PROVEXIS PLC

INTERIM REPORT 2006

Corporate statement

Provexis PLC is a nutraceutical company that develops scientifically-proven functional and medical foods.

Provexis Limited was founded in 1999 to commercialise specific intellectual property and technology (now known as Fruitflow®) developed at the Rowett Research Institute in Aberdeen, UK. The Company remained a technology development business until 2005, at which point it merged with Nutrinnovator Holdings PLC to form Provexis PLC.

The combined entity is now unique with regard to the combination of our scientific and commercial talent which means that we can take innovations from laboratory to market in rapid time frames.

Financial highlights

- Revenues of £428,000, in-line with expectations (2005: £128,000)
- Adjusted loss before interest, goodwill amortisation, share compensation expense and tax of £1,374,000 (2005: loss of £959,000)
- Cash balance £1,007,000 (2005: £3,798,000)

Operational highlights

- Sirco® heart health juice brand now distributed in four major UK supermarket chains, 1,100 outlets in total
- Single-serve 250ml Sirco® pack launched on schedule, now in 150 Holland & Barrett and 250 Julian Graves stores, plus a further 300 independent health food stores
- Exclusivity Agreement signed with major global branded food business for joint development of an advanced format of the Fruitflow® heart health technology
- Fruitflow® projects underway with two major international brand owners for juice drinks and Deep Vein Thrombosis applications
- Global scientific endorsement for clinical efficacy of Fruitflow® from the highest-ranked peer-review journal in the nutrition field, The American Journal of Clinical Nutrition
- Management restructuring – Stephen Moon, formerly Commercial Director of Provexis, appointed Chief Executive
- Working capital – the Company has the support of key existing investors and is working with these parties and potential new investors to raise further working capital

Chairman's statement

I am pleased that the Company continues to make strong progress in its development, achieving milestones which we anticipate will unlock major global commercial opportunities. We expect both significant Fruitflow® licence revenues and Sirco® moving into profitability during 2007 and we are currently in discussions to secure the working capital required to bridge the intervening period.

The distribution of our Sirco® heart health brand has steadily increased since its launch in January 2006 and is now on sale in 1,800 retail outlets in the UK. I am pleased with the continued progress that we are making in the strongly growing chilled juice category and am delighted that our rate of sale is competitive with several established brands owned by major juice companies.

Sirco® is strategically important to Provexis as a demonstrable example of the Fruitflow® technology in action and has enabled us to enter into licensing projects with major international brand owners. The progress we are making towards moving the brand into a contribution-positive position will allow management to assess longer-term options for this asset.

We received a major endorsement of the clinical efficacy of Fruitflow® from the highest ranked peer-reviewed journal in the nutrition field, The American Journal of Clinical Nutrition. This is another important milestone and has had a positive impact on our marketing campaign for Sirco® by establishing strong credibility in the medical and scientific communities, with resultant national and specialist press coverage.

The Company's key business driver is the development of the Fruitflow® technology and in addition to underpinning the Sirco® brand, the management team believes that this patented and scientifically proven technology can be applied over a broad range of functional food formats, and in the longer-term can facilitate entry into the dietary supplement and medical sectors. We have therefore been concentrating our efforts and investment in this area. I am pleased that we have signed an exclusivity agreement with a major international brand owner and expect to move to a full licence agreement as we deliver key milestones in the project. We are also in dialogue with other major international brand owners regarding products in the areas of juice drinks and Deep Vein Thrombosis ("DVT").

During the period we undertook a management restructure. I was delighted to appoint Stephen Moon, formerly our Commercial Director, to the role of Chief Executive Officer. Stephen Moon has been central to the strategic development of the Company, identifying and implementing revenue generating opportunities and I believe his skills are ideally suited to this phase of the Company's development. Stephen Franklin stepped down as Chief Executive Officer and he continues to support the development of the Company as Head of Research and Development.

The functional food sector continues to grow strongly in all major markets worldwide and I believe that Provexis is well positioned to capitalise on these global opportunities. Subject to securing the necessary funding, we look forward to making yet further progress during the next year.

DAWSON BUCK
Chairman

Management review

MANAGEMENT REVIEW

The Provexis business model is to develop functional and medical food products from natural extracts and compounds, to develop health claims for the products with clinical support, and to secure the Intellectual Property ("IP") rights for those technologies. The products are commercialised via a combination of new brand development and licensing to major food brand owners and healthcare companies.

During the six months to 30 September 2006 we have continued to make progress with our commercial strategy. We have extended distribution of our Sirco® heart health juice into four of the five largest multiple grocers, with 1,100 outlets in total. We have also launched a single-serve pack in 700 high street and independent health outlets. Management is on track to move the brand into a contribution-positive state during 2007, and this will provide the maximum strategic flexibility for the future including the options of further profitable growth or the potential divestment of this asset.

Significant progress has been made in partnering with global brand owners with our Fruitflow® technology, and we are engaged with a significant international brand owner in a major co-development project, as well as being in discussion with two major global brand owners regarding potential international launches in the juice and DVT categories. In addition to this core activity we have continued to extend Fruitflow® claim areas and have made progress in the development of our patented technology for the treatment of Crohn's Disease.

As a result of the planned investment in our brand and technologies, together with the extended timelines for the co-development of the new Fruitflow® format, we have depleted our working capital reserves. The Company believes it is reasonable to expect significant licence-related revenues in the late summer of 2007, however further working capital is required to bridge the intervening period.

The Company has the support of key existing shareholders and at present the Directors are in discussion with these parties and potential new investors to secure funds to meet this requirement.

FINANCIAL REVIEW

Total turnover for the six months ended 30 September 2006 was £428,000 (2005: £128,000).

Administration expenses for the period ended 30 September 2006 were £1,879,000. This comprised of £754,000 of marketing and selling expenses in connection with the Sirco® brand, £206,000 of research and development costs in relation to Fruitflow® development, £615,000 of central overheads and £304,000 of non cash expense comprising goodwill amortisation of £242,000 and share option compensation expense of £62,000 (2005: £1,567,000 comprising sales and marketing £251,000, research and development £147,000, central overheads, £576,000 and non cash expense of £593,000 comprising goodwill amortisation £120,000 and share compensation expense of £473,000).

Operating loss before interest, taxation, share option expense and amortisation of goodwill for the period ended 30 September 2006 totalled £1,374,000 (2005: £959,000).

Cash at bank as at 30 September 2006 was £1,007,000 (£3,798,000 as at 30 September 2005).

While the Company secured a £3 million Standby Equity Distribution Agreement with a capital provider during the period, this facility has not been utilised due to low trading volumes, and management will review the ongoing need for this facility after new working capital facilities have been secured.

Management review continued

SIRCO® HEART HEALTH JUICE

The Company's Sirco® heart health juice brand, the first to address platelet aggregation (the cause of blood clots which can cause heart attack, stroke and DVT) was launched in January 2006.

During the six months ended 30 September 2006 we extended major multiple grocer distribution of Sirco®, securing a listing in 235 Morrisons outlets, in addition to the existing 600 Tesco and Waitrose supermarkets. We also launched the 250ml single-serve pack during the summer with distribution secured in 150 Holland & Barrett high street outlets, together with 300 independent health food stores. Following the period end we secured a distribution agreement with Asda, bringing the total major multiple distribution base to 1,100 outlets. In November 2006 we also secured 250 Julian Graves high street stores, bringing total distribution to 1,800 outlets.

We have made substantial investment in advertising and marketing throughout the period, with our press advertising having been seen at least eight times by an estimated ten million target consumers. In addition, we have continued to market to medical professionals both directly and through medical conferences. We have also invested substantially at store-level, with price promotions taking place in all major retailers, together with sampling and other educational campaigns. Sirco® has performed well in rate of sale terms against other heart health juice and dairy products, as well as broader health-focused juice brands.

Sales were in line with expectations in the period. During 2007 we intend to move the brand into a contribution-positive state and are making good progress towards this. This will provide the Company with the broadest range of strategic options for the future, including profitable growth of the brand, or a divestment.

FRUITFLOW® – LICENSING AND DEVELOPMENT OF THE TECHNOLOGY

The Company is implementing a global licensing strategy for the Fruitflow® technology, initially targeting food and beverage and DVT sectors, with a longer-term strategy of targeting broader market opportunities including the dietary supplement, over-the-counter ("OTC") and medical sectors.

A significant milestone during the period was securing a major international scientific endorsement of Fruitflow® and the supporting science, via the publication of two peer-review publications in the world's highest ranked journal in the field of nutrition, The American Journal of Clinical Nutrition.

During the period, the European Union introduced new legislation to govern health claims. We have made significant progress in meeting this new legislation and furnishing the supporting data and as such believe that Fruitflow® is in a strong position. Equally, our Generally Regarded as Safe ("GRAS") submission to the Federal Drug Authority for the US market is now well into the approval process and we hope to have clearance early in 2007.

During the six month period to 30 September 2006 we signed a twelve month Exclusivity Agreement with a major global branded food business for the joint development of a new concentrated format of Fruitflow® for use in a broader range of food and beverage applications, in addition to exclusive rights to our patented Fruitflow® technology worldwide in a range of food and beverage formats. In 2007 we will collaborate on efficacy trials specific to our partner's product formats and when we have achieved these important milestones, we expect to move to a full Licence Agreement. Success in this project, in addition to leading to significant licence revenues in its own right, will provide the platform for Fruitflow® to enter into broader healthcare sectors including dietary supplements, OTC and medical products.

We are working with a major international beverage brand owner to assess the feasibility of the launch of a Fruitflow® containing juice product, and work is accelerating on this project.

We have identified a Fruitflow® mode of action for the reduction of risk of DVT and have subsequently filed international patents in this application area. Our scientists are developing the scientific substantiation for this application and this programme will accelerate in 2007. We have commenced a co-development project with a major global food brand owner for a product to be distributed via airline catering channels and during 2007 we will focus on developing the product, in addition to commencing a substantial clinical trial programme.

NEW PRODUCT DEVELOPMENT

While the emphasis is firmly on the development of Fruitflow®, given the advanced nature of the technology and its potential for revenue generation, we have continued to progress the development of the patented plantain extract for the treatment of Crohn's Disease and potential broader application in the treatment of Inflammatory Bowel Disease. We have developed in conjunction with our partner (a leading medical food company) a product format for use in forthcoming clinical trials. It is expected that these trials will commence in January 2007 in two medical centres in the North West of England. This patented technology is an important element in underpinning our pipeline.

Our relationship with a leading UK technology transfer company, Plant Bioscience Limited, continues and we are exploring routes to more fully realise the value in their relationship with the Institute of Food Research, the developers of a high-glucosinolate broccoli strain with scientifically-proven cancer risk reduction properties.

OUTLOOK

In summary, the Company continues to make good progress. Sales and distribution of Sirco® are on track and we hope to further extend distribution early in 2007. We have a number of licensing and co-development activities in place with major international corporations, and we expect to begin to generate revenues from this area in 2007. The functional food market is worth $73 billion globally and is growing at twice the rate of the conventional food and beverage market, and we believe that technologies with strong claims and in-depth scientific proof, such as our Fruitflow® brand, will be successful in the sector.

STEPHEN MOON
Chief Executive Officer

Consolidated profit and loss account

for the six months ended 30 September 2006

		Six months ended 30 September 2006 (unaudited)		
	Note	Continuing £	Discontinued £	Total £
Turnover		428,277	—	428,277
Cost of sales		(194,746)	—	(194,746)
Gross profit		233,531	—	233,531
Distribution costs		(33,513)	—	(33,513)
Administrative expenses				
Share option costs		(62,099)	—	(62,099)
Re-organisation costs		—	—	—
Other administrative expenses		(1,816,450)	—	(1,816,450)
		(1,878,549)	—	(1,878,549)
Operating loss		(1,678,531)	—	(1,678,531)
Provision for loss on disposal of discontinued operations				
Loss on ordinary activities before interest		(1,678,531)	—	(1,678,531)
Interest receivable				23,223
Interest payable and similar charges				(90,000)
Loss on ordinary activities before and after taxation	4			(1,745,308)
Loss for the period				(1,745,308)
Loss per ordinary share				
Basic and diluted	5			(1.0)p

Discontinued activities relate to the Altú food bar business.

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

Six months ended 30 September 2005 (unaudited)			Year ended 31 March 2006 (unaudited)		
Continuing £	Discontinued £	Total £	Continuing £	Discontinued £	Total £
—	127,688	127,688	139,972	127,688	267,660
—	(100,091)	(100,091)	(75,707)	(100,091)	(175,798)
—	27,956	27,956	64,265	27,597	91,862
—	(14,299)	(14,299)	(10,968)	(14,299)	(25,267)
(473,311)	—	(473,311)	(522,593)	—	(522,593)
(119,850)	—	(119,850)	(119,850)	—	(119,850)
(821,085)	(152,545)	(973,630)	(2,824,386)	(152,545)	(2,976,931)
(1,414,246)	(152,545)	(1,566,791)	(3,466,829)	(152,545)	(3,619,374)
(1,414,246)	(139,248)	(1,553,494)	(3,413,532)	(139,247)	(3,552,779)
	(33,676)	(33,676)		(32,756)	(32,756)
(1,414,246)	(172,924)	(1,587,170)	(3,413,532)	(172,003)	(3,585,535)
		52,020			113,918
		(6,500)			(6,500)
		(1,541,650)			(3,478,117)
		(1,541,650)			(3,478,117)
		(1.0)p			(2.0)p

Consolidated balance sheet

as at 30 September 2006

	Note	As at 30 September 2006 (unaudited) £	As at 30 September 2005 (unaudited) £	As at 31 March 2006 (unaudited) £
Fixed assets				
Intangible assets		**6,659,837**	7,144,189	6,902,013
Tangible assets		**15,846**	9,399	16,517
		6,675,683	7,153,588	6,918,530
Current assets				
Stocks		**50,870**	55,634	17,963
Debtors		**347,758**	300,958	554,102
Cash at bank and in hand	10	**1,007,483**	3,797,636	2,166,243
		1,406,111	4,154,228	2,738,308
Creditors: amounts falling due within one year				
Other		**(825,405)**	(578,939)	(807,240)
		(825,405)	(578,939)	(807,240)
Net current assets		**580,706**	3,575,289	1,931,068
Total assets less current liabilities		**7,256,389**	10,728,877	8,849,598
Capital and reserves				
Called up share capital		**2,510,386**	2,496,284	2,500,010
Share premium account		**5,391,867**	5,308,062	5,312,243
Merger reserve		**6,273,909**	6,273,909	6,273,909
Share option reserve		**934,043**	908,345	871,944
Profit and loss account		**(7,853,816)**	(4,257,723)	(6,108,508)
Shareholders' funds		**7,256,389**	10,728,877	8,849,598

Consolidated cash flow statement

for the six months ended 30 September 2006

	Note	**Six months ended 30 September 2006 (unaudited) £**	Six months ended 30 September 2005 (unaudited) £	Year ended 31 March 2006 (unaudited) £
Net cash outflow from operating activities	8	**(1,182,092)**	(1,010,298)	(2,741,662)
Returns on investments and servicing of finance				
Interest received		**23,332**	58,083	119,981
Interest paid on convertible loan notes		**—**	(6,500)	(6,500)
Net cash inflow from returns on investment and servicing of finance		**23,332**	51,583	113,481
Capital expenditure				
Purchase of tangible fixed assets		**—**	(2,977)	(16,264)
Acquisitions and disposals				
Purchase of subsidiary undertakings		**—**	(39,745)	(39,745)
Cash acquired with subsidiary undertakings		**—**	763,956	763,956
Cash received on disposal of business		**—**	—	43,455
Cash outflow before financing		**(1,158,760)**	(724,211)	(1,876,779)
Financing				
Issue of ordinary share capital		**—**	3,775,744	3,775,744
Exercise of share options		**—**	—	3,725
Costs of share issues		**—**	(845,694)	(841,514)
Capital element of finance lease rental payments		**—**	(622)	(622)
		—	2,929,428	(2,937,333)
Decrease increase in cash in the period	9	**(1,158,760)**	2,691,947	1,060,554

Notes to the consolidated accounts

for the six months ended 30 September 2006

1 FINANCIAL INFORMATION

The interim financial information for the six months ended 30 September 2006 and the six months ended 30 September 2005 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

All of the accounting policies applied for this interim information are as for the prior year with the exception of FRS 20 'Share-based payment'. In preparing these financial statements the Group has adopted for the first time FRS 20. FRS 20 requires the recognition of share-based payments at fair value at the time of grant. Prior to the adoption of FRS 20, the Group recognised the financial effect of the share-based payment in the following way: when shares and share options were awarded to employees a charge was 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 was taken to the share option reserve and reported in the reconciliation of movements of shareholders' funds. In accordance with transitional provisions of FRS 20, the standard was applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested at 1 April 2006 and to liabilities for share-based transactions at 1 April 2006. The adoption of FRS 20 has resulted in the retained profit reserve carried forward for the year ended 31 March 2006 and the six months ended 30 September 2006 being decreased by £67,147 and £129,246 respectively.

The figures for the year ended 30 September 2005 have been extracted from the statutory accounts which have been reported on the Company's auditors and were delivered to the Registrar of Companies. The auditors' report did not contain any statements under section 237(2), (3) or (4) of the Companies Act 1985.

The Directors approved the financial information on 18 December 2006. A copy of this report will be sent to shareholders and copies of this statement are available on the Company's website and from the Company at 20 Mortlake High Street, London SW14 8JN.

2 ACCOUNTING POLICIES

The interim accounts have been prepared using the accounting policies set out in the 2006 published statutory accounts. The results of the Company and its subsidiaries have been consolidated using the acquisition method. Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market conditions are satisfied. The cumulative expense is not adjusted for the failure to achieve a market vesting condition. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

3 DIVIDEND

The Directors do not recommend the payment of a dividend.

4 TAXATION

Based on the results of the Group, there is no tax charge/(credit) for the period.

5 LOSS PER ORDINARY SHARE

The calculation of basic loss per ordinary share is based upon the loss after taxation for the period of £1,745,308 (2005: loss £1,541,650; year ended 31 March 2006: loss £3,478,117) and the weighted average number of ordinary shares, as adjusted for the 2 for 1 share split effected 23 June 2005, in issue during the period of 250,561,393 (2005: 151,475,184; year ended 31 March 2006: 200,292,337).

6 SHARE CAPITAL

	As at 30 September 2006 (unaudited)		As at 30 September 2005 (unaudited)		As at 31 March 2006 (audited)	
	Number	**£**	Number	£	Number	£
In issue at the start of the period	**250,000,864**	**2,500,010**	16,609,194	332,184	16,609,194	332,184
Share split 2 for 1 to adjust nominal value to 1p	**—**	**—**	16,609,194	—	16,609,194	—
Issue of shares for loan conversions	**—**	**—**	37,327,381	373,274	37,327,381	373,274
Issue of shares for acquisition of Provexis Limited	**—**	**—**	111,658,555	1,116,586	111,658,555	1,116,587
Issue of shares via placing	**—**	**—**	67,424,000	674,240	67,424,000	674,240
Exercise of share options	**—**	**—**	—	—	372,540	3,725
Issue of shares for SEDA implementation fee	**1,037,608**	**10,376**	—	—	—	—
In issue at end of period	**251,038,472**	**2,510,386**	249,628,324	2,496,284	250,000,864	2,500,010

7 RESERVES

	Share premium account £	Merger reserve £	Share option reserve £	Profit and loss account £
As at 1 April 2006	5,312,243	6,273,909	871,944	(6,108,508)
Premium on shares issued in relation to SEDA fee	79,624	—	—	—
Loss for the period	—	—	—	(1,745,308)
Fair value of unvested share options	—	—	62,099	—
As at 30 September 2006	**5,391,867**	**6,273,909**	**934,043**	**(7,853,816)**

Notes to the consolidated accounts continued

for the six months ended 30 September 2006

8 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Six months ended 30 September 2006 (unaudited) £	Six months ended 30 September 2005 (unaudited) £	Year ended 31 March 2006 (unaudited) £
Operating loss	**(1,678,531)**	(1,553,494)	(3,552,779)
Depreciation and amortisation	**248,857**	131,530	379,876
UITF 17 charge	**—**	469,577	469,576
FRS 20 share option compensation charge	**62,099**	17,865	67,147
(Increase)/decrease in stocks	**(32,907)**	(8,391)	(46,931)
Decrease/(increase) in debtors	**206,344**	48,847	(204,296)
(Decrease)/increase in creditors	**12,046**	(116,232)	145,745
Net cash outflow from operating activities	**(1,182,092)**	(1,010,298)	(2,741,662)

9 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Six months ended 30 September 2006 (unaudited) £	Six months ended 30 September 2005 (unaudited) £	Year ended 31 March 2006 (unaudited) £
(Decrease)/increase in cash in the period	**(1,158,760)**	2,691,947	1,060,554
(Decrease)/increase in debt	**—**	622	622
Change in net funds resulting from cash flows	**(1,158,760)**	2,692,569	1,061,176
Decrease in debt – non cash	**—**	400,000	400,000
Opening net funds	**2,166,243**	705,067	705,067
Closing net funds	**1,007,483**	3,797,636	2,166,243

10 ANALYSIS OF NET FUNDS

	At 1 April 2006 £	Cash flow £	Other non-cash changes £	**At 30 September 2006 £**
Cash at bank and in hand	2,166,243	(1,158,760)	—	**1,007,483**
Total	2,166,243	(1,158,760)	—	**1,007,483**

Directors, senior management and advisors

Board of directors

DAWSON BUCK
NON EXECUTIVE CHAIRMAN

DR NEVILLE BAIN
NON EXECUTIVE DIRECTOR

STEPHEN MOON MBA
CHIEF EXECUTIVE OFFICER

STEWART SLADE BSc ACA
FINANCIAL DIRECTOR AND COMPANY SECRETARY

Senior management

FIONA VIGAR BA (HONS) MCIM
DIRECTOR OF MARKETING

IAN HOUGHTON
DIRECTOR OF SALES

DR NIAMH O'KENNEDY BSc MSc PhD
PRINCIPAL SCIENTIST

Scientific advisory board

PROFESSOR ASIM-DUTTAROY BS MS PhD DSc FICN

PROFESSOR DAVID RICHARDSON MSc PhD FIFST FRSM RNutr

PROFESSOR IAIN BROOM BSc MBChB FRCP (Glas) FRCPath

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