interest payable and similar charges	7	**(19,738)**	(543)
Loss on ordinary activities before and after taxation and transferred from reserves		**(1,824,094)**	(854,556)
Loss per ordinary share			
Basic and diluted, pence	9	**(11.4)**	(6.4)

All amounts relate to continuing activities.

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

The notes on pages 15 to 29 form part of these financial statements.

Consolidated balance sheet at 31 March 2005

	Note	31 March 2005 £	31 March 2005 £	31 March 2004 £	31 March 2004 £
Fixed assets					
Tangible assets	10		**11,455**		17,228
Current assets					
Stocks	12	**47,243**		61,891	
Debtors	13	**288,984**		57,225	
Cash at bank and in hand		**1,105,689**		186,938	
		1,441,916		306,054	
Creditors: amounts falling due within one year					
Convertible debt	14(a)	**(400,000)**		—	
Other	14(a)	**(543,548)**		(215,362)	
		(943,548)		(215,362)	
Net current assets			**498,368**		90,692
Total assets less current liabilities			**509,823**		107,920
Creditors: amounts falling due after more than one year	14(b)		**—**		(129)
Net assets			**509,823**		107,791
Capital and reserves					
Called up share capital	16		**332,184**		265,583
Share premium account	17		**1,335,192**		—
Merger reserve	17		**1,137,616**		777,517
Share option reserve	17		**420,903**		—
Profit and loss account	17		**(2,716,073)**		(935,309)
Shareholders' funds – equity			**509,823**		107,791

The financial statements were approved by the Board on 22 July 2005

Stephen Moon
Director

The notes on pages 15 to 29 form part of these financial statements.

Company balance sheet at 31 March 2005

	Note	*31 March 2005* £	*31 March 2005* £
Fixed assets			
Investments in subsidiary undertakings	11		**265,583**
Current assets			
Debtors	13	**1,801,814**	
Creditors: amounts falling due within one year			
Convertible debt	14(a)	(400,000)	
Net current assets			**1,401,814**
Total assets less current liabilities			**1,667,397**
Creditors: amounts falling due after more than one year			—
Net assets			**1,667,397**
Capital and reserves			
Called up share capital	16		**332,184**
Share premium account	17		**1,335,192**
Share option reserve	17		**420,903**
Profit and loss account	17		**(420,882)**
Shareholders' funds – equity			**1,667,397**

The financial statements were approved by the Board on 22 July 2005

Stephen Moon
Director

The notes on pages 15 to 29 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 March 2005

	Note	*Year ended 31 March 2005* £	*Year ended 31 March 2005* £	*Ten months ended 31 March 2004* £	*Ten months ended 31 March 2004* £
Net cash outflow from operating activities	23		(1,247,519)		(767,645)
Returns on investments and servicing of finance					
Interest received		25,566		5,854	
Interest paid on convertible loan notes		(16,900)		—	
Interest element of finance lease rental payments		(238)		(543)	
			8,428		5,311
Capital expenditure					
Purchase of tangible fixed assets			(2,282)		(15,315)
Cash outflow before use of liquid resources and financing			(1,241,373)		(777,649)
Financing					
Issue of ordinary share capital		2,025,080		1,314,100	
Exercise of share options		1,884		—	
Cost of share issues		(265,071)		(391,000)	
Capital element of finance lease rental payments		(1,769)		(1,671)	
Issue of convertible loan notes		400,000		—	
Cash inflow from financing			2,160,124		921,429
Increase in cash in the year	24		918,751		143,780

The notes on pages 15 to 29 form part of these financial statements.

1. Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. In preparing these financial statements the group has adopted merger accounting as set out in Financial Reporting Standard (FRS) 6 "Acquisitions and Mergers". The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the results of Provexis plc and all of its subsidiary undertakings as at 31 March 2005 using the merger method of accounting.

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The Group profit for the year includes a loss after tax and before dividends of £464,212 which is dealt with in the financial statements of the parent company.

Merger accounting

Provexis plc was incorporated on 15 April 2004 and, following a group reorganisation effected on 12 May 2004, it acquired its interest in Provexis Nutrition Limited in consideration for the issue of shares.

In accordance with the principles of merger accounting as set out in FRS 6 "Acquisitions and Mergers", the group financial statements have been prepared as if Provexis Nutrition Limited had always been a member of the group, with its results being included for the full period in which it has joined the group. The corresponding figures for the previous period include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the Company as consideration as if they had always been in issue. The comparatives for the previous period are for the ten months ended 31 March 2004 as Provexis Nutrition Limited changed its accounting reference date from 31 May to 31 March in that period. The difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to reserves.

Share based employee remuneration

When shares and share options are awarded to employees a charge is made to the profit and loss account based on the difference between the market value of the Company's shares at the date of grant and the option exercise price in accordance with UITF Abstract 17 (Revised 2003) 'Employee Share Schemes'. The credit entry for this charge is taken to the profit and loss reserve and reported in the reconciliation of movements in shareholders' funds.

National Insurance on Share Options

To the extent that the share price at the balance sheet date is greater than the exercise price on options granted after 19 May 2002, provision for any National Insurance contribution has been made based on the prevailing rate of National Insurance. The provision is accrued over the performance period attaching to the award.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

1. Accounting policies *(Continued)*

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Plant, machinery and vehicles	—	33 per cent. per annum
Fixtures, fittings and equipment	—	33 per cent. per annum

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

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.

Pension costs

Contributions to the money purchase pension scheme are charged to the profit and loss account in the period in which they become payable.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

1. Accounting policies *(Continued)*

Financial instruments

In relation to the disclosures made in Note 14:

- short term debtors and creditors are not treated as financial assets or financial liabilities except for the currency disclosures;
- the group does not hold or issue derivative financial instruments for trading purposes;
- in the group's current situation, hedging for interest rate risk is not considered appropriate; and
- short-term liquidity risk is managed by obtaining and reviewing the adequacy of banking facilities on a regular basis. Operations and working capital requirements are financed principally through the Group's cash balances. However the Board constantly monitors the financial markets to ensure this policy remains in the Group's interest.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as short term deposits.

2. Turnover

Turnover, net assets and results are wholly attributable to the principal activity of the Company and arise solely within the United Kingdom.

3. Share option costs

	Year ended 31 March 2005 £	*Ten months ended 31 March 2004 £*
UITF 17 charge in respect of share options granted at below market price	**464,233**	—
UITF 25 charge in respect of employer's national insurance on option benefit	**41,403**	—
	505,636	—

4. Operating loss

	Year ended 31 March 2005 £	*Ten months ended 31 March 2004* £
This is arrived at after charging:		
Depreciation	**8,056**	4,480
Hire of assets – operating leases	**22,956**	19,130
Group auditors' remuneration – audit services	**15,000**	8,000
– non-audit services	**6,000**	5,750

Included in the Group audit fee is an amount of £11,000 (period ended 31 March 2004 – £Nil) in respect of the Company. During the year non-audit services of £86,375 (period ended 31 March 2004 – £Nil) have been set off against the share premium account.

5. Employees

	Year ended 31 March 2005 £	*Ten months ended 31 March 2004* £
Staff costs for all employees, including executive directors, consist of:		
Wages and salaries	**406,881**	177,802
Social security costs	**49,099**	20,590
Pension costs	**16,008**	—
	471,988	198,392

The average number of employees, including directors, during the year was 5 (period ended 31 March 2004 – 5).

6. Directors' remuneration

	Year ended 31 March 2005 £	*Ten months ended 31 March 2004 £*
Directors' remuneration consists of:		
Emoluments	**295,841**	117,802
Compensation for loss of office	**—**	15,000
Company contributions to money purchase pension schemes	**11,250**	—
	307,091	132,802

During the year the Company paid contributions to personal pension plans of three of the directors' (period ended 31 March 2004 – None).

The emoluments of the individual directors were as follows:

	Basic salary £'000	*Fees £'000*	*Benefits in kind £'000*	*Total emoluments 2005 £'000*	*Total emoluments 2004 £000*	*Pension contributions 2005 £'000*	*Pension contributions 2004 £'000*
Executive:							
S N Moon	**105**	**—**	**—**	**105**	31	**5**	—
F L Vigar	**75**	**—**	**1**	**76**	33	**4**	—
J Salisbury	**37**	**—**	**—**	**37**	48	**—**	—
R J Edwards	**—**	**—**	**—**	**—**	21	**—**	—
D C Gardner	**50**	**—**	**1**	**51**	—	**2**	—
Non-executive:							
N C Bain	**—**	**15**	**—**	**15**	—	**—**	—
T D Mustard	**—**	**12**	**—**	**12**	—	**—**	—
	267	**27**	**2**	**296**	133	**11**	—

The pension contributions in the year ended 31 March 2005 were in respect of contributions paid to the executive directors' personal pension plans.

7. Interest payable and similar charges

	Year ended 31 March 2005 £	*Ten months ended 31 March 2004 £*
Interest on convertible loan notes	**19,500**	—
Interest on finance leases	**238**	543
	19,738	543

8. Taxation on loss on ordinary activities

	Year ended 31 March 2005 £	*Ten months ended 31 March 2004 £*
Current tax		
UK corporation tax on loss of the year	**—**	—

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 March 2005 £	*Ten months ended 31 March 2004 £*
Loss on ordinary activities before tax	**(1,824,094)**	(854,556)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (period ended 31 March 2004 — 30%)	**(547,228)**	(256,367)
Effects of:		
Expenses not deductible for tax purposes	**3,512**	24,367
Capital allowances for year in deficit of depreciation	**389**	(1,326)
Losses created in the year	**386,834**	233,326
Short term timing differences	**156,493**	—
Current tax charge for year	**—**	—

The group has tax losses carried forward of £2,056,182 subject to Inland Revenue approval (period ended 31 March 2004 – £860,453) and has not recognised a deferred tax asset of £616,855 (period ended 31 March 2004 – £258,136) as it is prudent to assume that it will not make sufficient profits in the short term to absorb these amounts.

9. Loss per ordinary share

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue is 16,032,030 (period ended 31 March 2004 – 13,279,150) and the loss after taxation is £1,824,094 (period ended 31 March 2004 – £854,556).

There are no potentially dilutive shares in issue.

10. Tangible assets

	Plant, machinery and vehicles £	*Fixtures fittings and equipment* £	*Total* £
Group			
Cost			
At 1 April 2004	15,315	6,938	22,253
Additions	—	2,283	2,283
At 31 March 2005	**15,315**	**9,221**	**24,536**
Depreciation			
At 1 April 2004	2,553	2,472	5,025
Provided for the year	5,104	2,952	8,056
At 31 March 2005	**7,657**	**5,424**	**13,081**
Net book value			
At 31 March 2005	**7,658**	**3,797**	**11,455**
At 31 March 2004	12,762	4,466	17,228

The net book value of tangible fixed assets includes an amount of £1,446 (period ended 31 March 2004 – £2,910) in respect of assets held under finance leases. The related depreciation charge for the year was £1,464 (period ended 31 March 2004 – £1,220).

11. Investments in subsidiary undertakings

	£
Company	
Cost	
At 1 April 2004	—
Additions	265,583
At 31 March 2005	**265,583**
Provisions for impairment	
At 1 April 2004 and 31 March 2005	**—**
Net book value	
At 31 March 2005	**265,583**
At 31 March 2004	—

At 31 March 2005 the Company had the following subsidiary undertakings:

Name of undertaking	*Principal activity*
Provexis Nutrition Limited	Food and drink producer
Altucea Limited	Food and drink producer

The Group's interests in the ordinary share capital of the above are all held directly by Provexis plc, and all are wholly owned except for Altucea Limited in which the Group has a 94 per cent. interest. All of the above operate in the United Kingdom and are registered in England and Wales.

12. Stocks

	31 March 2005 £	*31 March 2004* £
Group		
Raw materials	**25,101**	33,832
Goods for resale	**22,142**	28,059
	47,243	61,891

There is no material difference between the replacement cost of stocks and the amounts stated above.

13. Debtors

	Group 31 March 2005 £	*Group 31 March 2004 £*	*Company 31 March 2005 £*
Trade debtors	**140,711**	27,631	**—**
Amounts due from subsidiary undertakings	**—**	—	**1,680,814**
Other debtors	**1,994**	27,563	**—**
Prepayments and accrued income	**146,279**	2,031	**121,000**
	288,984	57,225	**1,801,814**

All amounts fall due for payment within one year.

14. Creditors

	Group 31 March 2005 £	*Group 31 March 2004 £*	*Company 31 March 2005 £*
(a) Amounts falling due within one year			
Convertible debt:			
Convertible Secured Loan Notes 2005	**400,000**	—	**400,000**
Other:			
Trade creditors	**271,139**	145,190	**—**
Taxation and social security	**84,328**	4,411	**—**
Obligations under finance leases	**622**	2,262	**—**
Accruals	**187,459**	63,499	**—**
	543,548	215,362	**—**

The Convertible Secured Loan Notes 2005 were secured against the assets of Provexis Nutrition Limited by virtue of a second fixed and floating charge. Further details on conversion rights are disclosed in Note 16.

	Group 31 March 2005 £	*Group 31 March 2004 £*
(b) Amounts falling due after more than one year		
Obligations under finance leases – in more than one year but not more than two years	**—**	129

15. Financial instruments

An explanation of the objectives and policies for holding and issuing financial instruments and the strategies for achieving these objectives are given in Note 1.

(a) Interest rate and currency of borrowings

As at 31 March 2005

	Total £	*Fixed rate borrowings* £	*Interest rate* %
Currency			
Sterling	**400,000**	**400,000**	**6.5%**

The fixed rate borrowing as at 31 March 2005 comprises the convertible secured loan notes due December 2005.

There were no amounts to be disclosed on interest rate and currency of borrowings as at 31 March 2004.

The fair value of the financial instruments is not materially different to the book value of those instruments.

(b) Interest rate and currency of cash balances

Floating rate financial assets of £1,105,689 (period ended 31 March 2004 – £186,938) comprise sterling bank cash deposits.

The fair value of the financial instruments is not materially different to the book value of those instruments.

16. Share capital

	31 March 2005 Number	*31 March 2004 Number*	*31 March 2005 £*	*31 March 2004 £*
Group				
Authorised				
Ordinary shares of 2p each	**26,000,000**	26,000,000	**520,000**	520,000

	31 March 2005 Number	*31 March 2004 Number*	*31 March 2005 £*	*31 March 2004 £*
Allotted, called up and fully paid				
Ordinary shares of 2p each	**16,609,194**	13,279,150	**332,184**	265,583

16. Share capital *(continued)*

	Ordinary shares of 2p each	
	Number	*£*
Company		
In issue at 15 April 2004	13,279,150	265,583
Issued	3,235,849	64,717
Exercise of share options	94,195	1,884
In issue at 31 March 2005	**16,609,194**	**332,184**

On 12 May 2004, the Company acquired the entire issued share capital of Provexis Nutrition Limited in exchange for the issue of 13,279,150 ordinary shares of 2p each in the Company and the crediting as fully paid up of the unpaid share capital.

On 28 June 2004 3,141,511 ordinary shares of 2p each were issued for cash consideration of £1,665,000 under the placing effected at the time of the Company's admission to AIM.

On 28 June 2004 94,338 ordinary shares of 2p each were issued to Oriel Securities at a premium of £48,112 as consideration for part of its services under the placing agreement relating to the placing effected at that time.

On 22 July 2004 40,372 ordinary shares of 2p each were issued for cash consideration of £807 pursuant to the exercising of investors' share options.

On 4 August 2004 53,823 ordinary shares of 2p each were issued for cash consideration of £1,076 pursuant to the exercising of investors' share options.

At 31 March 2005 the following share options were outstanding in respect of the ordinary shares:

Date of grant	*Number of shares*	*Period of option*	*Exercise price per share*
Senior Executive Share Option Scheme			
17 June 2004	745,080	17/06/2004 – 16/06/2014	2p
17 June 2004	649,895	17/06/2006 – 16/06/2014	48p
17 June 2004	165,150	17/06/2005 – 16/06/2014	2p
Investors Share Option			
21 June 2004	94,233	21/06/2004 – 20/06/2014	2p

Convertible Secured Loan Notes 2005

Based on the conversion price of 53p, the £400,000 Convertible Secured Loan Stock 2005 would be converted into 754,717 ordinary shares. The loan notes were convertible at the option of the holder at every six monthly interval after 28 June 2004 into ordinary shares, and were fully repayable on 28 December 2005. Further to the successful completion of the Company's acquisition of Provexis Limited the loan notes were converted into new equity in the Company on 23 June 2005 (see Note 22).

17. Reserves

	Share premium account £	*Merger reserve* £	*Share option reserve* £	*Profit and loss account* £
Group				
At 1 April 2004	—	777,517	—	(935,309)
Premium on share issue	1,650,263	—	—	—
Share issue costs	(315,071)	—	—	—
Shares issued by Provexis Nutrition Limited prior to group reconstruction	—	360,099	—	—
Loss for the year	—	—	—	(1,824,094)
Share options granted	—	—	464,233	—
Reserve transfer on share options exercised	—	—	(43,330)	43,330
At 31 March 2005	**1,335,192**	**1,137,616**	**420,903**	**(2,716,073)**

The merger reserve as at 1 April 2004 of £777,517 is the difference between the £265,583 nominal value of the shares issued by Provexis plc on the share for share exchange (see Note 16) and the total of the share capital of Provexis Nutrition Limited of £274,600 and the associated share premium of £768,500 as at 1 April 2004.

	Share premium account £	*Share option reserve* £	*Profit and loss account* £
Company			
At 14 April 2004	—	—	—
Premium on share issue	1,650,263	—	—
Share issue costs	(315,071)	—	—
Loss for the year	—	—	(464,212)
Share options granted	—	464,233	—
Reserve transfer on share options exercised	—	(43,330)	43,330
At 31 March 2005	**1,335,192**	**420,903**	**(420,882)**

18. Reconciliation of movements in shareholders' funds

	Group Year ended 31 March 2005 £	*Company Year ended 31 March 2005 £*
Loss for the year	(1,824,094)	(464,212)
Issue of shares (net proceeds)	1,761,892	1,667,375
Share option reserve	464,233	464,233
	402,032	1,667,396
Opening shareholders' funds	107,791	—
Closing shareholders' funds	509,823	1,667,396

19. Acquisition of Provexis Nutrition Limited (formerly Nutrinnovator Limited)

On 12 May 2004 the Company acquired a 100 per cent. interest in the shares of Provexis Nutrition Limited (formerly Nutrinnovator Limited). Consideration of £265,583 was paid via a share exchange (50 : 1).

20. Pensions

The Company is accruing pension contributions at 5 per cent. of basic salaries for all salaried employees. No scheme has yet been set up and £16,008 has been accrued as at 31 March 2005 and is included in accruals (period ended 31 March 2004 – £Nil).

21. Related party transactions

T D Mustard was a director of Provexis Nutrition Limited (formerly Nutrinnovator Limited) and was appointed as a director of the Company on 30 April 2004 and resigned on 24 May 2005.

Thornton Mustard is a director and shareholder of The Marketing Clinic Limited. Services of £36,000 (period ended 31 March 2004 – £47,000) were provided by The Marketing Clinic to Provexis Nutrition Limited, on an arm's length basis on normal trading terms during the year. There was no amount due to The Marketing Clinic Limited at the year end (period ended 31 March 2004 – £12,975).

22. Post balance sheet event

On 23 June 2005 the Company announced the successful completion of its proposals in connection with the acquisition of Provexis Limited, a private nutraceutical company which develops scientifically proven and proprietary functional foods, supplements and medical foods.

Under these proposals, a capital reorganisation was effected so that every one ordinary share of 2 pence was sub-divided into 2 new ordinary shares of 1p each, and £3.8m (before expenses) was raised via a placing at 5.6p per new ordinary share, and £2.1m of existing and new loans were converted into new equity at the placing price. The whole of the issued share capital of Provexis Limited was acquired for a consideration of 111,658,555 new ordinary shares at the placing price and the Company's name was changed to Provexis plc.

23. Reconciliation of operating loss to net cash inflow from operating activities

	Year ended 31 March 2005 £	*Ten months ended 31 March 2004 £*
Operating loss	**(1,838,642)**	(859,879)
Depreciation	**8,057**	4,480
UITF 17 charge	**464,233**	—
Increase in stocks	**14,648**	(61,891)
Increase in debtors	**(223,040)**	(45,871)
Increase in creditors	**327,225**	195,516
Net cash outflow from operating activities	**(1,247,519)**	(767,645)

24. Reconciliation of net cash flow to movement in net funds

	Year ended 31 March 2005 £	*Ten months ended 31 March 2004* £
Increase in cash in the year	**918,751**	143,780
Cash (inflow)/outflow from increase in debt	**(398,231)**	1,671
Change in net funds resulting from cash flows	**520,520**	145,451
New finance leases	**—**	(1,249)
Movement in net funds in the year	**520,520**	144,202
Opening net funds	**184,547**	40,345
Closing net funds	**705,067**	184,547

25. Analysis of net funds

	At 1 April 2004 £	*Cash flow* £	*At 31 March 2005* £
Cash at bank and in hand	186,938	**918,751**	**1,105,689**
		918,751	
Obligations under finance leases	(2,391)	**1,769**	**622**
Convertible loan notes	—	**(400,000)**	**(400,000)**
		(398,231)	
Total	184,547	520,520	705,067

Notice is hereby given that the first Annual General Meeting of Provexis plc (the "Company") will be held at the offices of Pinsent Masons, Dashwood House, 69 Old Broad Street, London EC2M 1NR at 10.00 a.m. on 23 August 2005 for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions numbered 1 to 6 inclusive will be proposed as ordinary resolutions and the resolution numbered 7 will be proposed as a special resolution:

Ordinary Business

1. To receive and adopt the annual financial statements for the year ended 31 March 2005 and the reports of the directors and auditors thereon.
2. To appoint BDO Stoy Hayward LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company, and to authorise the directors to agree their remuneration.
3. To elect as a director Stephen Franklin in accordance with the Articles of Association of the Company.
4. To elect as a non-executive director Dawson Buck in accordance with the Articles of Association of the Company.
5. To elect as a non-executive director Neville Bain in accordance with the Articles of Association of the Company.
6. To elect as a director Stephen Moon in accordance with the Articles of Association of the Company.

Special Business

7. THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 1p each in the capital of the Company (ordinary shares) provided that:
   (i) the maximum number of ordinary shares that may be purchased is 24,962,832;
   (ii) the minimum price that may be paid for an ordinary share is 1p;
   (iii) the maximum price that may be paid for an ordinary share is an amount equal to 105 per cent. of the average of the middle-market prices shown in the quotation for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;
   (iv) the authority conferred by this resolution shall, unless renewed, expire at the conclusion of the Annual General Meeting of the Company next occurring after the date of adoption of this resolution or 15 months from the date on which this resolution is passed; and
   (v) the Company may enter into a contract to purchase its ordinary shares under this authority at any time prior to its expiry, which contract will or may be completed wholly or partly after such expiry, and may purchase its ordinary shares in pursuance of any such contract.

Registered Office:
10 Williams House
Manchester Science Park
Lloyd Street North
Manchester
M15 6SE

By order of the Board
Andrew Smithson
Company Secretary

Dated: 22 July 2005

A member entitled to attend and vote may appoint another person, who need not be a member, to attend and vote as his proxy. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting in person. A Form of Proxy is included with this Notice and instructions for use are given on the form.

To be valid, a Form of Proxy and, if applicable any authority under which it is signed, or a certified copy of such authority, must be lodged at the office of the registrars of the Company, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL not later than 48 hours before the time appointed for holding the meeting. Completion and return of the Form of Proxy will not prevent a member from attending and voting at the meeting should he so wish.

A member is not entitled to attend and vote at the meeting (whether in person or by proxy) unless his name is entered in the register of members 48 hours before the date of the meeting.

The Company, pursuant to the Uncertificated Securities Regulation 2001, has specified that only holders of ordinary shares registered in the register of members of the Company as at 10.00 a.m. on 21 August 2005 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 10.00 a.m. on 21 August 2005 shall be disregarded in determining the right of any person at attend and vote at the meeting.

Copies of the directors' service contracts will be available during the meeting and for a period of 30 minutes prior to the meeting.

Explanatory notes concerning the resolutions are set out below:

Resolution 1 – Annual financial statements

The directors are obliged to lay the annual financial statements before the Company in general meeting.

Resolution 2 – Appointment of auditors

The Company is required to appoint auditors at each Annual General Meeting at which accounts are laid. This resolution proposes the appointment of BDO Stoy Hayward LLP as auditors and authorises the directors to agree their remuneration.

Resolutions 3, 4, 5 and 6 – Election of directors

Under the provisions of the Company's Articles of Association, any director who has been appointed by the Board to be a director, either to fill a vacancy or as an addition to the existing board, shall hold office only until the next annual general meeting and shall then be eligible for election. Stephen Franklin, Dawson Buck, Neville Bain and Stephen Moon retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for election.

Separate resolutions will be proposed for each of these elections.

Resolution 7 – Authority to purchase own shares

The Companies Act 1985 permits a company to purchase its own shares provided the purchase has been authorised by the Company in general meeting. To provide the directors with flexibility for the forthcoming year this authority is being sought at the Annual General Meeting.

Resolution 7 is a special resolution which, if passed, would give the Company the authority to purchase its own issued ordinary shares at a price of not less than one pence per share and not more than 5 per cent. above the average of the middle market quotations of the Company's shares as shown in the London Stock Exchange Daily Official List for the five dealing days before the purchase is made. The authority would be to purchase a maximum of 10 per cent. of the Company's issued share capital as at 22 July 2005 and would expire at the end of the next Annual General Meeting or fifteen months from the date of the resolution, whichever is the earlier.

The directors would not make purchases unless they believed that the purchase was generally in the best interests of the shareholders and unless (except in the case of purchases intended to satisfy obligations under share schemes) the expected effect of the purchase would be to increase earnings per share of the remaining shares. The directors have no present intention of making such purchases.

Millnet Financial (7166-01)

Provexis plc

Form of Proxy

For use by shareholders in connection with the Annual General Meeting of the Company to be held on 23 August 2005

I/We ____

(Block capitals)

Of (address) ____

being a member/members of Provexis plc, hereby appoint the Chairman of the meeting/or

______________________ of ______________________

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 23 August 2005 and at any adjournment thereof, and I/we direct him/her to vote as follows in respect of the following resolutions to be proposed at the meeting:

Ordinary business	**For***	**Against***
Resolution 1 Receive and adopt the annual financial statements for the year ended 31 March 2005 and the Reports of the directors and auditors thereon.		
Resolution 2 Appoint BDO Stoy Hayward LLP as auditors of the Company and to authorise the directors to agree their remuneration.		
Resolution 3 Elect Stephen Franklin as director.		
Resolution 4 Elect Dawson Buck as non-executive director.		
Resolution 5 Elect Neville Bain as non-executive director.		
Resolution 6 Elect Stephen Moon as director.		
Special business	**For***	**Against***
Resolution 7 Authorise the directors to purchase shares of the Company in the market up to a maximum of 24,962,832 ordinary shares.		

Signature ______________________ Dated ______________

* Please indicate by inserting X how you wish your vote to be cast on the resolutions.

Notes to the Form of Proxy

1. A member is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. If you wish to appoint a proxy other than the Chairman of the meeting delete the words “the Chairman of the meeting” and insert the name and address of the person you wish to appoint as your proxy in the space provided. A proxy, who need not be a member of the Company, must attend in person to represent you. Any alteration to the form of proxy should be initialled.
2. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, requires that shareholders registered in the register of members of the Company as at 10.00 a.m. on 21 August 2005 shall be entitled to attend and vote, whether in person or by proxy, at the Annual General Meeting, in respect of the number of ordinary shares of 1 pence each in the capital of the Company registered in their name at that time. Changes to entries in the register of members after 10.00 a.m. on 21 August 2005 shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.
3. To be effective, this form must be lodged with Lloyds TBS Registrars at The Causeway, Worthing, West Sussex BN99 6ZL, duly completed and signed, with the power of attorney or other authority (if any) under which it is signed, or a copy of such authority certified notarially, not later than 10.00 a.m. on 21 August 2005.
4. This form must be executed by the appointor or his duly authorised attorney in writing. In the case of joint holders any one may sign this proxy, but the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names stand in the register.
5. In the case of a corporation, this form should be executed either under its common seal or under the hand of an officer or attorney or other person so authorised.
6. Use of this form does not preclude a member from attending the meeting and voting in person should he so wish.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. SEA 10846

1

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6ZL

FIRST FOLD

THIRD FOLD AND TUCK IN