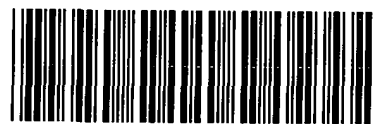


Provexis plc

Annual report and accounts 2016

Company number 05102907

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About Provexis

Provexis Limited was founded in 1999 to commercialise the Fruitflow® anti-thrombotic technology discovered at the Rowett Research Institute by Professor Asim Duttaroy.

Provexis plc was listed on the Alternative Investment Market (AIM) in 2005 with the stock symbol PXS.

Fruitflow® is a patented natural extract from tomatoes which has been shown in human trials to reduce the propensity for aberrant blood clotting, typically associated with cardiovascular disease, which can lead to heart attack and stroke. The extract is available in two formats, a syrup and a spray-dried powder and can be included in a broad range of food, beverage and dietary supplement formats.

In May 2009, the company's Fruitflow® technology was the first to be substantiated by the European Food Safety Authority ('EFSA') under the new Article 13(5) for proprietary and emerging science. In December 2009 the European Commission authorised the health claim 'Helps maintain normal platelet aggregation, which contributes to healthy blood flow', which was the first wording to be authorised under Article 13(5).

In June 2010 it was announced that the company had entered into a long-term Alliance Agreement with DSM Nutritional Products to commercialise Fruitflow®, through sales as an ingredient to brand owners in the food, beverage and dietary supplement categories. The Alliance is seeing the partners collaborate to develop Fruitflow® in all major global markets, through an effective commercialisation of current formats and pioneering new and significant applications. DSM is responsible for: manufacturing; marketing; and selling via its substantial sales force. Provexis is responsible for contributing scientific expertise necessary for successful commercialisation, and for maintaining and strengthening the breadth and duration of its patent and trade mark coverage for Fruitflow®, seeking to maximise the commercial returns that can be achieved from the technology. Profits from the Alliance are being shared by the parties on an agreed basis, linked to various performance milestones. In June 2015 the Company confirmed that it had agreed significantly enhanced financial terms with DSM for the Company's Alliance Agreement for Fruitflow®.

Fruitflow® was launched in Europe in November 2010 at the Health Ingredients Europe Conference in Madrid, where it was awarded the overall award for 'Most Innovative Health Ingredient' and won the best innovation in the 'Heart Health' category. The US trade launch was at the Natural Products Expo West in Anaheim in March 2011. In 2012 Fruitflow® was named one of the most innovative products of the year at the Food Ingredients South America trade show.

Fruitflow® in powder format was officially launched by DSM at the Vitafoods exhibition in Geneva in May 2013. The powder version is suitable for use in a wide range of products including soft gels, capsules, tablets and stick packs, enabling manufacturers to target a broader consumer base.

In June 2016 Provexis launched a high quality dietary supplement product containing Fruitflow® and Omega-3 which is being sold initially from a separate, dedicated website www.fruitflowplus.com on a mail order basis. The new dietary supplement product is expected to provide the Company with an additional income and profit stream.

Fruitflow® and Omega-3 have separate, positive EFSA health claims and the packaging for the product reflects these strongly. The Company is keen to increase the brand awareness and potential sales of its new dietary supplement product, along with the brand awareness of Fruitflow® more widely, and further sales channel opportunities are under review.

Specialising in functional food and dietary supplements, Provexis has a clear commercial focus to deliver viable products and high quality scientific intellectual property from the laboratory through to revenue stream.

Key highlights

Key highlights

- Revenue from profit sharing Alliance for the year £92k, a 140% year on year increase (2015: £38k).
- Profit sharing Alliance revenues are denominated in Euros; underlying profit share payable in Euros increased by 157% year on year, offset at actual exchange rates by a stronger average £ / Euro rate in the year to 31 March 2016.
- Over 50 regional consumer healthcare brands containing Fruitflow® now launched by DSM's customers, with further regional brands launched through DSM's distributor channels.
- An increasing number of further commercial projects have been initiated by DSM with prospective customers, including some prospective customers which are part of global businesses. Total value of the prospective sales pipeline continues to increase.
- Company launched its Fruitflow® + Omega-3 dietary supplement product in June 2016, a two-in-one supplement in an easy to take capsule supporting healthy blood flow and normal heart function. Product is exclusively available through the new e-commerce website www.fruitflowplus.com.
- Key Opinion Leaders' roundtable event for Fruitflow® to take place in London on 29 September 2016, promoting Fruitflow® more widely across key digital and other mainstream media channels; event will be supported by a broader consumer PR campaign for the Fruitflow® + Omega-3 capsules product.
- Important scientific study for Fruitflow® published in the European Journal of Nutrition in July 2016, further study publications envisaged.
- Company and DSM are committed to a number of other ongoing scientific and marketing initiatives for Fruitflow® and the Company's Fruitflow® + Omega-3 capsules, seeking to extend the reach of the existing science and give the products further global exposure.
- Encouraging key results released in June 2015 from the Company's collaboration agreement with the University of Oslo to undertake further research into the relationship between Fruitflow® and blood pressure regulation. The Company and the University expect to be able to complete current clinical trial in Oslo and announce the trial results in Q4 2016.
- Company raised £224k through a placing in August 2016 with no commissions or expenses payable.

Key financial results

- Revenues from profit sharing Alliance for the period £92k (2015: £38k);
- Underlying operating loss from continuing operations* reduced to £385k (2015: £409k), a record low for the Group, reflecting increasing revenues set against the Group's low overhead licensing business model.
- Statutory operating loss from operations £455k (2015: £498k); statutory loss attributable to owners of the parent £410k (2015: £436k). These results are after charging a £70k (2015: £89k) non-cash share based payment charge.
- Cash balance at 31 March 2016 £190k (2015: £285k), cash of £224k raised in August 2016, after the year end, via a placing.
- Basic loss per share from continuing operations 0.03p (2015: 0.03p).

*before share based payments of £70k (2015: £89k), as set out on the face of the Consolidated Statement of Comprehensive Income

Chairman's statement

The Company has had a significant year of progress, seeking to enhance further the commercial prospects of its innovative, patented Fruitflow® heart-health ingredient.

The Company's Alliance partner DSM Nutritional Products has continued to develop the market actively for Fruitflow® in all global markets. More than 50 regional consumer healthcare brands have now been launched by direct customers of DSM, and a number of further regional brands have been launched through DSM's distributor channels.

In June 2015 the Company announced that it had agreed significantly enhanced financial terms for its long-term Alliance Agreement with DSM for Fruitflow®, backdated to 1 January 2015, which will have a significant positive effect on the Company's ongoing profit share from the Alliance.

Revenues for the year were £92k (2015: £38k), a 140% year on year increase relative to the prior year. Profit sharing Alliance revenues are denominated in Euros, and the underlying profit share payable in Euros increased by 157% year on year, offset at actual exchange rates by a stronger average £ / Euro rate in the year to 31 March 2016.

The underlying operating loss for the year was £385k (2015: loss of £409k), a 6% year on year reduction and a record low for the Group, reflecting further increasing revenues set against the Group's low overhead licensing business model.

Fruitflow®

The increase in profit sharing Alliance revenue for Fruitflow® accruing to the Company for the year reflects:

- The revised financial terms for the Alliance Agreement which were agreed from 1 January 2015 onwards, which have led to a significant increase in the ongoing profit share payable to the Company;
- An increase in DSM's underlying revenues for Fruitflow®, which are primarily denominated in Euros. DSM's total revenues for Fruitflow® for the year ended 31 March 2016 grew by 27% year on year, reflecting strong interest in Fruitflow® and the success of the powder format which is being used in an increasing number of new product launches;
- An improvement in underlying trading margins, aided by continuing efforts to reduce the production costs of Fruitflow® powder as manufacturing volumes increase.

Further year on year sales growth has been realised in the quarter to June 2016.

An increasing number of further commercial projects have been initiated by DSM with prospective customers, including some prospective customers which are part of global businesses, with good prospects for these projects to be launched as consumer products. Interest in the technology exists in all major global markets.

The prospective sales pipeline for Fruitflow® is divided into four stages: prospecting, development, offering and launch. The total projected annual sales value of the pipeline has continued to increase, and the majority of the current sales projects in the pipeline have progressed beyond the first stage.

Fruitflow® + Omega-3 dietary supplement product

On 29 June 2016 the Company announced the launch of its new Fruitflow® + Omega-3 dietary supplement product, which is exclusively available through the Company's new e-commerce website www.fruitflowplus.com, the product also has a Facebook page at www.facebook.com/FruitflowPlus

Fruitflow® + Omega-3 is a two-in-one supplement in an easy to take capsule, supporting healthy blood flow and normal heart function.

In May 2009 Fruitflow® was the first technology to be substantiated by the European Food Safety Authority ('EFSA') under the new Article 13(5) for proprietary and emerging science, and in December 2009 the European Commission authorised the health claim 'Helps maintain normal platelet aggregation, which contributes to healthy blood flow'. Omega-3 has a separate, positive European Commission approved health claim, and the product packaging reflects these two claims strongly.

The new dietary supplement product is expected to provide the Company with an additional income and profit stream, and the fruitflowplus.com website will be able to accommodate further potential Fruitflow® combination product derivatives.

Chairman's statement

The Company is keen to increase the brand awareness and potential sales of its new dietary supplement product, along with the brand awareness of Fruitflow® more widely, and further sales channel opportunities are under review.

Fruitflow® and Fruitflow® + Omega-3 marketing initiatives

The Company and DSM are committed to a number of ongoing scientific and marketing initiatives for Fruitflow® and the Company's Fruitflow® + Omega-3 capsules, seeking to extend the reach of the existing science for Fruitflow® and give the products further global exposure. Scientific and marketing initiatives include:

Key Opinion Leaders' roundtable

The Company is planning to conduct a Key Opinion Leaders' roundtable event for Fruitflow® in London on 29 September 2016, with considerable support from DSM.

The roundtable will be focussed on raising awareness of the importance of blood flow in cardiovascular health, and the effectiveness of dietary antiplatelets, and it will be attended by key scientists from Provexis and DSM, along with a number of interested health care professionals with close links to the media. It is anticipated that some UK national media will also attend the event. The event will be recorded with a view to producing two further promotional videos: a video for Fruitflow® targeting prospective trade customers, and a video for Fruitflow® + Omega-3 capsules targeting prospective consumers.

Video content recorded at the event and subsequently will be used to promote Fruitflow® and the Company's Fruitflow® + Omega-3 capsules more widely across key digital and other mainstream media channels.

The Company and DSM are keen to secure greater medical advocacy for Fruitflow® and the roundtable event forms part of this strategy. The roundtable event will also be supported by a broader consumer PR campaign.

Digital marketing strategy

A digital marketing strategy, strongly supported by DSM, is in the process of being implemented, seeking to drive and optimise online leads and sales for the Company's Fruitflow® + Omega-3 capsules. The capsules will be promoted across key social media and other search platforms, to include DSM's key digital communities and channels. DSM will boost certain posts on its Facebook channels, seeking to target health conscious consumers.

Scientific studies

On 12 July 2016 the Company announced the publication of an important study for Fruitflow® in the European Journal of Nutrition.

The study, titled 'Fruitflow®: the first European Food Safety Authority-approved natural cardio-protective functional ingredient' includes a scientific summary of the entire Fruitflow® project from its inception and it is expected to be a significant opportunity to promote Fruitflow® further across scientific, trade customer and consumer channels. The study is available to view on the Company's website at www.provexis.org/wp-content/uploads/2016/07/Fruitflow%C2%AE-the-first-European-Food-Safety-Authority-approved-natural-cardio-protective-functional-ingredient-07-Jul-16.pdf

It is noted in the study that in 8 human trials consumption of Fruitflow® has been proven to maintain healthy platelet aggregation and improve blood flow. In the largest single study for Fruitflow®, positive effects were observed in 97% of individuals tested, which compares favourably with single-drug therapies such as aspirin which can be ineffective in up to 30% of individuals; further, there are no recorded side effects from Fruitflow®.

The Company remains in the process of submitting some of the underlying scientific studies for Fruitflow® for publication in appropriate scientific journals, to include the Company's Aspirin Comparison Human Trial for Fruitflow®, with further study publications envisaged in due course.

Other marketing initiatives

Other marketing initiatives for Fruitflow® have seen the product being promoted at several major food ingredient and dietary supplement trade shows. The product has been featured in numerous publications and it has been the subject of several trade seminars and presentations, some of which are available to view in the news section of the Company's website www.provexis.com.

Chairman's statement

The Company and DSM are conscious of the US Food and Drug Administration's guidance in May 2014 concerning the use of low dose Aspirin which remains a strong opportunity for Fruitflow®. Fruitflow® has accordingly been promoted at some major cardiovascular health events, including the European Society of Cardiology's annual congress in London in August 2015 which was attended by more than 30,000 healthcare professionals.

Marketing initiatives have also included DSM's existing product video for Fruitflow® which is primarily targeted at potential business customers for Fruitflow® in the consumer healthcare sector. The video has been a good opportunity to promote Fruitflow® more widely and it has been viewed by a wide variety of current and prospective customers for Fruitflow®. Further bespoke versions of the video have been released, and a new promotional video has also been shown to prospective customers in the US market. The product video is available to view via the Company's websites www.provexis.com and www.fruitflowplus.com.

Fruitflow® and Blood Pressure - Collaboration with University of Oslo

In November 2014 the Company signed a two stage collaboration agreement with the University of Oslo to undertake further research into the relationship between Fruitflow® and blood pressure regulation. Recent work undertaken by the University has shown that Fruitflow® has a potential new bioactivity, leading to blood pressure lowering effects which would be of relevance to a large number of consumers and patients with a wide range of cardiovascular conditions.

The first stage of the collaboration work, completed in 2015, was focussed on developing the science and the key results from this stage were very encouraging, with strong evidence from the laboratory based work that a standard 150mg dose of Fruitflow® in powder format has the potential to give a clinically relevant reduction in systolic blood pressure.

The Company and the University are now in the process of completing the second stage of the collaboration work which is seeing the parties undertake a small clinical trial in Oslo by way of a proof of principle study. Study designs were submitted for ethics approval before finalisation, with a potential dosage for the study of 150mg Fruitflow® in powder format twice per day. The Company and the University expect to be able to complete the clinical trial in Q4 2016 and the results of the proof of principle study will be announced as soon as possible thereafter.

The University of Oslo's research team is led by Professor Asim Duttaroy, Group Leader of Chronic Disease at the Faculty of Medicine and a member of the Company's Scientific Advisory Board. Professor Duttaroy was the original inventor of Fruitflow®.

Intellectual property

The Company is responsible for filing and maintaining patents and trade marks for Fruitflow® as part of the Alliance Agreement with DSM. We are pursuing a strategy to strengthen the breadth and duration of our patent coverage to maximise the commercial returns that can be achieved from the technology. Trade marks were originally registered in the larger global territories, and new registrations are typically now sought in additional territories in response to requests from current or prospective DSM customers for Fruitflow®.

In December 2013 British and international patent applications were filed for the use of Fruitflow® in mitigating exercise-induced inflammation and for promoting recovery from intense exercise, seeking to enhance further the potential of the technology in the sports nutrition sector. Patents are being sought in Europe, the US, China and ten other territories, and this patent application has now entered the national phase, with potential patent protection out to December 2033.

The Company's patent application for Fruit Extracts, relating to part of the production process for Fruitflow®, is now expected to proceed to grant in Europe in the coming months, giving patent protection out to November 2029.

Trade marks for Fruitflow® have been registered in the EU, US, China, Japan and a further fifteen international territories, and trade marks have been applied for in a further six territories to support existing and forthcoming consumer brands across all major global markets.

Chairman's statement

Crohn's disease intellectual property

The Group continues to maintain the Crohn's disease intellectual property registered in Provexis (IBD) Limited, a company which is 75% owned by Provexis plc and 25% owned by The University of Liverpool. Provexis (IBD) Limited has recently acted at minimal cost as the commercial partner for an academic grant application which was ultimately not successful. The Group continues to investigate further options for the Crohn's disease project, seeking to maximise its value.

Capital structure and funding

The Company is seeking to maximise the commercial returns that can be achieved from its Fruitflow® technology, and the Company's cost base and its resources continue to be very tightly managed. The Company remains keen to minimise dilution to shareholders and it is focussed on moving into profitability as Fruitflow® revenues increase, but while the Company remains in a loss making position it will need to raise working capital on occasions.

In June 2015 the Company joined PrimaryBid.com (www.primarybid.com), the online platform dedicated to equity crowdfunding for AIM-listed companies. On 3 July 2015 the Company announced that it had raised net proceeds of £267k through the new PrimaryBid.com platform.

PrimaryBid.com provides a new channel for the Company to raise equity from investors, allowing investors to bid directly for new shares in the Company at prices of their choosing, subject to certain limited restrictions. Full details can be found on www.primarybid.com.

On 2 August 2016 the Group announced that it had raised proceeds of £224k via a placing with new and existing investors. There were no commissions or expenses payable in relation to the placing.

On 2 August 2016 as part of the placing announcement the Group also announced that the Company's Chairman Dawson Buck had given a stated intention to subscribe to a further £25,000 placing, at the August 2016 placing price, with the formal commitment to and payment for this subscription to take effect in September 2016 immediately after publication of the Company's annual report and accounts.

The Group has access to future equity financings as potential additional sources of funding, primarily through an equity fundraising with the Company's shareholders, or the existing PrimaryBid.com platform. Based on its current level of cash it is expected that the Group will need to raise further equity finance in the coming twelve months. The funding proceeds which the Company expects to receive will further help the Company fund the launch of its Fruitflow® + Omega-3 dietary supplement product, particularly to include the additional working capital required to hold increased stock of the product.

The Company intends to hold its Annual General Meeting at TLT LLP, 20 Gresham Street, London EC2V 7JE at 2:00pm on 30 September 2016.

Chairman's statement

Outlook

We are pleased to be able to report a 140% increase in revenue for the year ended 31 March 2016, along with other significant progress for the Company.

The enhanced financial terms agreed in June 2015 with DSM for the Company's long-term Alliance Agreement for Fruitflow® will have a significant positive effect on the Company's ongoing profit share from the Alliance, which is evident from the increase in revenue reported for the current year.

In June 2016 the Company launched a high quality dietary supplement product containing Fruitflow® and Omega-3 which is expected to provide the Company with an additional income and profit stream, and help to increase the brand awareness of Fruitflow® more widely.

The Company and DSM are committed to a number of ongoing marketing initiatives for Fruitflow® seeking to give the product further global exposure, to include a Key Opinion Leaders' roundtable event for Fruitflow® in London on 29 September 2016.

The Company is very pleased with the results from the first stage of its blood pressure collaboration with the University of Oslo with strong evidence that a standard dose of Fruitflow® has the potential to give a clinically relevant reduction in systolic blood pressure. The Company and the University expect to be able to complete the resulting clinical trial in Q4 2016, and the results of this proof of principle study will be announced as soon as possible thereafter.

The past year has seen a number of very positive developments for the business, and we expect to build on these in the coming year with a number of promising initiatives which seek to give Fruitflow® further global exposure. We remain positive about the outlook for Fruitflow® and the business for the coming year and beyond.

Dawson Buck

Chairman

7 September 2016

Strategic report

The strategic report should be read in conjunction with the Chairman's statement on pages 3 to 7, the Group's financial statements and the Notes to the Group's financial statements set out on pages 29 to 48.

Group strategy

The Group strategy has historically focused on the discovery, development and commercialisation of functional foods, medical foods and dietary supplements, and in particular the Group's Fruitflow® technology.

On 1 June 2010 the Company announced that it had entered into a long term Alliance Agreement with DSM Nutritional Products to commercialise Fruitflow®, through sales as an ingredient to brand owners in the food, beverage and dietary supplement categories.

The establishment of the Alliance Agreement was a significant milestone in the history of the Company. The Alliance is seeing the partners collaborate to develop Fruitflow® in all major global markets, through an effective commercialisation of current formats and pioneering new and significant applications. DSM is responsible for manufacturing, marketing and selling via its substantial sales force. Provexis is responsible for contributing scientific expertise necessary for successful commercialisation, and for maintaining and strengthening the breadth and duration of its patent and trade mark coverage for Fruitflow®, seeking to maximise the commercial returns that can be achieved from the technology. Profits from the Alliance are being shared by the parties on an agreed basis, linked to various performance milestones. In June 2015 the Company confirmed that it had agreed significantly enhanced financial terms with DSM for the Company's Alliance Agreement for Fruitflow®.

The directors believed at the time of signing the Alliance Agreement, and still retain the belief, that the commercialisation of Fruitflow® is best undertaken in conjunction with DSM as it enables Provexis to leverage the resources and relationships of DSM in the major global markets.

In June 2011 the Group acquired SiS (Science in Sport) Limited, a sports nutrition business. SiS (Science in Sport) Limited was demerged from the Group in August 2013 to a new AIM listed company called Science in Sport plc, as more fully detailed in a circular to shareholders and admission to trading on AIM document for Science in Sport plc which can be downloaded from Provexis plc's website www.provexis.com. Following the demerger the Group's strategic priority is to focus on developing revenues from the Fruitflow® business together with the Group's Alliance partner DSM, whilst also managing the relationship with DSM.

The Group also seeks to ensure that it fulfils its responsibilities under the Alliance Agreement to include protecting the intellectual property of Fruitflow® and assisting DSM with scientific work required to further commercialise the technology. At the same time, the Board remains committed to keeping regular and fixed costs restricted to an appropriate level, thereby maximising the Group's profit potential.

The Group continues to maintain the Crohn's disease intellectual property registered in Provexis (IBD) Limited, and it continues to investigate further options for the Crohn's disease project, seeking to maximise its value. Options currently under review include but are not limited to applications for external grant funding to progress certain aspects of the project, and ongoing discussions with prospective purchasers of the intellectual property.

Market opportunity

Fruitflow® is a patented natural extract from tomatoes which has been shown in human trials to reduce the propensity for aberrant blood clotting, typically associated with cardiovascular disease, which can lead to heart attack and stroke. The extract is available in two formats, a syrup and a spray-dried powder and can be included in a broad range of food, beverage and dietary supplement formats.

In May 2009, the company's Fruitflow® technology was the first to be substantiated by the European Food Safety Authority ('EFSA') under the new Article 13(5) for proprietary and emerging science. In December 2009 the European Commission authorised the health claim 'Helps maintain normal platelet aggregation, which contributes to healthy blood flow', which was the first wording to be authorised under Article 13(5).

The global functional food market is estimated to be in excess of \$170 billion per year, and the global market for cardiovascular disease, to include dietary supplements, is estimated to be in excess of \$10 billion per year. Global awareness of heart health is increasing and a rising number of people are taking a proactive approach to improving heart health. The directors believe that products addressing blood flow and circulation issues continue to represent a long-term opportunity in the expanding cardiovascular sector.

Strategic report

Financial review

The financial review has been prepared on the basis of Group's continuing operations, as further detailed in the consolidated statement of comprehensive income on page 25.

Revenue

The Company's long-term Alliance Agreement with DSM Nutritional Products for Fruitflow® includes a financial model which is based upon the division of profits between the two partners on an agreed basis, linked to certain revenue targets, following the deduction of the cost of goods and a fixed level of overhead from sales. In June 2015 the Company confirmed that revised terms for the Alliance Agreement had been agreed with DSM, under which the fixed level of overhead deduction from sales permanently decreased with effect from 1 January 2015, backdated, thus increasing the profit share payable to the Company.

Revenue from the profit sharing Alliance for Fruitflow® for the year ended 31 March 2016 was £90,549, an increase of 144% relative to the prior year (2015: £37,124).

The increase in revenue accruing to the Company for the year reflects:

- The revised terms for the Alliance Agreement under which the fixed level of overhead deduction from sales permanently decreased with effect from 1 January 2015, thus increasing the profit share payable to the Company from 1 January 2015 onwards.
- An increase in DSM's underlying revenues for Fruitflow®. DSM's total revenues for Fruitflow® for the year ended 31 March 2016, which are denominated in Euros, grew by 27% year on year;
- An improvement in underlying trading margins, aided by continuing efforts to reduce the production costs of Fruitflow® powder as manufacturing volumes increase;

Underlying operating loss

Underlying operating loss has reduced by 6% to £385,210 (2015: £408,862), reflecting continued progress with Fruitflow® and the Group's ongoing low overhead strategy.

The Group has chosen to report underlying operating loss as the directors believe that the operating loss before share based payments provides additional useful information for shareholders on underlying trends and performance. A reconciliation of underlying operating loss to statutory operating loss is presented on the face of the consolidated statement of comprehensive income. 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.

Research and development costs

Research and development costs have increased by 7% to £192,236 (2015: £180,497), reflecting increased expenditure on patents and trade marks for Fruitflow®, to include the British and international patent applications which were filed in December 2013 for the use of Fruitflow® in mitigating exercise-induced inflammation and for promoting recovery from intense exercise, seeking to enhance further the potential of the technology in the sports nutrition sector.

Taxation

A current tax credit of £11,980 (2015: £5,407), primarily in respect of research and development tax credits has been recognised in the financial statements. The tax credit claim for the year ended 31 March 2014 totalling £15,822 was paid to the Group in April 2015, and the tax credit claim for the year ended 31 March 2015 totalling £5,407 was paid to the Group in April 2016.

Results and dividends

The loss attributable to equity holders of the parent for the year ended 31 March 2016 was £409,569 (2015: £435,598) and the basic loss per share was 0.03p (2015: 0.03p).

The directors are unable to recommend the payment of a dividend (2015: £Nil).

Strategic report

Consideration of section 656 of the Companies Act 2006

On 28 August 2014 it was noted in the Company's Notice of Annual General Meeting that Section 656 of the Companies Act 2006 ('section 656') had been brought to the attention of the Directors as part of the 31 March 2014 year end accounts and audit. Section 656 states that where the net assets of a public company are half or less of its called-up share capital, the directors must call a general meeting of the company to consider whether any, and if so what, steps should be taken to deal with the situation.

It was further noted in the Company's AGM notice of 28 August 2014:

- As at 31 March 2014 the net assets of the Company were £411,302, which was less than half of the nominal value of its called-up share capital at 31 March 2014 of £1,554,816. The net assets of the consolidated Group at 31 March 2014 were £535,075.
- The annual financial statements of the Company for the year ended 31 March 2014 and the reports of the Directors thereon included a going concern statement which confirmed that the Directors had prepared projected cash flow information for a period of more than twelve months from 20 August 2014, the date of approval of the financial statements, and had reviewed this information as at 20 August 2014. The Directors had also considered this issue in light of the significant reduction in net assets following the demerger of the SiS (Science in Sport) Limited business.
- The Group's financial statements for the year ended 31 March 2014 showed that the operating costs of the Group had been substantially reduced during the year ended 31 March 2014, and in addition that the Company had access to future equity financings, either through the Company's then existing equity drawdown facility with Darwin Strategic Limited or through an equity fundraising with the Company's shareholders, as potential additional sources of funding. Based on the level of existing cash, projected income and expenditure, and excluding the potential additional sources of funding, the Directors were satisfied at 28 August 2014 that the Company and the Group had adequate resources to continue in business for the foreseeable future.
- A resolution was not put to the 2014 Annual General Meeting in connection with section 656 and it was noted that the Directors' view in August 2014 was that the most appropriate course of action was to continue to maintain tight control over the running costs of the Company and to wait for revenues from its core Fruitflow® product to increase.

Subsequent to the Company's AGM on 22 September 2014 the net assets of the Company and Group have remained less than half of the Company's called-up share capital and a further general meeting of the Company is not required under section 656.

The annual financial statements of the Company for the year ended 31 March 2016 and the reports of the Directors thereon include a going concern statement which concludes that the necessity to raise additional equity finance represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that should it be unable to raise further funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, considering the success of previous fundraisings and the current performance of the business, the Directors have a reasonable expectation of raising sufficient additional capital to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

It remains the Directors' view on 7 September 2016 that the most appropriate course of action in respect of section 656 is to continue to seek to maximise the commercial returns that can be achieved from the Company's Fruitflow® technology, and continue to maintain very tight control over the running costs of the Company.

Capital structure and funding

On 4 June 2015 the Company announced that it had joined PrimaryBid.com (www.primarybid.com), an online platform dedicated to equity crowdfunding for AIM-listed companies which is further detailed in note 15; as a result of the Company joining PrimaryBid.com the Company's existing 10 September 2013 Equity Financing Facility with Darwin Strategic Limited was cancelled.

On 3 July 2015 the Group announced that it had raised proceeds of £267,400 net of commission via the placing of 62,222,223 new ordinary shares of 0.1p each at a gross 0.45p per share ('the placing shares') with investors using the Primarybid.com platform. The placing shares were admitted to AIM on 9 July 2015.

Strategic report

Capital structure and funding (continued)

On 2 August 2016 the Group announced that it had raised proceeds of £224,000 via the placing of 93,333,340 new ordinary shares of 0.1p each at a gross 0.24p per share with investors. The placing shares were admitted to AIM on 8 August 2016.

On 2 August 2016 as part of the placing announcement the Group also announced that the Company's Chairman Dawson Buck had given a stated intention to subscribe to 10,416,667 shares at a subscription price of 0.24p totalling £25,000, with his formal commitment to and payment for the subscription to take effect in September 2016 immediately after publication of the Company's annual report and accounts.

Further details of the PrimaryBid.com agreement are available to download from the announcements section of the Company's website www.provexis.com.

Going concern

The Group's business activities together with the factors likely to affect its future development are set out in the strategic report on pages 8 to 15. The financial position of the Group, its cash flows and liquidity position are also set out in the strategic report on pages 8 to 15. In addition note 2 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The Group made a total comprehensive loss for the year of £440,731 (2015: £487,753) and expects to make a further loss during the year ending 31 March 2017. The total cash outflow from operations in the year was £381,921 (2015: £404,776). At 31 March 2016 the Group had cash balances of £189,636 (2015: £285,403).

On 4 June 2015 the Group announced that it had agreed significantly enhanced financial terms for its long-term Alliance Agreement with DSM, involving a reduction in the fixed level of overhead deduction from sales which permanently decreased with effect from 1 January 2015, backdated, thus increasing the profit share payable to the Company.

On 4 June 2015 the Group also announced that it had joined PrimaryBid.com (www.primarybid.com), an online platform dedicated to equity crowdfunding for AIM-listed companies which is further detailed in note 15. On 3 July 2015 the Group announced that it had raised proceeds of £267,400 net of commission via the placing of 62,222,223 new ordinary shares of 0.1p each at a gross 0.45p per share with investors using the Primarybid.com platform. The placing shares were admitted to AIM on 9 July 2015.

On 29 June 2016 the Group announced the launch of a high quality dietary supplement product containing Fruitflow® and Omega-3 which is being sold initially from a separate, dedicated website www.fruitflowplus.com on a mail order basis. The new dietary supplement product is expected to provide the Group with an additional income and profit stream.

On 2 August 2016 the Group announced that it had raised proceeds of £224,000 via the placing of 93,333,340 new ordinary shares of 0.1p each at a gross 0.24p per share with investors. The placing shares were admitted to AIM on 8 August 2016.

On 2 August 2016 as part of the placing announcement the Group also announced that the Company's Chairman Dawson Buck had given a stated intention to subscribe to 10,416,667 shares at a subscription price of 0.24p totalling £25,000, with his formal commitment to and payment for the subscription to take effect in September 2016 immediately after publication of the Group's annual report and accounts.

The directors have prepared projected cash flow information for a period of more than twelve months from the date of approval of these financial statements and have reviewed this information as at the date of these financial statements.

The Group is seeking to maximise the commercial returns that can be achieved from its Fruitflow® technology, and the Group's cost base and its resources continue to be very tightly managed.

The Group remains keen to minimise dilution to shareholders and it is focussed on moving into profitability as Fruitflow® revenues increase, but while the Group remains in a loss making position it will need to raise working capital on occasions.

Strategic report

Going concern (continued)

The Group has access to future equity financings as potential additional sources of funding, primarily through the Group's existing PrimaryBid.com platform or by way of a separate equity fundraising with the Company's shareholders. Based on its current level of cash it is expected that the Group will need to raise further equity finance in the coming twelve months.

The Directors have concluded that the necessity to raise additional equity finance represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that should it be unable to raise further funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, considering the success of previous fundraisings and the current performance of the business, the Directors have a reasonable expectation of raising sufficient additional capital to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

Key performance indicators

The principal financial KPIs monitored by the Board relate to underlying operating loss and cash and cash equivalents.

The table below shows the Group's underlying operating loss from continuing operations for the two years ended 31 March 2016:

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Underlying operating loss	385,210	408,862

The £23,652 reduction in underlying operating loss in 2016 was attributable to an increase in total revenue of £53,425, offset by an increase in central administrative costs of £18,034 and an increase of £11,739 in R&D costs. The trading results are further detailed in this strategic report on pages 8 to 15.

The table below shows the Group's cash position at 31 March 2016 and 31 March 2015:

	31 March 2016	31 March 2015
	£	£
Cash and cash equivalents	189,636	285,403

The monitoring of cash gives due consideration to anticipated future spend required to prioritise development opportunities and to plan the resources required to achieve the goals of the business. The £95,767 reduction in cash and cash equivalents during the financial year is primarily the result of the operating cash outflows arising during the year, as further detailed in the consolidated statement of cash flows on page 27.

Strategic report

Principal risks and uncertainties

In the course of its normal business the Group is exposed to a range of risks and uncertainties which could impact on the results of the Group. The Board considers that risk-management is an integral part of good business process and, on a bi-annual basis, reviews the industry, operational and financial risks facing the Group and considers the adequacy of the controls and mitigants to manage the risks.

The directors have identified the following principal risks and uncertainties that could have the most significant impact on the Group's long-term value generation.

Funding and other risks

Provexis has experienced operating losses from continuing operations in each year since its inception. Accordingly until Provexis has sufficient commercial success with Fruitflow® to be cash generative it will continue to rely on its existing cash resources and further funding rounds to continue its activities. While Provexis aims to generate licensing revenues from Fruitflow®, there is no certainty that such revenues will be generated. Furthermore, the amount and timing of revenues from Fruitflow® is uncertain and will depend on numerous factors, most of which are outside Provexis' control due to the terms of the Alliance Agreement. It is therefore difficult for the directors to predict with accuracy the timing and amount of any further capital that may be required by the Provexis Group.

Factors that could increase Provexis' funding requirements include, but are not limited to: higher operational costs; slower progress than expected in DSM attracting customers to purchase Fruitflow®; unexpected opportunities to develop additional products or acquire additional technologies, products or businesses; and costs incurred in relation to the protection of Provexis' intellectual property.

Any additional share issues may have a dilutive effect on Provexis Shareholders. Further, there can be no guarantee or assurance that additional equity funding will be forthcoming when required, nor as to the terms and price on which such funds would be available, nor that such funds, if raised, would be sufficient to enable Provexis to meet its working capital requirements.

Early stage of operations

Whilst the Provexis Group has generated small levels of profit share revenue from Fruitflow®, Fruitflow® is still at an early stage of its commercial development. There are a number of operational, strategic and financial risks associated with early stage companies and products. The Provexis Group faces risks frequently encountered by early stage and pre-revenue companies looking to commercialise new (food) technology. In particular, the future growth and prospects of Provexis will be heavily dependent on its alliance partner, DSM, in securing product sales on appropriate terms and to attract customers who can produce products that will maximise the revenue potential of Fruitflow®.

Provexis is heavily dependent on DSM in marketing and selling Fruitflow® to achieve market acceptance, market penetration and, ultimately, sales of products that contain Fruitflow® in sufficient commercial volumes.

The development of Provexis' revenues is difficult to predict and there is no guarantee that Provexis will generate increasing revenues in the foreseeable future. Further there can be no assurance that Provexis' proposed operations will be profitable or produce a reasonable return on investment.

Commercialisation

Due to the terms of the Alliance Agreement, Provexis is largely dependent on DSM in respect of the development, production, marketing and commercialisation of Fruitflow®. Fruitflow® is solely reliant on DSM under the terms of the Alliance Agreement for its commercialisation.

Provexis' long-term success is largely dependent on the ability of DSM to sell Fruitflow®. Provexis' negotiating position with DSM if they choose to vary the Alliance Agreement may be affected by its size and limited cash resources relative to DSM who have substantial cash resources and established levels of commercial success. An inability to enter into any discussions with DSM on equal terms could lead to reduced revenue from the Alliance Agreement and this may have a significant adverse effect on Provexis' business, financial condition and results.

Strategic report

Principal risks and uncertainties (continued)

Commercialisation (continued)

The loss of, or changes affecting, Provexis' relationships with DSM could adversely affect Provexis' results or operations as Provexis has limited input on the sales strategies of Fruitflow® adopted by DSM. Furthermore, although Provexis has sought to include performance obligations on DSM in the Alliance Agreement, there is a risk that DSM may reprioritise Fruitflow® within their product portfolio resulting in Provexis achieving sales below that which it expects. Any such situation may have a material and adverse effect on Provexis' business, financial condition and results of operations.

Profitability depends on the success and market acceptance of Fruitflow®

The success of Provexis will depend on the market's acceptance and valuing of Fruitflow® and there can be no guarantee that this acceptance will be forthcoming or that Provexis' technologies will succeed. The development of a market for Fruitflow® will be affected by many factors, some of which are beyond Provexis' control, including the emergence of newer, more successful food IP and products and the cost of Fruitflow®. Notwithstanding the health claims made in respect of Fruitflow®, there can be no guarantee that Provexis' targeted customer base for the product will purchase or continue to purchase the product. If a market fails to develop or develops more slowly than anticipated, Provexis may be unable to recover the losses it may have incurred in the development of Fruitflow® and may never achieve profitability.

Limited product offering

Provexis has only one product, Fruitflow®, and any problems with the commercial success of Fruitflow® will impact the financial performance of Provexis.

Intellectual property protection

Provexis is heavily dependent on its intellectual property and, in particular, its patents. No assurance can be given that any pending patent applications or any future patent applications will result in granted patents, that any patents will be granted on a timely basis, that the scope of any copyright or patent protection will exclude competitors or provide competitive advantages to Provexis, that any of Provexis' patents will be held valid if challenged, or that third parties will not claim rights in or ownership of the copyright, patents and other proprietary rights held by Provexis.

Further, there can be no assurance that others have not developed or will not develop similar products, duplicate any of Provexis' products or design around any patents held by Provexis. Others may hold or receive patents which contain claims having a scope that covers products developed by Provexis (whether or not patents are issued to Provexis).

Provexis may rely on patents to protect its assets. These rights act only to prevent a competitor copying and not to prevent a competitor from independently developing products that perform the same functions. No assurance can be given that others will not independently develop or otherwise acquire substantially equivalent functional food IP or otherwise gain access to Provexis' unpatented proprietary technology or disclose such technology or that Provexis can ultimately protect meaningful rights to such unpatented technology.

Once granted, a patent can be challenged both in the patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen. Therefore, issued patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction.

A substantial cost may be incurred if Provexis is required to assert its intellectual property rights, including any patents or trade marks against third parties. Litigation is costly and time consuming and there can be no assurance that Provexis will have, or will be able to devote, sufficient resources to pursue such litigation. Potentially unfavourable outcomes in such proceedings could limit Provexis' intellectual property rights and activities. There is no assurance that obligations to maintain Provexis' know how would not be breached or otherwise become known in a manner which provides Provexis with no recourse.

Strategic report

Principal risks and uncertainties (continued)

Intellectual property protection (continued)

Any claims made against Provexis' intellectual property rights, even without merit, could be time consuming and expensive to defend and could have a materially detrimental effect on Provexis' resources. A third party asserting infringement claims against Provexis could require Provexis to cease the infringing activity and/or require Provexis to enter into licensing and royalty arrangements. The third party could also take legal action which could be costly. In addition, Provexis may be required to develop alternative non-infringing solutions that may require significant time and substantial unanticipated resources. There can be no assurance that such claims will not have a material adverse effect on Provexis' business, financial condition or results.

Future development

The future development of the Company is discussed in the Chairman's statement on pages 3 to 7.

Other statutory disclosures

Directors

At the end of the financial year Provexis plc had three directors all of whom were male.

Employees

At the end of the financial year Provexis plc did not have any senior managers, or employees; the directors are engaged under service contracts with the Company. The Company does not discriminate between prospective employees on grounds of age, race, religion or gender. Every effort is made to provide the same opportunities to disabled persons as to others.

The Board recognises its obligation to provide a safe and healthy working environment. The Company complies with relevant health and safety legislation.

Information this report does not contain

As a result of the size and nature of the Company's operations it has not been deemed necessary to provide information about:

- Environmental matters and the impact of the Company's business on the environment.
- Social, community and human rights issues.

This strategic report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved and signed on behalf of the Board



Ian Ford

Secretary

7 September 2016

Directors' report

The Company has chosen, in accordance with Section 414 C(11) of the Companies Act 2006, and as noted in this Directors' report, to include certain matters in its strategic report that would otherwise be required to be disclosed in this Directors' report. The strategic report can be found on pages 8 to 15.

Provexis plc is a public limited company incorporated and domiciled in the United Kingdom (registration number 05102907). The address of the registered office is Prospect House, Queens Road, Reading, Berkshire RG1 4RP, UK. Provexis plc has two wholly owned subsidiaries, Provexis Nutrition Limited ('PNL') and Provexis Natural Products Limited ('PNP') which are registered in England and Wales. Provexis plc also owns 75% of Provexis (IBD) Limited ('IBD') which is also registered in England and Wales.

Board of Directors

The Board of Directors has overall responsibility for the Group.

The Board comprises an Executive Chairman, an Executive Finance Director and an additional Non-executive Director K Rietveld, a senior employee of DSM. DSM is classified as a related party of the Group in accordance with IAS 24 as it holds shares in the Group.

The Directors of Provexis (the 'Directors'), having consulted with Cenkos Securities Limited ('Cenkos Securities'), the Company's nominated adviser, consider that the terms of the Fruitflow® Alliance Agreement are fair and reasonable insofar as Provexis's shareholders are concerned. In providing advice to the Directors, Cenkos Securities has taken into account the Directors' commercial assessments.

The directors of the Company during the year and up to the date that the financial statements were approved are shown below.

Executive Directors

C D Buck
I Ford

Non-executive Directors

K Rietveld

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial year.

Going concern

Based on its current level of cash it is expected that the Group will need to raise further equity finance in the coming twelve months. The Directors have concluded that the necessity to raise additional equity finance represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that should it be unable to raise further funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, considering the success of previous fundraisings and the current performance of the business, the Directors have a reasonable expectation of raising sufficient additional capital to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

Further detail with regards to the consideration of going concern can be found in the strategic report on pages 8 to 15.

Adequacy of information supplied to auditors

Each director has taken all reasonable steps to make himself aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The auditors, Moore Stephens LLP, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

Directors' report

Directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Group, such references in the Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- state whether the company financial statements have been prepared in accordance with applicable UK Accounting Standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website www.provexis.com in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Corporate governance

The Board of directors of Provexis plc is collectively accountable to the Company's shareholders for the good corporate governance of the Group. Under the AIM Rules for Companies, the Group is not required to comply with the UK Corporate Governance Code. However, the Board is aware of best practice as defined by the UK Corporate Governance Code and will seek to adopt procedures to institute good governance insofar as is practical and appropriate for a public company of its size and nature.

The Company is subject to the UK City Code on Takeovers and Mergers.

Directors' report

Internal control and risk management

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets, as well as reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material loss and misstatement.

The Audit Committee continues to monitor and review the effectiveness of the system of internal control and report to the Board when appropriate with recommendations. There have been no significant changes to the system of internal control throughout the year.

The key control procedures operating within the Group include, but are not limited to:

1. a comprehensive system of financial budgeting, forecasting and then reporting and reviewing actual monthly results for the current year against these expectations;
2. a system of operational and financial Key Performance Indicators ('KPIs'), which are reviewed on a monthly basis;
3. procedures for appraisal, review and authorisation of capital expenditure;
4. properly authorised treasury procedures and banking arrangements;
5. regular review of materials and services supply agreements; and
6. regular review of tax, insurance and health and safety matters.

At this stage in the Group's development, the Board does not consider it appropriate to establish an internal audit function.

Audit Committee

The Audit Committee comprises the Executive Chairman Dawson Buck and Krijn Rietveld, the Company's Non-executive Director. The Committee is chaired by Dawson Buck, and it meets as required and specifically to consider the suitability and monitor the effectiveness of the internal control processes. The Audit Committee reviews the findings of the external auditors and reviews accounting policies and material accounting judgements.

The independence of the auditors is considered by the Audit Committee. The Audit Committee meets at least once per calendar year with the auditors to discuss their objectivity and independence, the Annual Report, any audit issues arising, internal control processes and any other appropriate matters. As well as providing audit related services, the auditors provide taxation compliance and advisory services and iXBRL compliance services and undertake work in relation to the interim report. The fees in respect of the non-audit services provided are £7,000 for the year ended 31 March 2016 (2015: £7,000).

Environmental, social and community matters

As noted in the strategic report on pages 8 to 15 given the size and nature of the Company's operations, the impact of the Company's operations on the local community and the environment is not considered to be significant. Recycling of office supplies is undertaken where possible.

Relationship with shareholders

The directors seek to build a mutual understanding of objectives between the Company and its shareholders. The Group reports formally to shareholders in its interim and annual reports setting out details of its activities. In addition, the Group keeps shareholders informed of events and progress through the issue of regulatory news in accordance with the AIM rules of the London Stock Exchange. The Chairman and Finance Director seek to consult with significant shareholders following interim and final results. The Group also maintains investor relations pages and other information regarding the business, its products and activities on its website www.provexis.com.

Where possible the Annual Report is sent to shareholders at least 20 working days before the Annual General Meeting. Directors are required to attend Annual General Meetings of the Company unless unable to do so for personal reasons or due to pressing commercial commitments. Shareholders are given the opportunity to vote on each separate issue. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

Directors' report

Post balance sheet events

On 29 June 2016 the Group announced the launch of a high quality dietary supplement product containing Fruitflow® and Omega-3 which is being sold initially from a separate, dedicated website www.fruitflowplus.com on a mail order basis. The new dietary supplement product is expected to provide the Group with an additional income and profit stream.

On 2 August 2016 the Group announced that it had raised proceeds of £224,000 via the placing of 93,333,340 new ordinary shares of 0.1p each at a gross 0.24p per share with investors. The placing shares were admitted to AIM on 8 August 2016.

On 2 August 2016 as part of the placing announcement the Group also announced that the Company's Chairman Dawson Buck had given a stated intention to subscribe to 10,416,667 shares at a subscription price of 0.24p totalling £25,000, with his formal commitment to and payment for the subscription to take effect in September 2016 immediately after publication of the Company's annual report and accounts.

By order of the Board



Ian Ford
Secretary
7 September 2016

Remuneration report

Remuneration Committee: composition and terms of reference

On 17 December 2013 the Company announced that its former CEO Stephen Moon had stepped down from the Board to focus on the demerged SiS business, leaving Provexis plc with three directors: the former Non-executive Chairman Dawson Buck, who took up the role of Executive Chairman on Stephen Moon's departure; Ian Ford; Finance Director, and Krijn Rietveld, a Non-executive Director and senior employee of DSM.

It was noted in the Company's demerger circular to shareholders on 28 June 2013 that the Board believed it was appropriate to reduce further the operating costs of the Provexis Group associated with the Fruitflow® Business, given that the investment phase of Fruitflow® is complete, in order to minimise the cost of services supplied under the Alliance Agreement by Provexis, and maximise operating profit as Fruitflow® revenues develop. The Board believed then, and continues to believe, that this action will maximise Provexis shareholder value over the short, medium and long term.

The Board resolved in June 2013 to reduce the operating costs of the Fruitflow® business, whilst fully maintaining its contribution to the Alliance Agreement, and it believes that its obligations towards the Fruitflow® business can be met with a small team comprising two part-time executives, together with a Non-executive Director to oversee strategy and governance matters.

Following completion of the demerger Stephen Moon and Ian Ford entered into new agreements with Provexis that reflect the services required to manage the Fruitflow® business only. In December 2013 when Stephen Moon stepped down from the Board, Dawson Buck entered into a new agreement with Provexis, reflecting the change in his role from Non-executive Chairman to Executive Chairman with effect from 17 December 2013.

The Board changes in December 2013 were agreed with some of the Company's larger shareholders before they were put into effect, and it was agreed that given the small size of the Board the Group's Remuneration Committee would be disbanded, with future remuneration issues to include share options to be primarily determined in dialogue between the Company and its larger shareholders.

Policy on Executive Directors' remuneration

Executive remuneration packages are designed to attract and retain executives of the necessary skill and calibre to run the Company successfully but avoiding paying more than is necessary. Direct benchmarking of remuneration is not possible given the specialised nature and size of the Company.

The full Board determines whether or not Executive Directors are permitted to serve in roles with other companies. Such permission is only granted where a role is on a strictly limited basis, where there are no conflicts of interest or competing activities and providing there is not an adverse impact on the commitments required to the Group. Earnings from such roles are not disclosed nor paid to the Group.

Service contracts

The Chairman Dawson Buck is engaged under a contract for services requiring six months' notice by either party, and the Finance Director Ian Ford is engaged under a contract for services requiring three months' notice by either party.

Krijn Rietveld, a Non-executive Director and senior employee of DSM, joined the Board in September 2008 following DSM Venturing B.V.'s investment in the Company as announced on 1 August 2008. Krijn Rietveld is not paid by Provexis.

Gains made on exercise of directors' share options

No directors' share options were exercised during the year (2015: Nil).

Remuneration report

Details of directors' remuneration

The emoluments of the individual directors for the year were as follows:

	Year ended 31 March 2016			Year ended 31 March 2015	
	Salary and directors' fees	Benefits in kind	Pension	Total	Total
	£	£	£	£	£
Executive Directors					
C D Buck	76,008	-	-	76,008	73,002
I Ford	88,002	-	-	88,002	76,251
Non-executive Directors					
K Rietveld	-	-	-	-	-
	164,010	-	-	164,010	149,253

The above fees and emoluments exclude reimbursed expenditure incurred in the conduct of Group business.

Share-based payment expense

The share-based payment expenses of the individual directors recognised for the year were as follows:

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Executive Directors		
C D Buck	23,262	23,199
I Ford	23,262	23,198
Non-executive Directors		
K Rietveld	-	-
	46,524	46,397

Directors' interests in shares

	Ordinary shares of 0.1 pence each	Ordinary shares of 0.1 pence each
	Beneficial interests 31 March 2016	1 April 2015
C D Buck	15,000,000	12,906,433
I Ford	5,000,000	2,201,832
	20,000,000	15,108,265

Other than as shown in the table and as further disclosed in respect of share options in note 16, no director had any interest in the shares of the Company or its subsidiary companies at 31 March 2016.

Remuneration report

Directors' interests in share options

The Board uses share options to align directors and employees interests with those of shareholders in order to provide incentives and reward them based on improvements in Company performance.

The share options held by the directors and not exercised at 31 March 2016 are summarised below.

	31 March 2016	31 March 2015
C D Buck	7,000,000	7,000,000
I Ford	25,000,000	25,000,000
	32,000,000	32,000,000

The unapproved share options at 31 March 2016 of the directors who served during the year are set out below:

	Grant date	Number awarded	Exercise price/share	Earliest exercise date	Expiry date
C D Buck	June 2013	7,000,000	0.972p	April 2016	June 2023
I Ford	June 2011	6,350,010	1.846p	April 2014	June 2021
		13,350,010			

The EMI share options at 31 March 2016 of the directors who served during the year are set out below:

	Grant date	Number awarded	Exercise price/share	Earliest exercise date	Expiry date
I Ford	June 2013	7,000,000	0.972p	April 2016	June 2023
I Ford	June 2011	1,649,990	1.846p	April 2014	June 2021
I Ford	August 2008	5,000,000	0.593p	April 2011	August 2018
I Ford	August 2008	5,000,000	0.593p	October 2009	August 2018
		18,649,990			

All options were granted with an exercise price at or above market value on the date of grant.

Independent auditor's report to the members of Provexis plc

TO THE MEMBERS OF PROVEXIS PLC

We have audited the financial statements of Provexis plc for the year ended 31 March 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the parent company balance sheet and related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Provexis plc continued

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the Chairman's Statement, the Strategic Report and in note 1 to the financial statements concerning the Company and the Group's ability to continue as a going concern. The Group is dependent primarily on the ability to raise funds to finance its working capital requirements and the level of sales of Fruitflow achieved both by DSM and through the Group's website. These conditions, along with the other matters explained in the Chairman's Statement, the Strategic Report and in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report and strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



*Neil Tustian (Senior Statutory Auditor)
For and on behalf of Moore Stephens LLP,
Chartered accountant and statutory auditor
Reading*

7 September 2016

Consolidated statement of comprehensive income

		Year ended 31 March 2016	Year ended 31 March 2015
	Notes	£	£
Revenue	1,3	91,649	38,224
Research and development costs	4	(192,236)	(180,497)
Administrative costs		(354,892)	(355,964)
Underlying operating loss		(385,210)	(408,862)
Share based payment charges	16	(70,269)	(89,375)
Loss from operations	4	(455,479)	(498,237)
Finance income	7	2,768	5,077
Loss before taxation		(452,711)	(493,160)
Taxation	8	11,980	5,407
Loss and total comprehensive expense for the year		(440,731)	(487,753)
Attributable to:			
Owners of the parent		(409,569)	(435,598)
Non-controlling interest		(31,162)	(52,155)
Loss and total comprehensive expense for the year		(440,731)	(487,753)
Loss per share to owners of the parent			
Basic - pence	9	(0.03)	(0.03)
Diluted - pence	9	(0.03)	(0.03)

Consolidated statement of financial position

Company number 05102907

	Notes	As at 31 March 2016 £	As at 31 March 2015 £
Assets			
Current assets			
Trade and other receivables	12	49,561	53,348
Corporation tax asset	8	17,388	21,230
Cash and cash equivalents		189,636	285,403
Total current assets		256,585	359,981
Total assets		256,585	359,981
Liabilities			
Current liabilities			
Trade and other payables	13	(113,747)	(114,081)
Total current liabilities		(113,747)	(114,081)
Net current assets		142,838	245,900
Total liabilities		(113,747)	(114,081)
Total net assets		142,838	245,900
Capital and reserves attributable to owners of the parent company			
Share capital	15	1,647,068	1,584,846
Share premium reserve	17	16,503,221	16,298,043
Warrant reserve	17	26,200	26,200
Merger reserve	17	6,599,174	6,599,174
Retained earnings	17	(24,226,036)	(23,886,736)
		549,627	621,527
Non-controlling interest	17	(406,789)	(375,627)
Total equity		142,838	245,900

These consolidated financial statements were approved and authorised for issue by the Board on 7 September 2016. The notes on pages 29 to 48 form part of these consolidated financial statements.



Ian Ford

Director - On behalf of the Board of Provexis plc

Consolidated statement of cash flows

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Cash flows from operating activities		
Loss after tax	(440,731)	(487,753)
Adjustments for:		
Finance income	(2,768)	(5,077)
Taxation	(11,980)	(5,407)
Share-based payment charge	70,269	89,375
Changes in trade and other receivables	3,623	(1,783)
Changes in trade and other payables	(334)	5,869
Net cash flow from operations	(381,921)	(404,776)
Tax credits received	15,822	-
Total cash flow from operating activities	(366,099)	(404,776)
Cash flow from investing activities		
Interest received	2,932	4,949
Total cash flow from investing activities	2,932	4,949
Cash flow from financing activities		
Proceeds from issue of share capital	267,400	170,403
Total cash flow from financing activities	267,400	170,403
Net decrease in cash and cash equivalents	(95,767)	(229,424)
Opening cash and cash equivalents	285,403	514,827
Closing cash and cash equivalents	189,636	285,403

Consolidated statement of changes in equity

	Share capital	Share premium	Warrant reserve	Merger reserve	Retained earnings	Total equity attributable to owners of the parent	Non- controlling interests	Total equity
	£	£	£	£	£	£	£	£
At 31 March 2014	1,554,816	16,183,870	26,200	6,599,174	(23,505,513)	858,547	(323,472)	535,075
Share-based charges	-	-	-	-	89,375	89,375	-	89,375
Equity financing facility fee - charge for year	-	-	-	-	(35,000)	(35,000)	-	(35,000)
Issue of shares - equity financing facility 29 April 2014	7,000	38,403	-	-	-	45,403	-	45,403
Issue of shares - equity financing facility 15 December 2014	23,030	101,970	-	-	-	125,000	-	125,000
Equity financing facility - warrants charged to share premium account	-	(26,200)	-	-	-	(26,200)	-	(26,200)
Total comprehensive expense for the year	-	-	-	-	(435,598)	(435,598)	(52,155)	(487,753)
At 31 March 2015	1,584,846	16,298,043	26,200	6,599,174	(23,886,736)	621,527	(375,627)	245,900
Share-based charges	-	-	-	-	70,269	70,269	-	70,269
Issue of shares - PrimaryBid placing 9 July 2015	62,222	205,178	-	-	-	267,400	-	267,400
Total comprehensive expense for the year	-	-	-	-	(409,569)	(409,569)	(31,162)	(440,731)
At 31 March 2016	1,647,068	16,503,221	26,200	6,599,174	(24,226,036)	549,627	(406,789)	142,838

Notes to the consolidated financial statements

1. 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 Prospect House, Queens Road, Reading, Berkshire RG1 4RP, UK.

The main activities of the Group are those of developing and licensing the proprietary, scientifically-proven Fruitflow® heart-health functional food ingredient for the global functional food sector.

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ('adopted IFRS') and those parts of the Companies Act 2006 that are applicable to financial statements prepared in accordance with IFRS.

The Company has elected to prepare its parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice - Financial Reporting Standard 102 ('UK GAAP'), and these are set out on pages 49 to 53.

The accounting policies set out below have been applied to all periods presented in these Group financial statements and are in accordance with IFRS, as adopted by the European Union, and International Financial Reporting Interpretations Committee ('IFRIC') interpretations that were applicable for the year ended 31 March 2016.

These accounting policies are consistent with those applied in the year ended 31 March 2015, as amended to reflect any new Standards, Amendments to Standards and interpretations which are mandatory for the year ended 31 March 2016.

The following amendment has been adopted in the year however the Directors do not consider it to have had a material effect on the Group financial statements:

- Defined Benefit Plans: Employee Contributions: Amendments to IAS 19

The following standards, interpretations and amendments have been issued but are not yet effective and will be adopted at the point they are effective:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 9 Financial Instruments (effective 1 January 2018)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016)

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the consolidated financial statements of the Group. There are a number of standards, interpretations and amendments to published accounts not listed above which the directors consider not to be relevant to the Group.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Basis of preparation (continued)

Going concern

The Group's business activities together with the factors likely to affect its future development are set out in the strategic report on pages 8 to 15. The financial position of the Group, its cash flows and liquidity position are also set out in the strategic report on pages 8 to 15. In addition note 2 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The Group made a total comprehensive loss for the year of £440,731 (2015: £487,753) and expects to make a further loss during the year ending 31 March 2017. The total cash outflow from operations in the year was £381,921 (2015: £404,776). At 31 March 2016 the Group had cash balances of £189,636 (2015: £285,403).

On 4 June 2015 the Group announced that it had agreed significantly enhanced financial terms for its long-term Alliance Agreement with DSM, involving a reduction in the fixed level of overhead deduction from sales which permanently decreased with effect from 1 January 2015, backdated, thus increasing the profit share payable to the Company.

On 4 June 2015 the Group also announced that it had joined PrimaryBid.com (www.primarybid.com), an online platform dedicated to equity crowdfunding for AIM-listed companies which is further detailed in note 15. On 3 July 2015 the Group announced that it had raised proceeds of £267,400 net of commission via the placing of 62,222,223 new ordinary shares of 0.1p each at a gross 0.45p per share with investors using the Primarybid.com platform. The placing shares were admitted to AIM on 9 July 2015.

On 29 June 2016 the Group announced the launch of a high quality dietary supplement product containing Fruitflow® and Omega-3 which is being sold initially from a separate, dedicated website www.fruitflowplus.com on a mail order basis. The new dietary supplement product is expected to provide the Group with an additional income and profit stream.

On 2 August 2016 the Group announced that it had raised proceeds of £224,000 via the placing of 93,333,340 new ordinary shares of 0.1p each at a gross 0.24p per share with investors. The placing shares were admitted to AIM on 8 August 2016.

On 2 August 2016 as part of the placing announcement the Group also announced that the Company's Chairman Dawson Buck had given a stated intention to subscribe to 10,416,667 shares at a subscription price of 0.24p totalling £25,000, with his formal commitment to and payment for the subscription to take effect in September 2016 immediately after publication of the Group's annual report and accounts.

The directors have prepared projected cash flow information for a period of more than twelve months from the date of approval of these financial statements and have reviewed this information as at the date of these financial statements.

The Group is seeking to maximise the commercial returns that can be achieved from its Fruitflow® technology, and the Group's cost base and its resources continue to be very tightly managed.

The Group remains keen to minimise dilution to shareholders and it is focussed on moving into profitability as Fruitflow® revenues increase, but while the Group remains in a loss making position it will need to raise working capital on occasions.

The Group has access to future equity financings as potential additional sources of funding, primarily through the Group's existing PrimaryBid.com platform or by way of a separate equity fundraising with the Company's shareholders. Based on its current level of cash it is expected that the Group will need to raise further equity finance in the coming twelve months.

The Directors have concluded that the necessity to raise additional equity finance represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that should it be unable to raise further funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, considering the success of previous fundraisings and the current performance of the business, the Directors have a reasonable expectation of raising sufficient additional capital to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Basis of consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The consolidated financial information presents the results of the Company and its subsidiaries, Provexis Nutrition Limited, Provexis Natural Products Limited and Provexis (IBD) Limited as if they formed a single entity ('the Group'). All subsidiaries share the same reporting date, 31 March, as Provexis plc. All intra group balances are eliminated in preparing the financial statements.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The direct costs of acquisition are recognised immediately as an expense.

Non-controlling interest

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Revenue

Revenue comprises the fair value received or receivable for exclusivity arrangements, collaboration agreements, royalties and sales net of sales rebates and excluding VAT and trade discounts.

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

(i) Exclusivity arrangements and collaboration 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.

Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Chairman, who 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.

Use of non-GAAP profit measure – underlying operating profit

The directors believe that the operating loss before 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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Use of non-GAAP profit measure – underlying operating profit (continued)

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 underlying financial performance. Transactions which may give rise to exceptional items include the restructuring of business activities and acquisitions. A reconciliation of underlying operating profit to statutory operating profit is set out on the face of the Statement of Comprehensive Income.

Intangible assets

Research and development

Certain Group products are in the research phase and others are in the development phase. Expenditure incurred on the development of internally generated products is capitalised if it can be demonstrated that:

- It is technically feasible to develop the product for it to be sold;
- Adequate resources are available to complete the development;
- There is an intention to complete and sell the product;
- The Group is able to sell the product;
- Sale of the product will generate future economic benefits; and
- Expenditure on the project can be measured reliably.

The value of the capitalised development cost is assessed for impairment annually. The value is written down immediately if impairment has occurred. Development costs are not being amortised as income has not yet been realised from the underlying technology. Development expenditure, not satisfying the above criteria, and expenditure on the research phase of internal projects is recognised in the statement of comprehensive income as incurred.

Patents and trade marks

The costs incurred in establishing patents and trade marks are either expensed or capitalised in accordance with the corresponding treatment of the development expenditure for the product to which they relate.

Non-current assets held for sale or distribution and disposal groups

Non-current assets and disposal groups are classified as held for sale when, at the year end:

- 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.

Impairment of assets

Assets that have a finite useful life but that are not yet in use and are therefore not subject to amortisation or depreciation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment annually and when events or circumstances suggest that the carrying amount may not be recoverable, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Impairment of assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Impairment losses on goodwill are not reversed.

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.

Financial instruments

Financial assets

The Group's financial assets are comprised of 'trade and other receivables' and 'cash and cash equivalents'. They are recognised initially at their fair value and subsequently at amortised cost. The Group will assess at each reporting date whether there is objective evidence that the financial asset is impaired. If an asset is judged to be impaired the carrying amount of the asset will be adjusted to its impaired valuation.

Financial liabilities

The Group's financial liabilities comprise 'trade and other payables' and 'borrowings'. These are recognised initially at fair value and subsequently at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are recognised in the statement of comprehensive income in the same period to which the costs that they are intended to compensate are expensed.

Taxation

Current tax is provided at amounts expected to be recovered or to be paid using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date. When research and development tax credits are claimed they are recognised on an accruals basis and are included as a taxation credit.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability on the balance sheet differs from its tax base, except for differences arising on:

- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profits will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group Company; or
- Different Group entities which intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, on each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Benefits for Directors and consultants

(i) Share-based payment transactions

The Group operates an equity-settled, share-based compensation plan. Vesting conditions are service conditions and performance conditions only. Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised 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 when granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative charge is not adjusted for failure to achieve a market vesting condition. If market related terms and conditions of options are modified before they vest, the change in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period. If non-market related terms and conditions of options are modified before they vest, the number of instruments expected to vest at each reporting date, and therefore the cumulative charge, is amended accordingly. Where equity instruments are granted to persons other than employees and others providing similar services, the statement of comprehensive income is charged with the fair value of goods and services received.

The proceeds received when options are exercised, net of any directly attributable transaction costs, are credited to share capital (nominal value) and the remaining balance to share premium.

National insurance on share options

All employee option holders sign statements that they will be liable for any employers national insurance arising on the exercise of share options.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

Warrants

The Group has issued warrants to Darwin Strategic Limited, initially as part of the Equity Financing Facility and with effect from June 2015 as part of PrimaryBid.com. These warrants have been measured at fair value at the date of grant using an appropriate options pricing model.

The fair value of the warrants had been held on the statement of financial position within prepayments and in the warrants reserve within equity. The prepayment was released in full against share premium in the year ended 31 March 2015. The warrants reserve will be released to share premium if the warrants are exercised. If the warrants lapse then the reserve will be transferred to retained earnings.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Benefits for Directors and consultants

Share-based payment transactions

The Group operates an equity-settled, share-based compensation plan. Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised 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 when granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative charge is not adjusted for failure to achieve a market vesting condition. If market related terms and conditions of options are modified before they vest, the change in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period. If non-market related terms and conditions of options are modified before they vest, the number of instruments expected to vest at each reporting date, and therefore the cumulative charge, is amended accordingly. Where equity instruments are granted to persons other than employees and others providing similar services, the statement of comprehensive income is charged with the fair value of goods and services received.

The proceeds received when options are exercised, net of any directly attributable transaction costs, are credited to share capital (nominal value) and the remaining balance to share premium.

National insurance on share options

All employee option holders sign statements that they will be liable for any employers national insurance arising on the exercise of share options.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

Warrants

The Group has issued warrants to Darwin Strategic Limited, initially as part of the Equity Financing Facility and with effect from June 2015 as part of PrimaryBid.com. These warrants have been measured at fair value at the date of grant using an appropriate options pricing model.

The fair value of the warrants had been held on the statement of financial position within prepayments and in the warrants reserve within equity. The prepayment was released in full against share premium in the year ended 31 March 2015. The warrants reserve will be released to share premium if the warrants are exercised. If the warrants lapse then the reserve will be transferred to retained earnings.

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.

(ii) Share-based payments

The Group operates an equity-settled, share-based compensation plan. The charge for share-based payments is determined based on the fair value of awards at the date of grant partly by use of the Black-Scholes pricing model which require judgements to be made regarding expected volatility, dividend yield, risk free rates of return and expected option lives. The inputs used in these pricing models to calculate the fair values are set out in note 16. An element of the share-based payment charge also relies on certain assumptions over the future performance of the share price which may not be met or may be exceeded by the time the relevant awards vest.

Notes to the consolidated financial statements continued

2. Financial risk management

2.1 Financial risk factors

The Group's activities inevitably expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

It is Group policy not to enter into speculative positions using complex financial instruments. The Group's primary treasury objective is to minimise exposure to potential capital losses whilst at the same time securing favourable market rates of interest on Group cash deposits using money market deposits with banks. Cash balances used to settle the liabilities from operating activities are also maintained in current accounts which earn interest at variable rates.

(a) Market risk

Foreign exchange risk

The Group's largest contract, the long-term Alliance Agreement with DSM Nutritional Products for Fruitflow®, is primarily denominated in Euros. The Alliance Agreement is underpinned by a financial model which is based upon the division of profits between the two partners on an agreed basis, linked to certain revenue targets, following the deduction of the cost of goods and a fixed level of overhead from sales.

DSM Nutritional Products seeks to sell Fruitflow® in Euros, but its customers for Fruitflow® are world-wide and world-wide exchange rate fluctuations may have an impact on the revenues accruing to DSM, and thus the profit share accruing to the Group. The cost of goods for Fruitflow® is primarily denominated in and incurred in Euros.

Where customer or supplier transactions of more than £25,000 total value are to be settled in foreign currencies consideration is given to settling the sums to be received or paid through foreign exchange conversion at the outset of the transactions to minimise the risk of adverse currency fluctuations.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from medium term and short term money market deposits. Deposits which earn variable rates of interest expose the Group to cash flow interest rate risk. Deposits at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis throughout the year.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposure in relation to outstanding receivables. Group policy is to place deposits with institutions with investment grade A2 or better (Moody's credit rating) and deposits are made in sterling only. The Group does not expect any losses from non-performance by these institutions. Management believes that the carrying value of outstanding receivables and deposits with banks represents the Group's maximum exposure to credit risk.

(c) Liquidity risk

Liquidity risk arises from the Group's management of working capital, it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow.

The Group had trade and other payables at the statement of financial position date of £113,747 (2015: £114,081) as disclosed in note 13.

Notes to the consolidated financial statements continued

2.2 Capital risk management

The Group considers its capital to comprise its ordinary share capital, share premium, warrant reserve, merger reserve and accumulated retained earnings as disclosed in the consolidated statement of financial position.

The Group remains funded primarily by equity capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders of the Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

3. Segmental reporting

The directors have determined that only one operating segment exists under the terms of International Financial Reporting Standard 8 'Operating Segments', as the Group is organised and operates as a single business unit and all activities are based in the UK. The Group's reporting segment is determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Chairman of the Board of Directors as he 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 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 the segment before share based payment charges and exceptional items.

4. Loss from continuing operations

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Loss from continuing operations is stated after charging:		
Research and development costs	192,236	180,497
Foreign exchange gains / (losses)	8,865	(2,553)
Equity-settled share based payment expense	70,269	89,375

The total fees of the Group's auditor, for services provided are analysed below:

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Audit services		
Parent company	10,000	13,000
Subsidiaries	8,000	12,000
Tax services - compliance		
Parent company	2,000	2,000
Subsidiaries	3,000	3,000
Other services		
iXBRL services	2,000	2,000
Total fees	25,000	32,000

Notes to the consolidated financial statements continued

5. Wages and salaries

The average monthly number of persons, including all directors, employed or engaged under contracts for services by the Group during the year was as follows:

	Year ended 31 March 2016	Year ended 31 March 2015
Research and development consultants	1	1
Directors	3	3
	4	4

Their aggregate emoluments were:

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Fees	212,510	169,253
Total cash settled emoluments	212,510	169,253
Share-based payment remuneration charge: equity settled	70,269	54,375
Total emoluments	282,779	223,628

6. Directors' remuneration

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Directors		
Aggregate emoluments	164,010	149,253
Company pension contributions	-	-
	164,010	149,253
Share based payment remuneration charge: equity settled	46,524	46,397
Total Directors' emoluments	210,534	195,650

Emoluments disclosed above include the following amounts in respect of the highest paid director:

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Aggregate emoluments	88,002	76,251
Share based payment remuneration charge: equity settled	23,262	23,198
Total of the highest paid director's emoluments	111,264	99,449

During the current year and the prior year the directors did not participate in defined contribution pension schemes, and did not receive any benefits in kind.

Further details of directors' emoluments are included in the Remuneration report on pages 20 to 22.

Notes to the consolidated financial statements continued

7. Finance income

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Finance income		
Bank interest receivable	2,768	5,077
	2,768	5,077

8. Taxation

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Current tax income		
United Kingdom corporation tax - research and development credit	11,980	5,407
Taxation credit	11,980	5,407

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

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Loss before tax	452,711	493,160
Loss before tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	90,542	103,564
Effects of:		
Expenses not deductible for tax purposes	(14,054)	(19,539)
Difference between depreciation and capital allowances	283	362
Unutilised tax losses and other deductions arising in the year	(69,329)	(69,487)
Additional deduction for R&D expenditure	9,185	4,351
Surrender of tax losses for R&D tax credit refund	(4,647)	(2,425)
Share scheme deduction	-	(11,419)
Total tax credit for the year	11,980	5,407

At 31 March 2016 the Group UK tax losses to be carried forward are estimated to be £18,640,000 (2015: £18,100,000).

Income tax asset receivable within one year	31 March 2016 £	31 March 2015 £
Corporation tax recoverable	17,388	21,230
	17,388	21,230

Notes to the consolidated financial statements continued

9. Earnings per share and diluted earnings per share

Basic earnings per share amounts are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

The loss attributable to equity holders of the Company for the purpose of calculating the fully diluted loss per share is identical to that used for calculating the basic loss per share. The exercise of share options, disclosed in note 16, would have the effect of reducing the loss per share and is therefore anti-dilutive under the terms of IAS 33 'Earnings per Share'.

Basic and diluted loss per share amounts are in respect of all activities.

	Year ended 31 March 2016	Year ended 31 March 2015
Loss and total comprehensive expense for the year attributable to owners of the parent - £	409,569	435,598
Weighted average number of shares	1,630,067,560	1,567,947,710
Basic and diluted loss per share - pence	0.03	0.03

There have been no transactions involving ordinary shares between the reporting date and the date of approval of these financial statements which would significantly change the earnings per share calculations shown above.

10. Intangible assets

	Goodwill £	Development costs £	Total £
Cost			
At 1 April 2015	7,265,277	158,166	7,423,443
At 31 March 2016	7,265,277	158,166	7,423,443
Amortisation and Impairment			
At 1 April 2015	7,265,277	158,166	7,423,443
At 31 March 2016	7,265,277	158,166	7,423,443
Net book value			
At 31 March 2016	-	-	-
At 31 March 2015	-	-	-
Cost			
At 1 April 2014	7,265,277	158,166	7,423,443
At 31 March 2015	7,265,277	158,166	7,423,443
Amortisation and Impairment			
At 1 April 2014	7,265,277	158,166	7,423,443
At 31 March 2015	7,265,277	158,166	7,423,443
Net book value			
At 31 March 2015	-	-	-
At 31 March 2014	-	-	-

Development costs represent costs incurred in registering patents that meet the capitalisation criteria set out in IAS 38, see also note 1.

Notes to the consolidated financial statements continued

11. Plant and equipment

	Fixtures, fittings, plant and equipment £	Laboratory equipment £	Total £
Cost			
At 1 April 2015	-	68,725	68,725
At 31 March 2016	-	68,725	68,725
Depreciation			
At 1 April 2015	-	68,725	68,725
At 31 March 2016	-	68,725	68,725
Net book value			
At 31 March 2016	-	-	-
At 31 March 2015	-	-	-

	Fixtures, fittings, plant and equipment £	Laboratory equipment £	Total £
Cost			
At 1 April 2014	74,096	147,145	221,241
Disposals	(74,096)	(78,420)	(152,516)
At 31 March 2015	-	68,725	68,725
Depreciation			
At 1 April 2014	74,096	147,145	221,241
Disposals	(74,096)	(78,420)	(152,516)
At 31 March 2015	-	68,725	68,725
Net book value			
At 31 March 2015	-	-	-
At 31 March 2014	-	-	-

Notes to the consolidated financial statements continued

12. Trade and other receivables

	31 March 2016 £	31 March 2015 £
Amounts receivable within one year:		
Trade receivables	-	240
Less: provision for impairment of trade receivables	-	-
Trade receivables - net	-	240
Other receivables	17,423	18,750
Total financial assets other than cash and cash equivalents classified as loans and receivables	17,423	18,990
Prepayments and accrued income	32,138	34,358
Total trade and other receivables	49,561	53,348

Trade and other receivables do not contain any impaired assets. The Group does not hold any collateral as security and the maximum exposure to credit risk at the Consolidated Statement of Financial Position date is the fair value of each class of receivable.

13. Trade and other payables

	31 March 2016 £	31 March 2015 £
Trade payables	29,550	38,135
Accruals	80,326	72,075
Total financial liabilities measured at amortised cost	109,876	110,210
Other taxes and social security	3,871	3,871
Total trade and other payables	113,747	114,081

The directors consider that the carrying amount of these liabilities approximates to their fair value.

All amounts shown fall due within one year.

14. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18% (2015: 21%).

No amounts in respect of deferred tax were recognised in the income statement from continuing operations or charged / credited to equity for the current or prior year.

Deferred tax assets amounting to £3,356,723 (2015: £3,810,272) have not been recognised on the basis that their future economic benefit is not certain. Assuming a prevailing tax rate of 18% (2015: 21%) when the timing differences reverse, the unrecognised deferred tax asset comprises:

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Depreciation in excess of capital allowances	1,158	1,648
Unutilised tax losses	3,355,565	3,808,624
	3,356,723	3,810,272

Notes to the consolidated financial statements continued

15. Share capital

On 4 June 2015 the Company announced that it had joined PrimaryBid.com (www.primarybid.com), an online platform dedicated to equity crowdfunding for AIM-listed companies.

PrimaryBid.com provides a new channel for the Company to raise equity from investors, allowing investors to bid directly for new ordinary shares of 0.1p each in the Company at prices of their choosing, subject to certain limited restrictions.

PrimaryBid.com gives the Company ongoing access to an aggregated book of bids submitted by prospective investors, with the Company having full discretion as to whether or not to proceed with a share placing to raise capital through PrimaryBid.com.

Should the Company wish to proceed with a share placing this is done by issuing new shares, in order to satisfy any number of the bids presented through the PrimaryBid.com platform. Shares may only be issued to the extent that the Company has the requisite shareholder authorities to fulfil the issuance. Full details can be found on www.primarybid.com.

In June 2015, as a result of the Company joining PrimaryBid.com, the Company's existing 10 September 2013 Equity Financing Facility ('EFF') with Darwin Strategic Limited was cancelled.

EFF fee and warrant reserve

In consideration of Darwin agreeing to provide the EFF in September 2013 the Company agreed to:

- (i) Pay a fee to Darwin amounting to approximately £35,000 by way of an issue of 3,414,635 fully paid Ordinary Shares, at a gross 1.025p per share. The contingent fee amounting to a maximum of £125,000 payable under the 7 November 2011 Equity Financing Facility was cancelled.
- (ii) Enter into a new warrant agreement dated 10 September 2013 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 4.44 pence per share and to be exercisable at any time prior to the expiry of five years following the date of the new warrant agreement.

The warrants were measured at fair value at the date of grant using a Black-Scholes model, with the following assumptions:

Date of grant	Exercise price	Number of warrants	Share price at grant date	Expected volatility	Risk free rate	Expected life	Fair value per share under warrant pence
	pence		pence			years	
11-Sep-13	4.44	10,000,000	0.915	75%	0.79%	5	0.262

An expected dividend yield of 0% was used in the above valuation.

The assumption made for the expected life of the warrants is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The existing 10 September 2013 warrant agreement with Darwin continues to be in place under the new PrimaryBid.com arrangements.

The total fair value of the warrants, £26,200, has previously been held within prepayments and in the warrants reserve within equity. During the year ended 31 March 2015 the prepayment was released in full against share premium.

The warrants reserve will be released to share premium if the warrants are exercised. If the warrants lapse then the reserve will be transferred to retained earnings.

Notes to the consolidated financial statements continued

15. Share capital (continued)

Allotted, called up and fully paid	Ordinary 0.1p shares £	Ordinary 0.1p shares number
At 31 March 2015	1,584,846	1,584,845,944
Issue of shares - PrimaryBid placing 9 July 2015	62,222	62,222,223
At 31 March 2016	1,647,068	1,647,068,167

Allotted, called up and fully paid	Ordinary 0.1p shares £	Ordinary 0.1p shares number
At 31 March 2014	1,554,816	1,554,815,614
Issue on subscription - equity financing facility	30,030	30,030,330
At 31 March 2015	1,584,846	1,584,845,944

During the year ended 31 March 2016 the Company issued ordinary shares of 0.1p each as follows:

Date	Reason for issue	Shares issued £	Number
09.07.15	PrimaryBid placing	62,222	62,222,223
		62,222	62,222,223

During the year ended 31 March 2015 the Company issued ordinary shares of 0.1p each as follows:

Date	Reason for issue	Shares issued £	Number
29.04.14	Share subscription - equity financing facility	7,000	7,000,000
15.12.14	Share subscription - equity financing facility	23,030	23,030,330
		30,030	30,030,330

16. Share options

In June 2005 the Company adopted a new share option scheme for employees ('the Provexis 2005 share option scheme'). Under the scheme, options to purchase ordinary shares are granted by the Board of Directors, subject to the exercise price of the option being not less than the market value at the grant date. The options typically vest after a period of 3 years and the vesting schedule is subject to predetermined overall company selection criteria. In the event that the option holder's employment is terminated, the option may not be exercised unless the Board of Directors so permits. The options expire 10 years from the date of grant.

The Company undertook a reverse takeover of Provexis Natural Products Limited ('PNP', formerly Provexis Limited) in June 2005 through a share for share exchange. Prior to the takeover the Company and PNP had granted EMI options and unapproved options. Options granted by the Company prior to the takeover remain subject to the same terms as contained in the individual share option contracts under which they were originally granted. The PNP EMI options and unapproved options were rolled over into options over the Company's ordinary shares, and these replacement options remain subject to the same terms as contained in the individual PNP share option contracts under which they were originally granted.

Following the demerger of SiS (Science in Sport) Limited in August 2013 appropriate modifications were proposed to the exercise price of certain outstanding EMI and unapproved share option awards under Provexis' share option schemes. The proposed modifications were to reflect the reduction in value of Provexis which arose from the share re-organisation, reduction of capital and demerger of SiS (Science in Sport) Limited, calculated on a pro rata basis immediately after the demerger using the respective market values of Provexis plc and Science in Sport plc, net of Science in Sport plc's August 2013 placing ('the Demerger Modifications').

Notes to the consolidated financial statements continued

16. Share options (continued)

Details of the share re-organisation, reduction of capital, demerger of SiS (Science in Sport) Limited and proposed option Demerger Modifications were provided on 28 June 2013 in a circular to shareholders and in an AIM admission document for Science in Sport plc, which are available to download from the Company's website www.provexis.com.

As envisaged in the June 2013 circular to shareholders an advance assurance was sought from HMRC to approve the variation in the exercise price arising out of the reduction of capital and demerger for unexercised EMI options as at 9 August 2013, the demerger effective date. The advance assurance was not successful, and the Company remains in dialogue with HMRC on this issue. On 20 August 2014 it was agreed that the modifications proposed to the exercise price of certain outstanding awards under Provexis' share option schemes would take immediate effect.

On 3 September 2015 the Company granted a total of 2,500,000 new options over Ordinary Shares ('Options') under the Provexis 2005 share option scheme to Professor Asim Duttaroy, with an exercise price of 0.49 pence, being the closing mid-market price on 3 September 2015. The Options are exercisable between 3 and 10 years from date of grant and are subject to performance criteria, including share price appreciation.

Professor Asim Duttaroy was the original inventor of Fruitflow® and he serves on the Company's Scientific Advisory Board. On 18 November 2014 the Company announced it had signed a collaboration agreement with the University of Oslo to undertake further research into the relationship between Fruitflow® and blood pressure regulation, with the University's collaboration work to be led by Professor Duttaroy. The Company believes the grant of these Options will closely align the interests of Professor Duttaroy with those of shareholders.

Following the issue of the new Options the total number of Ordinary Shares under option which could be issued if all of the performance criteria are met are 118,617,620 Ordinary Shares.

The fair values of the options granted during the year were estimated at the date of grant in accordance with IFRS 2, using a Black-Scholes model. Where options have been approved but not formally granted and optionholders have provided services in advance of the grant of options a charge is recognised using an estimated fair value based on the period end share price.

At 31 March 2016 the number of ordinary shares subject to options granted over the 2005 and prior option schemes were:

EMI options

	31 March 2016			31 March 2015		
	Weighted average exercise price (pence)	Weighted average share price at date of exercise (pence)	Number	Weighted average exercise price (pence)	Weighted average share price at date of exercise (pence)	Number
Outstanding at the beginning of the year	0.77	-	56,078,090	0.78	-	58,494,665
Cancelled during the year	-	-	-	0.90	-	(2,416,575)
Outstanding at the end of the year	0.77	-	56,078,090	0.77	-	56,078,090

The exercise price of EMI options outstanding at the end of the year ranged between 0.59p and 1.85p (2015: 0.59p and 1.85p) and their weighted average contractual life was 4.3 years (2015: 5.3 years).

Of the total number of EMI options outstanding at the end of the year, 49,078,090 (2015: 49,078,090) had vested and were exercisable at the end of the year. Their weighted average exercise price was 0.74 pence (2015: 0.74 pence).

Notes to the consolidated financial statements continued

16. Share options (continued)

Unapproved options

	31 March 2016		31 March 2015	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	1.20	62,145,845	1.30	52,145,845
Granted during the year	0.49	2,500,000	0.67	10,000,000
Cancelled during the year	0.66	(2,106,315)	-	-
Outstanding at the end of the year	1.19	62,539,530	1.20	62,145,845

The exercise price of unapproved options outstanding at the end of the year ranged between 0.49p and 1.85p (2015: 0.59p and 1.85p) and their weighted average contractual life was 6.2 years (2015: 6.9 years).

Of the total number of unapproved options outstanding at the end of the year, 43,039,530 (2015: 45,145,845) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.38 pence (2015: 1.35 pence).

Grant of options

The fair values of the options have been estimated at the date of grant using a Black-Scholes model, using the following assumptions:

Tranche	Date of grant	Exercise price	Number of options	Share price at grant date	Expected volatility	Risk free rate	Expected life	Fair value per share under option
		pence		pence			years	pence
1	26-Aug-08	0.9	44,166,575	0.87	65%	4.45%	10	0.585
2	17-Jun-11	2.8	51,300,000	2.00	88%	4.48%	10	1.17
3	27-Jun-13	1.475	40,000,000	1.475	88%	0.79%	10	0.785
4	17-Nov-14	0.67	10,000,000	0.67	74%	0.94%	10	0.515
5	03-Sep-15	0.49	2,500,000	0.49	66%	0.80%	10	0.350

The fair value of the Demerger Modifications made to the exercise price of certain outstanding awards under Provexis' share option schemes has been estimated in accordance with IFRS 2, using a Black-Scholes model. The fair value of the Demerger Modifications is charged to the statement of comprehensive income over the vesting period as part of the share based payment charge.

An expected dividend yield of 0% has been used in all of the above valuations.

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The total share based payment charge for the year relating to employee share based payment plans was £70,269 (2015: £54,375) all of which related to equity settled share-based payment transactions. The Group's share based payment charge for the year ended 31 March 2015 totalling £89,375 included an additional £35,000 share based payment charge (2016: £Nil) in respect of a fee which was paid to Darwin in September 2013 by way of an issue of Ordinary Shares, as further detailed in note 15.

Notes to the consolidated financial statements continued

17. Reserves

	Share premium reserve	Warrant reserve	Merger reserve	Retained earnings	Total attributable to equity holders of the parent	Non- controlling interest	Total reserves
	£	£	£	£	£	£	£
At 31 March 2016	16,503,221	26,200	6,599,174	(24,226,036)	(1,097,441)	(406,789)	(1,504,230)
At 31 March 2015	16,298,043	26,200	6,599,174	(23,886,736)	(963,319)	(375,627)	(1,338,946)

Details of movements in reserves are provided as part of the consolidated statement of changes in equity.

The following describes the nature and purpose of each reserve within total equity:

Share premium	Amount subscribed for share capital in excess of nominal value, less the related costs of share issues.
Warrant reserve	The warrant reserve represents warrants issued as part of the Equity Financing Facility (see note 15).
Merger reserve	The merger reserve arose on the reverse takeover in 2005 of Provexis Natural Products Limited (formerly Provexis Limited) by Provexis plc through a share for share exchange and on the issue of shares for the acquisition of SiS (Science in Sport) Limited in 2011. SiS (Science in Sport) Limited was demerged from Provexis with effect from 9 August 2013 by way of a capital reduction demerger and transferred to a newly incorporated parent company, Science in Sport plc.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

18. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which for continuing operations during the year ended 31 March 2016 amounted to £Nil (2015: £Nil). Pension contributions payable but not yet paid at 31 March 2016 totalled £3,871, in respect of pension contribution entitlements where employees had not yet provided details of the funds to which the contributions should be made (2015: £3,871).

Notes to the consolidated financial statements continued

19. Related party transactions

On 1 June 2010 the Company announced a long-term Alliance Agreement with DSM Nutritional Products, which has seen the Company collaborate with DSM to develop Fruitflow® in all major global markets. DSM has invested substantially in the manufacture, technology development, marketing and sale of Fruitflow® since the Alliance Agreement was signed. Provexis continues to contribute scientific expertise and is collaborating in areas such as cost of goods optimisation and regulatory matters. The financial model is based upon the division of profits between the two partners on an agreed basis, linked to certain revenue targets, following the deduction of the cost of goods and a fixed level of overhead from sales.

The Company is working closely with DSM in various areas of the project, and in June 2015 it was announced that the Company had agreed significantly enhanced financial terms for its long-term Alliance Agreement with DSM, involving a reduction in the fixed level of overhead deduction from sales which permanently decreased with effect from 1 January 2015, backdated, thus increasing the profit share payable to the Company. It is not possible to determine the financial impact of the Alliance Agreement at this time.

DSM is classified as a related party of the Group in accordance with IAS 24 as it holds shares in the Group. Further, K Rietveld is a director of the Company, and a senior employee of DSM. The directors of Provexis (the 'Directors'), having consulted with Cenkos Securities Limited ('Cenkos Securities'), the Company's nominated adviser, consider that the terms of the Alliance Agreement are fair and reasonable insofar as Provexis's shareholders are concerned. In providing advice to the Directors, Cenkos Securities has taken into account the Directors' commercial assessments.

Revenue recognised by the Group under agreements with DSM amounted to £90,549 (2015: £37,124). At 31 March 2016 the Group was owed £Nil (2015: £Nil) by DSM.

Key management compensation

The directors represent the key management personnel. Details of their compensation and share options are given in note 6 and within the Remuneration report on pages 20 to 22.

20. Post balance sheet events

On 29 June 2016 the Group announced the launch of a high quality dietary supplement product containing Fruitflow® and Omega-3 which is being sold initially from a separate, dedicated website www.fruitflowplus.com on a mail order basis. The new dietary supplement product is expected to provide the Group with an additional income and profit stream.

On 2 August 2016 the Group announced that it had raised proceeds of £224,000 via the placing of 93,333,340 new ordinary shares of 0.1p each at a gross 0.24p per share with investors. The placing shares were admitted to AIM on 8 August 2016.

On 2 August 2016 as part of the placing announcement the Group also announced that the Company's Chairman Dawson Buck had given a stated intention to subscribe to 10,416,667 shares at a subscription price of 0.24p totalling £25,000, with his formal commitment to and payment for the subscription to take effect in September 2016 immediately after publication of the Company's annual report and accounts.

Parent company statement of financial position

Company number 05102907

	Notes	As at 31 March 2016 £	As at 31 March 2015 £
Assets			
Non-current assets			
Investments	3	-	-
Total non-current assets		-	-
Current assets			
Cash and cash equivalents		90,100	220,737
Total current assets		90,100	220,737
Total assets		90,100	220,737
Liabilities			
Total liabilities		-	-
Net current assets		90,100	220,737
Total net assets		90,100	220,737
Capital and reserves attributable to owners of the parent company			
Share capital	5	1,647,068	1,584,846
Share premium reserve		16,503,221	16,298,043
Warrant reserve		26,200	26,200
Retained earnings		(18,086,389)	(17,688,352)
Total equity		90,100	220,737

These financial statements were approved and authorised for issue by the Board on 7 September 2016.
The notes on pages 51 to 53 form part of these parent company financial statements.



Ian Ford
Director

On behalf of the Board of Provexis plc

Parent company statement of changes in equity

	Share capital £	Share premium £	Warrant reserve £	Retained earnings £	Total equity £
At 31 March 2014	1,554,816	16,183,870	26,200	(17,353,584)	411,302
Share-based charges	-	-	-	89,375	89,375
Equity financing facility fee - charge for year	-	-	-	(35,000)	(35,000)
Issue of shares - equity financing facility 29 April 2014	7,000	38,403	-	-	45,403
Issue of shares - equity financing facility 15 December 2014	23,030	101,970	-	-	125,000
Equity financing facility - warrants charged to share premium account	-	(26,200)	-	-	(26,200)
Total comprehensive expense for the year	-	-	-	(389,143)	(389,143)
At 31 March 2015	1,584,846	16,298,043	26,200	(17,688,352)	220,737
Share-based charges	-	-	-	70,269	70,269
Issue of shares - PrimaryBid placing 9 July 2015	62,222	205,178	-	-	267,400
Total comprehensive expense for the year	-	-	-	(468,306)	(468,306)
At 31 March 2016	1,647,068	16,503,221	26,200	(18,086,389)	90,100

Share premium represents amounts subscribed for share capital in excess of nominal value, less the related costs of share issues.

The warrant reserve represents warrants issued as part of the Equity Financing Facility, see note 15 to the consolidated financial statements.

Retained earnings represents cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

Notes to the parent company financial statements

1. 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 Prospect House, Queens Road, Reading, Berkshire RG1 4RP, UK.

Transition to FRS 102

The parent company financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. The Company has adopted FRS 102 for the first time this year. No adjustments were required to the Company's comparative results as a result of the transition to FRS 102.

Going concern

The going concern basis has been applied in preparing the parent company financial statements for the reasons identified and disclosed in note 1 to the consolidated financial statements.

Share-based employee remuneration

The Company has no employees however the Company will issue shares to satisfy share awards made by its subsidiary companies. The Company records a management charge equivalent to the fair value of the share-based payment incurred by its subsidiaries as disclosed in note 7.

Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Valuation of investments

Investments are stated at cost less any provision for impairment. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Warrants

The Group has issued warrants to Darwin Strategic Limited, initially as part of the Equity Financing Facility and with effect from June 2015 as part of PrimaryBid.com. These warrants have been measured at fair value at the date of grant using an appropriate options pricing model.

The fair value of the warrants had been held on the balance sheet within prepayments and in the warrants reserve within equity. The prepayment was released in full against share premium in the year ended 31 March 2015. The warrants reserve will be released to share premium if the warrants are exercised. If the warrants lapse then the reserve will be transferred to retained earnings.

Post balance sheet events

Details of post balance sheet events relevant to the parent company are included in note 20 to the consolidated financial statements.

2. Profit attributable to shareholders

As permitted by Section 408 of the Companies Act 2006 no separate Company profit and loss account has been included in these financial statements. The Group loss for the year includes a loss after tax of £468,306 (2015: £389,143) which is dealt with in the financial statements of the Company. The total fees of the Group's auditor, Moore Stephens LLP, for services provided are analysed in note 4 to the consolidated financial statements. Total audit fees for the year were £10,000 (2015: £13,000).

The parent company did not have any employees in the year and therefore there were no payroll costs or pension costs (2015: Nil).

Notes to the parent company financial statements continued

3. Investments

At 31 March 2016 the Company owned the following material subsidiary undertakings:

	Share of issued ordinary share capital, and voting rights	Country of incorporation and operation	Business activity
Provexis Nutrition Limited	100%	England and Wales	Functional food, medical food and dietary supplement technologies
Provexis Natural Products Limited	100%	England and Wales	Functional food, medical food and dietary supplement technologies
Provexis (IBD) Limited	75%	England and Wales	Functional food, medical food and dietary supplement technologies

There are no significant restrictions on the ability of subsidiary undertakings to transfer funds to the parent, other than those imposed by the Companies Act 2006.

4. Deferred tax

Deferred tax assets amounting to £46,433 (2015: £54,171) have not been recognised on the basis that their future economic benefit is not certain.

5. Share capital

Allotted, called up and fully paid	Ordinary 0.1p shares £	Ordinary 0.1p shares number
At 31 March 2015	1,584,846	1,584,845,944
Issue of shares - PrimaryBid placing	62,222	62,222,223
At 31 March 2016	1,647,068	1,647,068,167
Allotted, called up and fully paid	Ordinary 0.1p shares £	Ordinary 0.1p shares number
At 31 March 2014	1,554,816	1,554,815,614
Issue on subscription - equity financing facility	30,030	30,030,330
At 31 March 2015	1,584,846	1,584,845,944

Details of the share subscriptions, share placings, and the shares issued by the Company during the two years ended 31 March 2016 are given in note 15 to the consolidated financial statements.

Details on the share option scheme and share based payment charge for the year are given in note 16 to the consolidated financial statements.

Notes to the parent company financial statements continued

6. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with 100% owned members of the Group headed Provexis plc on the grounds that 100% of the voting rights of the Company are controlled within that Group.

Provexis (IBD) Limited is 75% owned by Provexis plc and 25% owned by The University of Liverpool.

Provexis plc wholly owns Provexis Nutrition Limited, and Provexis Natural Products Limited. Provexis Nutrition Limited, Provexis Natural Products Limited, and Provexis (IBD) Limited are under the common control of Provexis plc.

The Company did not trade with Provexis (IBD) Limited during the year ended 31 March 2016 (2015: Nil). At 31 March 2016 the Company was owed £5,509 by Provexis (IBD) Limited (31 March 2015: owed £5,509).

Provexis (IBD) Limited does not have a bank account, and all its cash accounting transactions during the year were processed by Provexis plc and Provexis Natural Products Limited ('Provexis group companies'). Amounts transacted by Provexis (IBD) Limited with Provexis group companies are charged through inter company accounts and the net amount transacted during the year was £124,650 (2015: £208,620). Provexis (IBD) Limited owed Provexis group companies and Provexis Nutrition limited a total of £2,507,914 at 31 March 2016 (31 March 2015: owed £2,383,263). Provisions of £2,507,914 (2015: £2,383,263) have been recognised in the accounts of Provexis group companies and Provexis Nutrition Limited.

Details of a related party transaction with DSM are given in note 19 to the consolidated financial statements.

Company information

Company number	05102907
Directors	C D Buck K Rietveld I Ford
Audit committee	C D Buck K Rietveld
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Secretary and registered office	I Ford Prospect House 58 Queens Road Reading Berkshire RG1 4RP
Nominated adviser and broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Principal solicitors	TLT LLP 20 Gresham Street London EC2V 7JE
Auditors	Moore Stephens LLP Prospect House Queens Road Reading Berkshire RG1 4RP