Provexis plc

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

Provexis plc ("Provexis" or the "Company"), the life-science business that develops, licenses and markets scientifically-proven functional food and sports nutrition technologies, announces its unaudited interim results for the six months ended 30 September 2011.

Key highlights

- Good progress with Fruitflow®, with seven regional consumer products containing Fruitflow® now on sale in various global markets and more launches expected in 2012. The Company is making good progress in co-developing a powder format of Fruitflow® with Alliance partner DSM, and DSM are continuing commercial discussions with global brand owners;

- Science in Sport ("SiS®") generated revenues of £1.53m and operating profit of £204k from the time of the acquisition at the end of June to 30 September 2011. This represents like for like revenue growth of 5.0% compared to the same period last year. Sales growth has accelerated sharply since 30 September 2011;

- Substantial investment has been made in SiS® in order to execute the Board's growth plan for FY2012/13. Investment activities include plans to relocate to a new factory to improve production efficiency and capacity, an enhanced innovation pipeline and a new marketing strategy;

- Increased focus on generating revenues from SiS® and Fruitflow® has resulted in a strategic decision to wind down the NSP#3G project. The cardiovascular inflammation projects are also being reviewed. Long term the Company retains an ownership interest in the IP connected to these and other projects;

- Restructuring to reduce underlying annual cash burn by £950k, including closure of the Liverpool R&D facility; and

- £25m equity financing facility renewed on 7 November 2011 as announced by RNS on 8 November 2011.

Key financial results

- Revenues for the period £1.53m (2010: £7k)

- Underlying operating loss* reduced to £1.03m (2010: £1.13m)

- Statutory loss for the period £1.47m (2010: £1.04m)

- Cash balance at 30 September 2011 £2.8m (2010: £6.3m)

- Loss per share 0.1p (2010: 0.09p)

* before impairment and amortisation of intangible assets, share based payments and exceptional costs of £0.52m (2010:£0.04m), as set out on the face of the Statement of Comprehensive Income

Stephen Moon, Chief Executive Officer of Provexis plc, commented:

"We have made very good progress with the SiS acquisition since we acquired it in June of this year with sales growth of 5.0% to the end of September. This growth reflects our investment in SiS and the various initiatives we have begun to accelerate the sales growth rate.

DSM is making good progress with Fruitflow, with seven regional consumer products containing the technology now on sale, more to follow, and commercial discussions ongoing with global brand owners. These regional consumer products represent an important milestone in the commercialisation of Fruitflow and they are expected to contribute a revenue stream to the Company in the second half of the financial year. The Alliance partners have worked to develop a powder concentrate of the Fruitflow technology and this is now being readied for tablet and capsule use.

Both SiS and Fruitflow provide significant opportunities for the Company. In order to focus on these opportunities the Board has taken the decision to wind down the research and development work on the NSP#3G plantain extract technology and to review the cardiovascular inflammation projects, although we retain certain IP rights for these and other technologies. This action reflects the transition of Provexis from a pure R&D developer to a functional food business which spans R&D to consumer."

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Chairman's statement

The Company has undergone substantial change since the beginning of the financial year, with the acquisition of SiS® and further progress with our lead functional food technology Fruitflow®. In addition, the Board has focused the Company's resources and efforts on developing revenues from Fruitflow®, and its new sports nutrition business.

DSM has made good commercial progress with Fruitflow®. Seven regional consumer products containing Fruitflow® are now on sale in various global markets. The launch of these brands represents an important milestone in the commercialisation of Fruitflow® and they are expected to contribute revenue in the second half of the financial year. Promising commercial discussions continue with multi-national and global brand owners, and we are advanced in developing and refining a powder version of the technology, which is key to progressing these discussions through to deals.

The SiS® business is proving to be an excellent acquisition. Our efforts are currently focused on combining administration, manufacturing and distribution into one building. This relocation should be completed in December this year, allowing management to install new manufacturing plant in early 2012. These actions will allow SiS® to report improved operating margins going forward. While SiS® sales have grown since the acquisition, management believes that by implementing a new marketing strategy, together with a healthy new product pipeline, an increase in sales growth can be achieved in FY2012/13. In the medium term, we believe that with the scientific and regulatory capability of the enlarged business, we will be able to develop and launch novel technologies in the sports nutrition sector, further cementing the position of SiS® as an elite sports nutrition brand.

Due to the positive progress being achieved in both Fruitflow® and SiS®, the Company has taken steps to allocate its cash resources to these business areas. We have therefore taken the decision to halt development work in our collaboration with the University of Liverpool, resulting in this project being wound down, although we will maintain an interest in the intellectual property in this and other projects. The cardiovascular inflammation projects are also being reviewed. An unfortunate consequence of these changes is the closure of our Liverpool facility, together with the loss of seven jobs across the business. I would like to thank these staff for their efforts and commitment to Provexis in recent years.

We believe that we continue to retain a world-class scientific and regulatory team, who will further develop Fruitflow® and SiS® and seek new functional food technologies.

As part of the restructuring Steve Morrison, our Chief Operating Officer, will leave the business. The Board and I would like to extend our thanks to him for his contribution to Provexis over the last three years, including his key role in the EFSA accreditation of Fruitflow®. Phil Walker also steps down from the Board and leaves the business. The Board and I would like to thank Phil for his contribution to the acquisition process and subsequent integration of the business. Our CEO Stephen Moon will assume responsibility in managing the day to day operations of SiS®. Dr Niamh O'Kennedy, R&D Director, and Luke Heeney, New Product Director, will assume responsibility for commercialising Fruitflow® and are already working closely with DSM to achieve this goal.

Dr Neville Bain has also stepped down from the Board for health reasons. Neville has been a key contributor to the Board for eight years and has been a significant influence on the strategy and development of the business. I would like to extend my sincere thanks to Neville and extend my best wishes to him. A new, senior non-executive with significant sector-relevant and global experience has been identified as a potential replacement and we hope to be able to announce their appointment early in 2012.

The Board has also reviewed its advisers and is pleased to announce the appointment today of Cenkos Securities plc as NOMAD and broker. The Board would like to thank Evolution Securities for its services, and looks forward to continuing its relationship with Darwin Strategic, a subsidiary of Evolution Group. As announced on 8 November 2011 the Company has signed a new 3 year Equity Financing Facility of up to £25m with Darwin Strategic, which replaces the facility agreed with Darwin in March 2010.

With our Fruitflow® technology now in the market and a new, high potential sports nutrition business as part of the enlarged group, this is an exciting time for Provexis. I would like to thank the executive team, all of our staff and our advisors for their efforts and professionalism.

Dawson Buck
Chairman

Chief Executive's statement

Fruitflow®

DSM continue to aggressively market Fruitflow® and they have seen interest in all major global markets. The technology is currently supplied to seven regional consumer brand owners in various international markets and further launches are expected in 2012. The technology is attracting interest in the US, Europe, Asia and Latin America in the food, beverage and dietary supplement sectors. Commercial negotiations are in place with multi-national and global brand owners.

Key to progress is the commercialisation and launch of an optimised powder concentrate and the Alliance partners have made very good progress towards delivering this. A Fruitflow® powder format with the correct bioavailability has been manufactured at a strategic manufacturing site and has undergone extensive and successful testing in Aberdeen. The key next steps are to optimise this product for use in tablet and capsule format and this work is being undertaken concurrently with ongoing commercial discussions.

SiS®

Revenues were £1.53m from the acquisition at the end of June, through to the end of the period, representing like for like revenue growth of 5.0% compared to the same period last year. Sales growth has accelerated sharply since the end of the period. Underlying operating profit for this period was £204k.

This initial growth was largely achieved by focusing on broadening distribution. SiS® products are now on sale in a range of multiple retailers, as well as wholesalers (who supply specialist cycling, running and triathlon stores), through which its products have traditionally been sold. The existing export business has also begun to grow through closer collaboration with distributors in Benelux, Germany and Australia.

In order to drive growth in FY2012/13 and beyond, a significant body of consumer research has informed the development of a new marketing strategy to accelerate the growth of SiS®. New product development is a key part of this strategy and a range of product line extensions will be launched in early 2012 to support growth. In the medium to long term, the Company believes that the scientific and regulatory expertise in the enlarged group can facilitate the development of novel and potentially proprietary sports nutrition technologies, and further underpin the reputation of SiS® with professional and elite athletes.

In order to meet projected future demand and to improve gross margin, SiS® will move to a new integrated administration, manufacturing and distribution centre in December. Early in 2012 the Company will install a new gel filling line to meet demand for this fast growing format and to reduce manufacturing costs.

The Directors believe that SiS® has the potential to leverage the recognition of its brand with elite and professional athletes to become a globally-recognised elite sports nutrition brand. In addition, sector revenue growth remains healthy in all major global markets. To this end, management are currently looking at options to enter the US market, in addition to growing revenues in current export markets.

Pipeline restructuring

The Directors took the decision to halt, postpone or review other activities in the pipeline in order to deliver a focused, revenue-oriented strategy based on Fruitflow® and SiS®. The result of this is the halting of the Crohn’s disease trial and suspension of other activity related to the NSP#3G technology, the closure of the Liverpool facility and the laying-off of seven staff. The cardiovascular inflammation projects are also currently under review. As a result of these changes, the Company will reduce the underlying average monthly cash burn by £79k.

The Crohn’s disease trial, having reached the conclusion of the second interim review, will be wound down over the coming weeks. The second interim review showed no negative outcomes, although the independent review panel proposed recruitment of further subjects for the clinical trial. The IP related to the NSP#3G technology remains within the 75% owned joint venture with the University of Liverpool. The Company will decide in due course whether to shelve the technology for a period, or whether to seek to partner with or sell the technology to a large development partner.

Work on DSM-owned blood glucose technology has progressed in the first half of the year and a pilot scale product has successfully been manufactured. Further work to assess the technology will take place in the coming months before any decision is made as to the future direction of the project.

While certain key activities have been wound down or halted, Provexis retains the rights to significant IP which may be activated in the future, either through the sports nutrition business, or as standalone projects.

Strategy

We have developed our strategy to focus on growing revenues from our lead Fruitflow® heart health technology and the SiS® sports nutrition business, believing these to be key to moving the business towards profitability and self-financing. As part of this strategy, we have cut underlying annual expenditure by £950k through the closure of projects and reduction in R&D overheads, in order to focus on these two revenue streams and to preserve cash. We are retaining significant intellectual property and have the option to reactivate the work on NSP#3G and other projects or acquire new functional food technologies in the future.

We believe that the SiS® business, which we acquired in June 2011, has great potential in the UK market and through growing current export markets. This will be achieved through development of the brand, a focused sales strategy and developing the product innovation pipeline. Potential expansion into the US sports nutrition market is seen as a major opportunity. In the medium term, we believe our scientific and regulatory capability will lead to novel sports nutrition offerings.

Outlook

The focus for the second half of the year and 2012 is promising. Commercialisation of Fruitflow® is a key priority and we will continue to work closely with our Alliance partner DSM, especially in the final development of the powder format. Substantial focus is being given to building a platform for significant growth in SiS®, both in the UK and overseas markets, given the potential of the brand and the macro-growth in the sports nutrition sector. Recent cutbacks in the pipeline have reduced underlying expenditure, in order to invest correctly in the two strategic priorities and to help preserve cash.

Stephen Moon
Chief Executive

Finance Director's statement

Acquisition of SiS (Science in Sport) Limited ("SiS®")

On 24 June 2011 the Group acquired SiS®, a company which manufactures and sells sports nutrition products. The Acquisition of SiS® was for a total consideration of £8.0 million, of which £7.0 million was satisfied in cash and a further £1.0 million was satisfied in new Ordinary Shares. Further details of the acquisition accounting are set out in Note 4 of this announcement.

The Group has identified the fair values of the consideration paid and of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations'. This formal process involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. The assessment period remains open up to a maximum of 12 months from the relevant acquisition date. As at 30 September 2011, the assessment was not complete and accordingly the fair values presented are provisional.

The acquisition contributed £1.5m to the Group's revenue and a £0.2m operating profit to the Group's underlying operating loss from its date of acquisition to the period end.

Research and development costs

Research and development costs for the six months ended 30 September 2011 were £624,378 (2010: £612,171) including £38,987 capitalised under IAS 38 (2010: £9,796). R&D expenditure is projected to reduce significantly in the second half of the year following the halting of the Crohn's disease trial, the closure of the Liverpool facility and the laying-off of seven staff.

Suspension of work on the Crohn's disease trial does not constitute discontinued operations as defined by 'IFRS 5 Non-current assets Held for Sale and Discontinued Operations' as the operations have neither been permanently abandoned nor are being actively marketed for sale at this stage.

Impairment of goodwill

The Directors have concluded that no indication of impairment to goodwill exists because the results of SiS® have exceeded budget since acquisition, the Alliance partners have made good progress with Fruitflow® and the Directors have yet to finally determine what future steps will be taken with the IP of the Crohn's disease trial.

Underlying operating loss

Underlying operating loss has reduced to £1,033,391 (2010: £1,094,117).

The Group has chosen to report underlying operating loss as the Directors believe that the operating loss before amortisation and impairment of acquired intangible assets, share based payments and exceptional items measure provides additional useful information for shareholders on underlying trends and performance. A reconciliation of underlying operating loss to statutory loss is presented on the face of the income statement. This measure is used for internal performance analysis.

The Group's cost base and its resources have been and will continue to be tightly managed within budgets approved and monitored by the Board.

Taxation

A research and development tax credit of £29,888 (2010: £25,000) in respect of research and development expenditure incurred and deferred tax credit of £20,112 (2010: £Nil) in respect of the amortisation of acquired intangible assets have been recognised in the financial information for the period. A £121,220 tax credit claim for the year ended 31 March 2010 was paid to the Group during the period.

Loss for the period

The loss attributable to equity holders of the parent for the six months ended 30 September 2011 was £1,379,005 (2010: £971,081) and the basic and diluted loss per share was 0.10p (2010: 0.09p).

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out on pages 9 and 10 of the 2011 annual report and accounts, a copy of which is available on the Company's website www.provexis.com. The Group's principal risks and uncertainties have been updated following the acquisition of SiS® and new risks are set out below:

The Group certifies and warrants the quality of its sports nutrition products and certifies they are free from banned substances. To mitigate the risk of contamination the Group's sports nutrition products are independently tested and the Group has full control over production, and procurement of ingredients and packaging. The Group maintains adequate Product Liability Insurance Cover. Even with these safeguards future development and commercial activities could be materially adversely affected if contamination occurred.

The Group is in full control of production and procurement of ingredients and packaging. The Group uses a limited number of trusted suppliers and maintains its manufacturing facilities to a high standard. Nonetheless should there be a manufacturing interruption the Group's operating results and financial condition could be adversely affected.

Capital structure and funding

On 17 June 2011 the Company announced that it had raised £2.5 million before expenses via a placing of new ordinary shares of 0.1 pence each in the Company, in connection with the acquisition of SiS®.

On 5 July 2011 the Company announced an Open Offer to shareholders at 1.5 pence per share, on the basis of 1 offer share for every 10 existing ordinary shares, with an excess application facility. On 26 July 2011 the Company announced that it had raised approximately £1.025 million before expenses from the Open Offer.

On 8 November 2011 the Company announced that it had renewed a 3 year equity financing facility of up to £25m (the "EFF").

The EFF agreement, which was arranged by Darwin Strategic Limited ("Darwin"), provides the Company with a facility which (subject to certain limited restrictions) can be drawn down at any time over the 3 years ending on 6 November 2014, the timing and amount of any draw down being at the discretion of Provexis.

Provexis is under no obligation to make a draw down and may make as many drawdowns as its wishes, up to the total value of the EFF, by way of issuing subscription notices to Darwin.

The subscription price for any ordinary shares to be subscribed by Darwin under a subscription notice will be at a 7.5% discount to an agreed reference price determined during 5, 10 or 15 trading days following delivery of a subscription notice (the 'pricing period'). The length of the pricing period is at the discretion of Provexis and is set at each relevant subscription notice. Provexis is also obliged to specify in each subscription notice a minimum price below which ordinary shares will not be issued. The Company will have the right (with the agreement of Darwin) to modify that minimum price at any time during the relevant Pricing Period.

Further details of the EFF agreement and the drawdowns made using the EFF are available to download from the announcements section of the Company's website www.provexis.com.

Cash and cash equivalents at 30 September 2011 were £2.8m (30 September 2010: £6.3m).

The Directors are of the opinion that at 1 December 2011, the Company's liquidity and capital resources are adequate to deliver the current strategic objectives and 2012 business plan and that the Group and Company remain a going concern.

Ian Ford
Finance Director

Consolidated statement of comprehensive income
Six months ended 30 September 2011

	Notes	**Unaudited six months ended 30 September 2011 £**	Restated Unaudited six months ended 30 September 2010 £	Audited year ended 31 March 2011 £
Revenue		**1,527,959**	7,163	50,086
Cost of goods		**(671,335)**	-	-
Gross profit		**856,624**	7,163	50,086
Research and development costs		**(585,391)**	(602,375)	(1,250,915)
Administrative costs		**(1,824,303)**	(538,447)	(1,274,493)
Underlying operating loss		**(1,033,391)**	(1,094,117)	(2,406,253)
Amortisation and impairment charges		**(117,470)**	-	-
Exceptional costs of acquisition	4	**(152,563)**	-	-
Exceptional restructuring costs		**(184,677)**	-	-
Share based payment charges		**(64,969)**	(39,542)	(69,069)
Loss from operations		**(1,553,070)**	(1,133,659)	(2,475,322)
Net finance income		**33,241**	70,463	133,439
Loss before taxation		**(1,519,829)**	(1,063,196)	(2,341,883)
Taxation		**50,000**	25,000	221,218
Loss and total comprehensive expense for the period		**(1,469,829)**	(1,038,196)	(2,120,665)
Attributable to:				
Owners of the parent		**(1,379,005)**	(971,081)	(1,984,206)
Non-controlling interest		**(90,824)**	(67,115)	(136,459)
Loss and total comprehensive expense for the period		**(1,469,829)**	(1,038,196)	(2,120,665)
Loss per share to owners of the parent				
Basic and diluted – pence	3	**0.10**	0.09	0.17

All amounts relate to continuing operations.

Consolidated statement of financial position
30 September 2011

	Unaudited 30 September 2011 £	Restated Unaudited 30 September 2010 £	Audited 31 March 2011 £
Assets			
Non-current assets			
Goodwill	**7,994,990**	3,802,685	3,802,685
Other intangible assets - development costs	**90,961**	67,729	75,892
Other intangible assets - acquired	**2,564,316**	-	-
Intangible assets	**10,650,267**	3,870,414	3,878,577
Plant and equipment	**240,242**	75,429	89,769
Total non-current assets	**10,890,509**	3,945,843	3,968,346
Current assets			
Inventories	**782,910**	-	-
Trade and other receivables	**1,012,962**	204,578	253,249
Corporation tax asset	**179,888**	75,000	271,220
Cash and cash equivalents	**2,804,974**	6,304,365	7,551,505
Total current assets	**4,780,734**	6,583,943	8,075,974
Liabilities			
Current liabilities			
Trade and other payables	**(1,279,875)**	(377,653)	(563,190)
Total current liabilities	**(1,279,875)**	(377,653)	(563,190)
Non-current liabilities			
Deferred tax	**(666,722)**	-	-
Total non-current liabilities	**(666,722)**	-	-
Total net assets	**13,724,646**	10,152,133	11,481,130
Capital and reserves attributable to owners of the parent company			
Share capital	**5,082,352**	4,725,736	4,812,036
Share premium reserve	**19,962,445**	14,614,011	16,909,650
Warrant reserve	**115,980**	115,980	115,980
Merger reserve	**6,599,174**	6,273,909	6,273,909
Retained earnings	**(17,808,022)**	(15,510,388)	(16,493,986)
	13,951,929	10,219,248	11,617,589
Non-controlling interest	**(227,283)**	(67,115)	(136,459)
Total equity	**13,724,646**	10,152,133	11,481,130

Consolidated statement of cash flows

Six months ended 30 September 2011

	Unaudited six months ended 30 September 2011	Unaudited six months ended 30 September 2010	Audited year ended 31 March 2011
	£	£	£
Cash flows from operating activities			
Loss after tax	**(1,469,829)**	(1,038,196)	(2,120,665)
Adjustments for:			
Amortisation	**117,470**	-	-
Depreciation	**33,647**	13,034	28,697
Profit on sale of fixed assets	**(3,631)**	-	-
Net finance income	**(33,241)**	(70,463)	(133,439)
Taxation	**(50,000)**	(25,000)	(221,218)
Share-based payment charge	**64,969**	39,542	69,069
Operating cash outflow before changes in working capital	**(1,340,615)**	(1,081,083)	(2,377,556)
Changes in inventories	**(71,900)**	-	-
Changes in trade and other receivables	**47,259**	70,060	(5,898)
Changes in trade and other payables	**39,374**	82,155	267,692
Cash used in operations	**(1,325,882)**	(928,868)	(2,115,762)
Tax credits received	**121,220**	61,844	61,844
Net cash outflow from operating activities	**(1,204,662)**	(867,024)	(2,053,918)
Cash flows from investing activities			
Purchase of plant and equipment	**(45,083)**	(27,281)	(57,285)
Proceeds from sale of property, plant and equipment	**4,750**	-	-
Purchase of intangible assets	**(38,987)**	(9,796)	(17,959)
Interest received	**36,042**	70,463	148,339
Acquisition of subsidiary net of cash acquired	**(6,786,036)**	-	-
Cash (outflow)/ used in investing activities	**(6,829,314)**	33,386	73,095
Cash flows from financing activities			
Proceeds from issue of share capital	**3,524,694**	96,075	2,684,534
Expenses paid on share issues	**(236,919)**	(7,206)	(201,340)
Interest paid	**(330)**	-	-
Cash generated by financing activities	**3,287,445**	88,869	2,483,194
Net (decrease) / increase in cash and cash equivalents	**(4,746,531)**	(744,769)	502,371
Opening cash and cash equivalents	**7,551,505**	7,049,134	7,049,134
Closing cash and cash equivalents	**2,804,974**	6,304,365	7,551,505

Major non-cash transactions comprise the issue of 35,335,689 0.1p shares as part of the consideration for the acquisition of SiS.

Consolidated statement of changes in equity

30 September 2011

	Share capital	Share premium	Warrant reserve	Merger reserve	Restated Retained earnings	Restated Total equity attributable to owners of the parent	Restated Non-controlling interests	Total equity
	£	£	£	£	£	£	£	£
At 31 March 2010	4,723,601	14,527,277	115,980	6,273,909	(14,578,849)	11,061,918	-	11,061,918
Share-based charges	-	-	-	-	39,542	39,542	-	39,542
Issue of shares - equity financing facility 28 June 2010	2,135	86,291	-	-	-	88,426	-	88,426
Total comprehensive expense for the period	-	-	-	-	(971,081)	(971,081)	(67,115)	(1,038,196)
At 30 September 2010	**4,725,736**	**14,613,568**	**115,980**	**6,273,909**	**(15,510,388)**	**10,218,805**	**(67,115)**	**10,151,690**
Share-based charges	-	-	-	-	29,527	29,527	-	29,527
Issue of shares - equity financing facility 8 October 2010	86,300	2,296,082	-	-	-	2,382,382	-	2,382,382
Total comprehensive expense for the period	-	-	-	-	(1,013,124)	(1,013,124)	(69,345)	(1,082,469)
At 31 March 2011	**4,812,036**	**16,909,650**	**115,980**	**6,273,909**	**(16,493,986)**	**11,617,589**	**(136,459)**	**11,481,130**
Share-based charges	-	-	-	-	64,969	64,969	-	64,969
Issue of shares - acquisition of SiS (Science in Sport) 24 June 2011	35,336	-	-	325,265	-	360,601	-	360,601
Issue of shares - placing 24 June 2011	166,667	2,133,494	-	-	-	2,300,161	-	2,300,161
Issue of shares - open offer 27 July 2011	68,313	919,301	-	-	-	987,614	-	987,614
Total comprehensive expense for the period	-	-	-	-	(1,379,005)	(1,379,005)	(90,824)	(1,469,829)
At 30 September 2011	**5,082,352**	**19,962,445**	**115,980**	**6,599,174**	**(17,808,022)**	**13,951,929**	**(227,283)**	**13,724,646**

1. General information, basis of preparation and accounting policies

General information

Provexis plc is a public limited company incorporated and domiciled in the United Kingdom (registration number 05102907). The address of the registered office is Kings Road House, 2 Kings Road, Windsor, Berkshire SL4 2AG, UK.

The main activities of the Group are those of developing, licensing and marketing scientifically-proven functional food and sports nutrition technologies for the global functional food and sports nutrition sectors.

Basis of preparation

This condensed financial information has been prepared using accounting policies consistent with International Financial Reporting Standards in the European Union (IFRS). The same accounting policies, presentation and methods of computation are followed in this condensed financial information as are applied in the Group's latest annual audited financial statements, except as set out below. While the financial figures included in this half-yearly report have been computed in accordance with IFRS applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34.

Certain comparative figures for the period ended 30 September 2010 have been restated to include the loss attributable to the non-controlling interest and underlying operating loss in order to be consistent with their treatment in the annual report for the year ended 31 March 2011.

The interim financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and has been neither audited nor reviewed by the Company's auditors BDO LLP pursuant to guidance issued by the Auditing Practices Board.

The results for the year ended 31 March 2011 are not statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 of the Companies Act 2006.

The interim report for the six months ended 30 September 2011 can be downloaded from the Company’s website www.provexis.com. Further copies of the interim report and copies of the 2011 annual report and accounts can be obtained by writing to the Company Secretary, Provexis plc, Kings Road House, 2 Kings Road, Windsor Berkshire SL4 2AG, UK.

This announcement was approved by the Board of Provexis plc for release on 1 December 2011.

Going concern

The Directors are of the opinion that at 1 December 2011, the Group and Company's liquidity and capital resources are adequate to deliver the current strategic objectives and 2012 business plan and that the Group and Company remain a going concern.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2011, as described in those annual financial statements, except as follows:

Revenue

Revenue comprises the fair value received or receivable for exclusivity arrangements, collaboration agreements, royalties and sales net of value added tax.

The accounting policies for the principal revenue streams of the Group are as follows:

(i) Exclusivity arrangements and similar agreements are recognised as revenue in the accounting period in which the related services, or required activities, are performed or specified conditions are fulfilled in accordance with the terms of completion of the specific transaction.

(ii) Royalty income relating to the sale by a licensee of licensed product is recognised on an accruals basis in accordance with the substance of the relevant agreement and based on the receipt from the licensee of the relevant information to enable calculation of the royalty due.

(iii) Sales are recorded net of value added tax when the significant risks and rewards of ownership have been transferred to the buyer which occurs when goods are dispatched to export customers and the delivery note is signed for UK customers.

Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Executive Committee of the Board of Directors, which is the Group's 'chief operating decision maker' ("CODM").

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CODM to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Plant and equipment

Plant and machinery, fixtures, fittings and computer equipment and laboratory equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged to the Statement of Comprehensive Income on all plant and equipment at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over their estimated useful lives, which is between 3 and 4 years for motor vehicles, plant and machinery, fixtures, fittings and computer equipment and 5 years for laboratory equipment.

The assets' residual values and useful lives are determined by the Directors and reviewed and adjusted if appropriate at each balance sheet date in accordance with the Group policy for impairment of assets.

Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the Statement of Comprehensive Income to give a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items include the restructuring of business activities and acquisitions. Further details of exceptional items are set out on the face of the Statement of Comprehensive Income.

Use of non-GAAP profit measure – underlying operating profit

The Directors believe that the operating loss before amortisation and impairment of acquired intangibles, share based payments and exceptional items measure provides additional useful information for shareholders on underlying trends and performance. This measure is used for internal performance analysis. Underlying operating loss is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to IFRS measurements of profit.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated as follows:
Raw materials - cost of purchase on first in, first out basis.
Work in progress and finished goods - cost of raw materials and labour, together with attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less further costs to completion and disposal. A charge is made to the income statement for slow moving inventories. The charge is reviewed at each balance sheet date.

Externally acquired intangible assets
Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

In-process research and development programmes acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development costs above are not met.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Assembled and trained workforce	10.0	Assemblage Cost Avoided Method
Trademarks	9.5	Relief From Royalty Rate Method
Patents / recipes / formulations	4.5 to 9.5	Relief From Royalty Rate Method
Covenants not to compete	3.0	Comparative Business Valuation
Customer relationships	9.5	Multi-Period Excess Earnings Method

Non-current assets held for sale and disposal groups
Non-current assets and disposal groups are classified as held for sale when:
- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:
- their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The Directors believe the following to be the key areas of estimation and judgement:

(i) Research and development

Under IAS 38 Intangible Assets, development expenditure which meets the recognition criteria of the standard must be capitalised and amortised over the useful economic lives of intangible assets from product launch. The Directors consider that the criteria to capitalise development expenditure were met in 2007 for one of the Group's products and have continued to be met since.

(ii) Share-based payments

The Group operates an equity-settled, share-based compensation plan. Employee and similar services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, which is based upon certain assumptions over the future performance of the share price.

(iii) Goodwill and impairment

The recoverable amount of goodwill is determined based on value in use calculations of the cash-generating units to which it relates. The value in use calculations use pre-tax cash flow projections for nine years using data from the Group's latest internal forecasts. The revenue forecasts are extrapolated beyond nine years and costs are extrapolated beyond two years at growth rates of 2% (2010: between 2% and 7%). The results of the value in use calculations are reviewed by the Board.

The key assumptions for the value in use calculations are those regarding discount rates, revenue commencement dates, growth rates, absolute values of expected sales and expected margins and costs. Management estimate discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the cash-generating unit. Revenue commencement dates are based on current planned launch dates. Growth rates, absolute values of expected sales and expected margins and costs are based on information received from commercial partners and market intelligence reports on expectations of future changes in the market.

Pre-tax cash flow projections are discounted to calculate value in use using a pre-tax discount rate. The pre-tax discount rate is based on a number of factors including the risk-free rate in the UK, the Group's estimated market risk premium, and a premium to reflect the inherent risk of the forecast income streams included in the Group's cash flow projections, which remain subject to contracts being agreed with prospective customers.

(iv) Fair value of identifiable net assets acquired

Upon acquisition of a business, its identifiable assets and liabilities are assessed to determine their fair value. The values attributed to assets and liabilities as part of this process are, where appropriate, based on market values identified for equivalent assets, together with management's experience and assessments including comparison to the carrying value of assets of a similar condition and age in the existing business.

(v) Valuation of inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials, labour and, where appropriate, overheads that have been incurred in bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(vi) Useful economic lives of intangible and tangible assets

In relation to the Group's property, plant and equipment, useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. Assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to potential impairment of the carrying value of such assets.

2. Segmental reporting

The Group's reporting segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Executive Committee of the Board of Directors as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM uses underlying operating profit/(loss), as reviewed at monthly Executive Committee meetings, as the key measure of the segments' results as it reflects the segments' underlying trading performance for the financial period under evaluation.

Underlying operating profit/(loss) is a consistent measure within the Group which measures the performance of each segment before goodwill and acquired intangible asset amortisation and impairment, share based payment charges, restructuring charges and acquisition costs arising from acquisitions.

Segment assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The segment results, the reconciliation of the segment measures to the respective statutory items included in the Group Statement of Comprehensive Income and the segment assets are as follows:

Six months ended 30 September 2011	**Provexis**	**SiS**	**Total**
Revenue	-	1,527,959	1,527,959
Segment result (underlying operating (loss) / profit)*	**(1,237,319)**	**203,928**	**(1,033,391)**
Segment trading assets	3,078,711	1,962,377	5,041,088
Goodwill	3,802,685	4,192,305	7,994,990
Other intangible assets	76,333	2,578,944	2,655,277
Total assets	**6,957,729**	**8,733,626**	**15,691,355**

* A reconciliation of underlying operating profit to operating profit is shown on the face of the Statement of Comprehensive Income

All operations are based in the UK. For the period from acquisition to 30 September 2011 13% of revenue was derived from overseas markets. There were no intersegment sales or transfers for the period.

The segments identified include the following:

- Provexis, being the development and marketing of health based nutritional products; and
- SiS, being the development and marketing of sports based nutritional products

Comparatives have not been displayed since the Group had only one operating segment prior to the acquisition of SiS®.

3. Loss per share

Basic and diluted loss per share amounts are calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

There are 97,071,648 share options (2010: 62,471,648) and 10,000,000 warrants (2010: 10,000,000) in issue that are currently anti-dilutive and have therefore been excluded from the calculations of the diluted loss per share.

	Unaudited six months ended 30 September 2011 £	**Unaudited six months ended 30 September 2010 £**	**Audited Year ended 31 March 2011 £**
Loss for the period attributable to owners of the parent - £	**1,379,005**	971,081	1,984,206
Weighted average number of shares	**1,328,957,209**	1,109,178,596	1,150,836,614
Basic and diluted loss per share – pence	**0.10**	0.09	0.17

4. Acquisition

As part of the Group's strategy to grow through acquisition, on 24 June 2011 the Group acquired 100% of the share capital of SiS (Science in Sport) Limited, a company which manufactures and sells sports nutrition products.

The acquisition has been accounted for under the purchase method of accounting.

The Group has developed a process to assist with the identification of the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations'. This formal process involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. The assessment period remains open up to a maximum of 12 months from the relevant acquisition date. As at 30 September 2011, the assessment was not complete and accordingly the fair values presented are provisional.

Adjustments are made to the assets acquired and liabilities assumed during the assessment period to the extent that further information and knowledge come to light that more accurately reflect conditions at the acquisition date.

The consideration paid or payable in respect of acquisitions comprises the amount paid on completion and an amount held in escrow which is contingent on certain warranties and indemnities being satisfied and has been allocated against the identified net assets, with the balance recorded as goodwill. Transaction costs and expenses such as professional fees are charged to the Statement of Comprehensive Income. The acquisitions provide opportunities for further development of the Group's activities and to create enhanced returns. Such opportunities do not translate to separately identifiable intangible assets but do represent much of the assessed value that supports the recognised goodwill.

A summary of the effect of acquisitions is detailed below:

	Book value at acquisition	**Provisional fair value adjustments**	**Fair value**
	£	**£**	**£**
Intangible assets	16,201	2,641,668	2,657,869
Property, plant and equipment	140,155	-	140,155
Inventories	711,010	-	711,010
Trade and other receivables	809,444	-	809,444
Net cash	213,964	-	213,964
Trade and other payables	(610,045)	-	(610,045)
Tax and deferred tax	(67,267)	(686,834)	(754,101)
	1,213,462	**1,954,834**	**3,168,296**
Goodwill			4,192,305
Consideration			**7,360,601**
Satisfied by:			
cash consideration	**6,750,000**	-	6,750,000
non-cash consideration (issue of shares)	**1,000,000**	(639,399)*	360,601
cash consideration held in escrow	**250,000**	-	250,000
	8,000,000	(639,399)	**7,360,601**
Net cash acquired			(213,964)
Transaction costs and expenses			152,563
Total expected net cost of acquisition			**7,299,200**
The net cash outflow in the period in respect of acquisitions comprised:			
Cash consideration			6,750,000
Net cash acquired			(213,964)
Consideration held in escrow			250,000
Net cash outflow in respect of acquisitions			**6,786,036**
Acquisition related costs			142,063
Total cash outflow in respect of acquisitions			**6,928,099**

*In accordance with IFRS the fair value adjustment to consideration paid in shares is based on the difference between the share price at the date on which the Company obtained control of SiS and the price determined in the Sale and Purchase Agreement for calculating the number of shares to be issued to the vendors.

The acquisition made during the six months to 30 September 2011 contributed £1.5m to the Group's revenue and a £0.2m operating profit to the Group's underlying operating loss before intangible asset amortisation, exceptional restructuring and acquisition related costs.

The estimated contribution of Science in Sport to the results of the Group, as if the acquisition had been made at the beginning of the year, is as follows:

	£
Revenue	**3,033,031**
Underlying operating profit before amortisation, exceptional restructuring and acquisition related costs	**405,774**

5. Post statement of financial position date event

On 8 November 2011 the Company announced that it had signed a new 3 year Equity Financing Facility ("EFF") of up to £25m with Darwin Strategic Limited. The new facility replaced the Company's existing EFF and warrant agreements with Darwin, dated 30 March 2010, which have accordingly been cancelled.

In consideration of Darwin agreeing to provide the EFF the Company has entered into a new warrant agreement dated 7 November 2011 for the grant to Darwin of warrants to subscribe for up to ten million Ordinary Shares, such warrants to be exercisable at a price of 5 pence per share and to be exercisable at any time prior to the expiry of 36 months following the date of the new warrant agreement. The ten million warrants issued to Darwin in conjunction with the March 2010 EFF have been cancelled.