26 July 2007

NEUTRAHEALTH PLC ("the Company")

ANNOUNCEMENT OF 2007 INTERIM RESULTS,
20% STRATEGIC INVESTMENT BY ELDER PHARMACEUTICALS
AND APPOINTMENT OF DIRECTOR

NeutraHealth plc, one of the leading consolidators in the vitamin and nutraceutical industry, today announces its interim results for the 6 months to 30th June 2007. The Company is also pleased to announce that the NeutraHealth Board is unanimously supporting an offer from Elder Pharmaceuticals Ltd, a public company listed on the Bombay Stock Exchange, to take a 20% strategic investment in NeutraHealth plc at 16p per share.

Financial Highlights

- Turnover increased by 126% to £9.8m (2006 interim: £4.3m)
- EBITDA increased by 19% to £1.14m (2006 interim: £0.96m)
- Adjusted diluted EPS increased by 10% to 0.4p (2006 interim: 0.4p)

Operational Highlights

- Seamless integration of Brunel into the group
- Integration of the TravelGuard and Champneys operations into Brunel
- 24 products launched under the Champneys agreement

Strategic Investment by Elder Pharmaceuticals

- Issue of 35,197,026 shares at 16p raising £5.3 million, net of costs
- Proceeds will be used to fund future acquisitions
- Opportunities for distribution and manufacturing between businesses

Corporate Highlights

- Acquisition of Brunel Healthcare in January 2007 for initial consideration of £4 million
- Exclusive licensing agreement signed with Champneys Spa Group
- Licensing agreement with Patrick Holford for launch of 20 co-branded products

Michael Toxvaerd, NeutraHealth Chief Executive, commented:

"We continue to deliver on our promises as a group. Brunel has proved to be a good acquisition and has fitted into the group very well. Our licensing agreements including the Patrick Holford agreement announced earlier in July provide us with brands with strong growth potential.

I am delighted that Elder have recognised the value that has been created in NeutraHealth. Their investment will help us secure further acquisitions that may enhance earnings over and above the growth being created this year."

For more information:

NeutraHealth plc

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CHIEF EXECUTIVE'S STATEMENT

The Group has had a good first six months to the year, significantly increasing turnover and achieving earnings growth. EBITDA rose by 19% to £1.14 million, which was a satisfactory performance given investment in new products, alliances and marketing.

The Group has been very active on the corporate front. In January we announced an exclusive licensing agreement with Champneys which has led to the launch of a new health and beauty range of vitamins and supplements to be sold through major retail outlets under the Champney's name. This is an important development for the group enabling NeutraHealth to exploit the emerging trend of consumers paying attention to inner health to improve outward appearance. This announcement was followed by the acquisition of Brunel Healthcare Ltd ("Brunel"). Brunel is an established supplier of nutraceutical products and over the counter medicines sold by major retailers across the UK including Alliance Boots, Tesco, Holland & Barrett, Superdrug and Waitrose.

The integration of Brunel has been very successful, causing little distraction to the business and allowing Brunel to progress key projects for growth. A three year supply agreement underpinning 20% of group revenue was signed in April 2007, and a range of CoQ10 products were launched in April also. Our assessment of Brunel's positioning in the over the counter medicines market has concluded that there are value adding opportunities through acquisition of companies and product licences in that market. NeutraHealth has extended it's strategy to encompass these opportunities as part of the "Investing in Wellbeing" strategy. The strength of Brunel's performance has led us to recognise the earn out liability for 2007 as a liability in these interim figures.

In December last year the Group launched a suite of consumer products under the TravelGuard brand. This range has already achieved listings in multiple retailers and distribution across 1,100 outlets, and the Company continues to market these travel products over the busy summer travel season. We continue to believe in the long term potential of this product.

The Champneys product range of supplements was well received at launch in March 2007, and negotiations are ongoing for a roll out of these products across major retailers in Q3 and Q4 this year.

Outlook

The second half of 2007 started well with the acquisition of Health Products for Life in early July at the same time as signing a licensing agreement with Patrick Holford, the world renowned nutrition expert to develop and launch a range of up to 20 co-branded BioCare / Patrick Holford products. The agreement also sees Patrick Holford take up a role as Head of Science and Education for BioCare.

Health Products for Life is a direct to consumer website that will be developed further to provide a platform for mail order orientated products.

The outlook for the year is good. Significant growth opportunities have been progressed over the last six months, requiring costs of approx. £0.3m. Management are confident in achieving significant EPS growth in 2007.

NeutraHealth has positioned itself at the forefront of the self improvement and well being markets. These areas are amongst the fastest growing within the global healthcare market and the Group with its multi-faceted UK and International retail offerings is well positioned for strong future growth.

Elder Pharmaceuticals Ltd

Elder manufactures, distributes and markets a range of pharmaceutical products and brands. Elder has a focus on three therapeutic segments – women's health care, wound care and nutraceuticals. The full product portfolio extends to products for cardiology, diabetes, central nervous system health and antibiotics, all manufactured in a range of delivery formats including capsules and liquids.

A number of products are market leaders in India, including:

- Shelcal: a calcium supplement that helps protect against osteoporosis. It has a 30.5% market share, and generates 15% of annual revenue,

- Chymoral: an anti-rheumatic enzyme that helps with wound care management. It has a 80.7% market share, generating 6% of annual revenue,

- Eldervit: an injectable vitamin B12 product, with a 40.5% market share, generating over 3% of annual revenue.

Elder’s revenue for the year ending 31 March 2007 was INR4.66 billion (c. £56 million) with an EBITDA of INR0.89 billion (c. £11 million). The market capitalisation on 30 June 2007 was INR7.86 billion (c. £94 million), with 37.2% of the shares being held by the promoters of Elder. The largest other shareholders are ACRAF S.p.A (14.10%), Citicorp International Finance Corporation (9.32%) and CBC Bahrain – FII Equity Fund (5.08%).

Elder is listed on the Bombay Stock Exchange Ltd with a Scrip ID of ELDERPHARM and a Scrip code of 532322 and on the National Stock Exchange of India Ltd, with Scrip ID ELDERPHARM. Further information is available from the Elder’s website at www.elderindia.com

Offer for Subscription

On 25 July 2007, the Company accepted Elder's offer to subscribe for 35,197,026 Ordinary shares. NeutraHealth agreed, subject to its Directors' fiduciary duties, to send a notice to its Shareholders to convene the Extraordinary General Meeting on or before 31 August 2007 and to recommend that Shareholders vote in favour of the Resolutions.

NeutraHealth agreed to give some limited warranties relating, inter alia, to its business in favour of Elder subject to agreed limitations of liability. The warranties lapse at the close of business on 25 July 2008.

The subscription price of 16 pence per share represents a premium of 4.25 pence (36%) to the mid-market price of an Ordinary Share as at the close of business on 25 July 2007.

Warrants

Pursuant to the offer for subscription by Elder and subject to passing the Resolutions at the EGM, NeutraHealth shall enter into a Warrant Deed in favour of Elder. The Warrants will confer on Elder a right to subscribe for Ordinary Shares should any further shares be issued by NeutraHealth such that their shareholding remains as 20%. The price of any such subscription depends upon the circumstances of the issue of new shares and could be the market value of the shares at the relevant time, the value paid for shares by other investors or the value attributed to the Company's shares on any acquisition.

The Warrants lapse in certain circumstances including lapsing automatically on the Maturity Date if not exercised on or before that date.

Appointment of Director

Pursuant to the Offer for Subscription, NeutraHealth has also conditionally agreed to appoint Mr Jagdish Kantisarup Saxena (67) as a Director of the Board.

Mr Saxena has been the Managing Director of Elder since 1988, and is the founder and current Chairman. His career started as an officer in the Indian Air Force. He has 40 years experience within pharmaceuticals, having had responsibility in his career for all aspects of production, sales, marketing, and new product development.

Present directorships	*Past directorships*
Elder Pharmaceuticals Limited	Stiefel India PVT Ltd
Elder Health Care Limited	
Elder Projects Limited	
Haw Par Elder (India) PVT Ltd	

Save as disclosed in this announcement, there are no further matters set out in Schedule 2 paragraph (g) of the AIM Rules which are required to be disclosed.

Consolidated Income Statement

Six months ended 30 June 2007

	Unaudited 6 months 2007 £'000	Unaudited 6 months 2006 £'000	Audited 12 months 2006 £'000
REVENUE	9,786	4,320	8,571
Cost of sales	(5,965)	(2,024)	(4,025)
Gross profit	3,821	2,296	4,546
Administrative expenses	(2,908)	(1,548)	(3,413)
PROFIT FROM OPERATIONS	913	748	1,133
Investment revenues	24	31	70
Finance costs	(283)	(156)	(301)
PROFIT BEFORE TAX	654	623	902
Income tax expense	(188)	(154)	(312)
PROFIT FOR THE PERIOD	466	469	590
Earnings per share			
Basic	0.3p	0.4p	0.4p
Diluted	0.3p	0.3p	0.4p

Consolidated Statement of Equity

Six months ended 30 June 2007

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2007	14,079	378	543	15,000
Profit for the year	-	-	466	466
Recognition of share based payments	-	65	-	65
Cashflow hedges recognised	-	22	-	22
At 30 June 2007	14,079	465	1,009	15,553

Consolidated Balance Sheet

At 30 June 2007

	Unaudited 30 June 2007	Unaudited 30 June 2006	Audited 31 December 2006
	£'000	**£'000**	**£'000**
ASSETS			
Non-current assets			
Goodwill	18,449	15,623	15,649
Other intangible assets	1,519	86	109
Property, plant & equipment	1,212	510	522
Derivative financial instruments	22	-	-
Deferred tax assets	110	97	52
	21,312	16,316	16,332
Current assets			
Inventories	3,099	669	852
Trade and other receivables	2,769	1,033	1,136
Cash and cash equivalents	1,223	1,878	1,172
	7,091	3,580	3,160
Total assets	28,403	19,896	19,492
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14,079	13,285	14,079
Other reserves	465	108	378
Retained earnings	1,009	422	543
Total equity attributable to equity holders of the parent	15,553	13,815	15,000
Non-current liabilities			
Bank loan	6,497	3,074	2,602
Obligations under finance leases	30	-	-
Deferred tax liabilities	222	57	74
	6,749	3,131	2,676
Current liabilities			
Trade and other payables	4,553	1,769	758
Current tax liabilities	422	516	103
Obligations under finance leases	150	-	10
Bank overdrafts and loans	976	665	945
Total liabilities	6,101	2,950	1,816
Total equity and liabilities	28,403	19,896	19,492

Consolidated Cash Flow Statement

Six months ended 30 June 2007

	Unaudited 6 months 2007	Unaudited 6 months 2006	Audited 12 months 2006
	£'000	£'000	£'000
OPERATING ACTIVITIES			
Cash receipts from customers	10,246	4,332	8,471
Cash paid to suppliers and employees	(9,156)	(3,695)	(7,598)
Cash generated from operations	1,090	637	873
Income taxes paid	(21)	-	(531)
Interest paid	(43)	(177)	(302)
Net cash from operating activities	1,026	460	40
INVESTING ACTIVITIES			
Interest received	24	31	66
Proceeds on disposal of available-for-sale investments	-	5	6
Proceeds on disposal of property, plant & equipment	-	-	3
Purchases of property, plant & equipment	(65)	(156)	(193)
Payments for intangible assets	(5)	-	(61)
Acquisition of subsidiary	(4,769)	(542)	(560)
Net cash used in investing activities	(4,815)	(662)	(739)
FINANCING ACTIVITIES			
Repayment of borrowings	-	(200)	(400)
Repayment of obligations under finance leases	(72)		(9)
New bank loans raised	3,912	-	-
Net cash from financing activities	3,840	(200)	(409)
Net (decrease) / increase in cash and cash equivalents	51	(402)	(1,108)
Cash and cash equivalents at the beginning of the period	1,172	2,280	2,280
Cash and cash equivalents at the end of the period	1,223	1,878	1,172

Notes to the Consolidated Financial Statements

1. Basis of preparation

This report was approved by the Directors on 24 July 2007. The unaudited interim consolidated financial statements for the six months to 30 June 2007 have been prepared in accordance with International Financial Reporting Standards. The accounting policies applied in these interim financial statements are those that the group expects to apply in its annual financial statements for the year ended 31 December 2007. The same accounting policies and methods of computation are followed in this interim financial report as were published by the Company in its Report and Accounts 2006. A copy of this document is available on the Company's website at www.neutrahealthplc.com

The interim financial statements do not constitute statutory accounts of the group within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2006 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified.

The reconciliation of EBITDA before one off costs to Profit from Operation is as follows:

	Unaudited 6 months 2007 £'000	**Unaudited 6 months 2006** £'000
EBITDA	1,144	959
Amortisation of intangible assets acquired from subsidiaries	(51)	(2)
Charge for share based payments	(65)	(60)
Depreciation	(115)	(39)
Aborted costs of acquisition	-	(11)
Relocation and integration of acquisition	-	(99)
Profit from Operations	913	748

2. Significant Accounting Policies

The following are the major and / or new accounting policies of the Group. The financial statements for the year ended 31 December 2006 provide more complete details of the Group's accounting policies

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations,* which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

In the event that the acquisition includes conditional earn-out consideration, the Group recognises the liability for the earn out when it is considered likely that the necessary conditions are met. The liability is recorded at its fair value on the date of recognition.

Other Intangible Assets

Other Intangible fixed assets include trademarks, website costs and key customer relationships.

Trademarks are stated at fair value less accumulated amortisation if acquired in a business combination or at purchase cost for subsequent additions. Trademarks are valued on an individual basis and amortised over their estimated useful lives of between 5 and 20 years.

Website costs are stated at cost less accumulated amortisation. Amortisation is charged over the estimated useful life of 5 years and is included within administrative expenses

Key customer relationships are stated at fair value less accumulated amortisation if acquired in a business combination. Key relationships are valued on an individual basis and amortised over their estimated useful lives of between 10 and 20 years.

Derivatives and Hedge Accounting

The Group uses derivative financial instruments ("derivatives") to hedge its exposure to interest rate fluctuations. The Group does not hold or issue derivatives for trading purposes.

Derivatives are recognised initially at cost. Subsequent to initial recognition, derivatives are stated at fair value. The fair value of forward exchange contracts is their market value at the balance sheet date, being the present value of the future expected cashflows

The gain or loss on re-measurement to fair value is recognised directly in equity, as is permissible for derivatives designated as a hedge of the variability in cash flows of a highly probable forecast transaction ("a hedging instrument").

3. Revenue

The whole of turnover is attributable to one principal activity of the Group, being the sale and distribution of nutraceutical products. For management purposes, all results are reported as part of this single activity.

All turnover originates in the United Kingdom. A geographical analysis of turnover by destination is as follows:

	Unaudited 6 months 2007	Unaudited 6 months 2006	Audited 12 months 2006
	£'000	**£'000**	**£'000**
United Kingdom	9,159	3,747	7,550
Europe (excluding UK)	545	453	822
Rest of world	82	120	199
	9,786	4,320	8,571

4. Earnings per share

	Unaudited 6 months 2007	Unaudited 6 months 2006	Audited 12 months 2006
	£'000	**£'000**	**£'000**
Earnings			
Earnings for the purposes of basic and diluted earning per share (profit for the period attributable to equity holders of the parent)	466	469	590
Added back to calculate Adjusted EPS			
- amortisation of separately identifiable intangible assets arising on acquisition	51	2	3
- charge for share based payments	65	60	124
Earnings for the purposes of Adjusted EPS	582	531	717
	'000	**'000**	**'000**
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	140,788	132,852	135,483
Effect of dilutive potential ordinary shares:			
Final consideration for purchase of BioCare Ltd	-	7,143	-
Share options	609	2,421	2,175
Weighted average number of ordinary shares for the purposes of diluted earnings per share	141,397	142,416	137,658

5. Acquisition of Subsidiary

On 23rd January 2007, the Group acquired 100% of the issued share capital of Brunel Healthcare Limited for initial consideration of £4.2 million including directly attributable costs. The transaction has been accounted for by the purchase method of accounting.

The vendors of Brunel Healthcare Limited can increase the total consideration payable through an earn out, by attaining targeted increases in profit as follows:

- For 2007, up to £0.8 million on attaining greater than 30% PBIT growth from 2006 levels;
- For 2008, up to £1.1 million on attaining greater than 70% PBIT growth from 2006 levels;
- The consideration is calculated pro-rata on performance, with 25% payable in shares at NeutraHealth's discretion; and
- The earn out may be extended into 2009 with reduced consideration payable

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Book Value	Fair Value Adjustments	Fair Value
	£'000	£'000	£'000
Net assets acquired:			
Property, plant and equipment	705	-	705
Intangible assets	-	1,462	1,462
Inventories	1,989	-	1,989
Trade receivables	1,837	(20)	1,817
Other receivables	92	-	92
Cash at Bank	174	-	174
Trade payables	(2,349)	-	(2,349)
Other payables	(608)	-	(608)
Borrowings	(741)	-	(741)
Hire purchase liability	(242)	-	(242)
Deferred tax liability	(151)	-	(151)
	706	1,442	2,148
Goodwill			2,804
Total consideration			4,952
Satisfied by:			
Cash			4,000
Deferred consideration			750
Directly attributable costs			202
Net Cashflow arising on acquisition:			
Cash consideration paid			(4,202)
Borrowing acquired			(741)
Cash acquired			174
			(4,769)