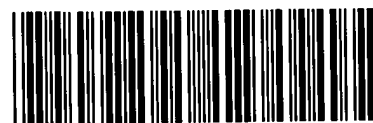


Provexis plc

Annual report and accounts 2018

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 powder, and it 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 then 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.

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. 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 from a separate, dedicated website www.fruitflowplus.com on a mail order basis, the product is also available to purchase from Amazon.co.uk.

The Company has been engaged in a two stage collaboration agreement with the University of Oslo to undertake further research into the relationship between Fruitflow® and blood pressure regulation. In December 2016 the Company announced the results from the second stage of the collaboration, a pilot study which indicated that a standard dose of Fruitflow® significantly lowered average 24-hour systolic blood pressure. Systolic and diastolic blood pressure were shown to be significantly lower whilst trial subjects were awake, a clinically relevant reduction in blood pressure. In September 2017 the results from the blood pressure collaboration were published in the International Journal of Food Sciences and Nutrition.

In April 2017 the Company announced that it had entered into a memorandum of understanding with BY-HEALTH Co., Ltd ('BY-HEALTH') which is intended to result in a research and collaboration agreement with BY-HEALTH for Fruitflow®. The Company also confirmed separately that Provexis and DSM are working with BY-HEALTH to support the planned launch of some Fruitflow® based products in the Chinese market. BY-HEALTH is a substantial Chinese listed dietary supplement business.

In December 2017 the Company announced the filing of a patent application relating to the use of Fruitflow® in protecting against the adverse effects of air pollution on the body's cardiovascular system. Recent laboratory work has shown that Fruitflow® can reduce the platelet activation caused by airborne particulate matter, such as that from diesel emissions, by approximately one third. The beneficial effects of this reduction can be observed in laboratory models representing healthy subjects as well as in models representing subjects with an underlying cardiovascular problem.

In August 2018 Fruitflow®+ Omega-3 was listed in more than 660 Holland & Barrett stores across the UK and Ireland, together with Holland & Barrett Online.

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

- Total revenue for the year £236k (2017: £228k). Strong start to the 2018/19 financial year, with first quarter revenues ahead of first half revenues in 2017/18.
- Planned launch by BY-HEALTH of a number of Fruitflow® based products in the Chinese market progressing well, with two studies successfully completed, one study currently ongoing at a clinical site and three further planned human studies confirmed by BY-HEALTH. The two completed studies (a human study and an animal study) showed excellent results in use for Fruitflow®.

The six studies outlined are being conducted at BY-HEALTH's sole expense, a substantial investment in the Fruitflow® based products which BY-HEALTH plans to launch in China. Studies conducted in China are needed to obtain 'blue cap' health claim status for dietary supplements, as required by the China Food and Drug Administration (CFDA), with BY-HEALTH intending to make the relevant submission to the CFDA by the end of 2018.

- The MOU for a research and collaboration agreement for Fruitflow® between the Company and BY-HEALTH, a £3bn listed Chinese dietary supplement business, remains on track with the research project now scheduled to take place in the first half of 2019, effectively being a seventh BY-HEALTH study.
- The Company and its commercial partner DSM have seen an encouraging increase in brand awareness and customer interest in Fruitflow® over the last two years, with the total projected annual sales value of the prospective sales pipeline for Fruitflow now standing at a substantial multiple of existing annual sales.
- Fruitflow®+ Omega-3 launched in Holland & Barrett in August 2018, with a listing in more than 660 Holland & Barrett stores across the UK and Ireland giving Fruitflow®+ Omega-3 widespread consumer exposure. Holland & Barrett's loyalty programme, Rewards for Life, has over 10 million members in the UK and it is intended that Fruitflow®+ Omega-3 will be promoted by email to Holland & Barrett's online customers.
- Further encouraging progress from the Company's Fruitflow® + Omega-3 dietary supplement product which was launched in 2016, with a listing with Amazon secured in June 2017. Total revenues for Fruitflow® + Omega-3 grew by 149% year on year to £73k, compared to £29k in its initial nine month launch period from June 2016 to 31 March 2017. Further UK and international sales channel opportunities are currently being progressed.
- The filing of a patent application, announced in December 2017, relating to the use of Fruitflow® in protecting against the adverse effects of air pollution on the body's cardiovascular system, with laboratory work showing that Fruitflow® can reduce the platelet activation caused by airborne particulate matter by approximately one third. In 2016, 91% of the world's population lived in places where air quality levels exceed WHO limits.
- Planned formulation and launch of a Fruitflow® + nitrates dietary supplement product is progressing well, with the involvement of third party manufacturers, and interest from brand owners. Strong patent position for this formulation, with further interest in the role of Fruitflow® in exercise generated by Team Sunweb Pro Cycling's use of Fruitflow® in the 2018 Tour de France.
- Fruitflow® blood pressure study published in the International Journal of Food Sciences and Nutrition, indicating that Fruitflow® significantly lowered blood pressure in the study subjects.
- The Company raised a gross £672k through a two stage placing of new ordinary shares at 0.50p per share in May and August 2017, and it has raised a further £395k from a placing announced today with new and existing investors at 0.40p per new ordinary share.
- Underlying operating loss* £362k (2017: £368k), a record low for the Group.
- Cash £315k at 31 March 2018 (2017: £12k) with cash of £395k raised from the placing announced today.
- Change of registered office with immediate effect to 2 Blagrove Street, Reading RG1 1AZ.

*before share based payments of £106k (2017: £44k), as set out on the face of the Consolidated Statement of Comprehensive Income

Chairman's statement

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

The Company's Alliance partner DSM Nutritional Products ('DSM') has continued to develop the market actively for Fruitflow® in all global markets. More than 90 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.

The Company and DSM have seen an encouraging increase in brand awareness and customer interest in Fruitflow® over the last two years, with an increasing number of further commercial projects being initiated with prospective customers, including some prospective customers which are part of global businesses.

The total projected annual sales value of the prospective sales pipeline for Fruitflow now stands at a substantial multiple of existing annual sales.

Revenues for the year were £236k (2017: £228k), an increase of 4% relative to the prior year.

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

- An increase in the net income received from the Company's Alliance Agreement with DSM, which grew by 6% year on year to £163k; this increase was aided by an improvement in underlying trading margins, reflecting continuing efforts to reduce the production costs of Fruitflow® in liquid and powder form as volumes and production efficiencies increase;
- An increase in revenue from the Company's Fruitflow® + Omega-3 product, which grew by 149% year on year to £73k in the year to 31 March 2018, compared to £29k in its initial nine month launch period from 29 June 2016 to 31 March 2017.
- Amounts in excess of £45k which were received in the year to 31 March 2017 for marketing support, compared to amounts of £Nil which were received in the year to 31 March 2018.

Underlying operating loss has reduced by 1.7% to £362k (2017: £368k), a record low for the Group, reflecting continued progress with Fruitflow® and the Group's ongoing low overhead strategy.

The Group has seen a strong start to the 2018/19 financial year, with first quarter revenues, including further marketing support received, ahead of first half revenues in 2017/18.

BY-HEALTH Co., Ltd

The Company has previously announced that it was working with DSM and BY-HEALTH Co., Ltd, a £3bn listed Chinese dietary supplement business, to support the planned launch of some Fruitflow® based products in the Chinese market.

The planned launch of a number of Fruitflow® based products in the Chinese market, with potentially substantial volumes, is progressing well, with activities driven at present by the need to obtain 'blue cap' health claim status for Fruitflow® as a dietary supplement with the China Food and Drug Administration (CFDA).

Clinical studies conducted in China are typically required to obtain blue cap health claim status, and a significant investment in six separate studies, in support of the Fruitflow® based products which BY-HEALTH plans to launch in China, is being undertaken at BY-HEALTH's expense.

Two studies have been successfully completed in China, one study is currently ongoing at a Chinese clinical site and three further planned human studies have been confirmed by BY-HEALTH.

The two completed studies (a human study and an animal study) showed excellent results in use for Fruitflow®, and BY-HEALTH intends to make the relevant blue cap submission to the CFDA by the end of 2018, to include reference to the Company's existing European Food Safety Authority ('EFSA') health claim for Fruitflow.

It was originally envisaged that a first consumer product would be launched by BY-HEALTH in the second half of 2017, but in part due to the limitations of non blue cap status it was decided to focus instead on obtaining a blue cap health claim for Fruitflow®, hence the substantial investment in the studies outlined above.

BY-HEALTH has launched a Fruitflow® sports nutrition product in China under its GymMax brand, for the exclusive use of Chinese national athletes.

Chairman's statement

In April 2017 the Company announced it had entered into a memorandum of understanding with BY-HEALTH, intended to result in a research and collaboration agreement with BY-HEALTH for Fruitflow®, focussing on BY-HEALTH's research programme into the development of new products that contribute to cardiovascular health, particularly in the field of blood pressure regulation.

The proposed research and collaboration agreement is intended to include a clinical trial which will be conducted in China, and it was originally envisaged that the Company, BY-HEALTH and a third party Chinese research organisation would sign the agreement in the first quarter of 2018, with the bulk of the research programme to be completed in 2018.

BY-HEALTH has been fully committed to the conduct of its existing Fruitflow® studies in China, and it is now intended that the Company, BY-HEALTH and a third party Chinese research organisation will sign the research and collaboration agreement in the first half of 2019, with the bulk of the research programme to be completed in 2019. This will effectively be BY-HEALTH's seventh clinical study for Fruitflow®.

It is envisaged that the Company and BY-HEALTH will jointly provide primary funding for the research and collaboration work which will include the assessment of a number of different potential product formulations. Product formulations which are covered under the Company's existing patents would continue to be owned outright by the Company, and the Company would retain proportional joint ownership of any new product formulations developed as part of the project.

It is envisaged that the Company will provide scientific and technical support for Fruitflow® to BY-HEALTH throughout the collaboration, with further potential research projects for Fruitflow® between the Company and BY-HEALTH now under discussion.

There are more than 230m people in China who are currently thought to have cardiovascular disease, and a significant increase in cardiovascular events is expected in China over the course of the next decade based on population aging and growth alone (source: World Health Organisation - Cardiovascular diseases, China). China is now the world's second-largest pharmaceuticals market, measured by how much patients and the state spend on drugs (source: health-care information company IQVIA). The Company believes that Fruitflow® has the potential to play an important role in the Chinese cardiovascular health market.

Patent application - Fruitflow® protects against adverse effects of air pollution

In December 2017 the Company announced the filing of a patent application relating to the use of Fruitflow® in protecting against the adverse effects of air pollution on the body's cardiovascular system.

Recent laboratory work has shown that Fruitflow® can reduce the platelet activation caused by airborne particulate matter, such as that from diesel emissions, by approximately one third. The beneficial effects of this reduction can be observed in laboratory models representing healthy subjects as well as in models representing subjects with an underlying cardiovascular problem.

The patent application describes 'a composition comprising a water soluble tomato extract (Fruitflow®) for use in maintaining cardiovascular health, lessening the risk of developing a cardiovascular health problem, or reducing the likelihood of worsening an existing cardiovascular health problem in a subject who is exposed, or is at risk of exposure, to particulate air pollution', and uses of Fruitflow® described in the patent application include:

- maintaining healthy platelet function in the presence of air pollution;
- maintaining a healthy blood circulation and blood flow in the presence of air pollution;
- reducing the risk of an adverse cardiovascular condition, such as atherosclerosis or thrombosis, in the presence of particulate matter air pollution;
- reducing the severity of cardiovascular diseases when exposed to particulate matter; and
- reducing the risk of cardiovascular and respiratory illness in an air polluted environment.

The World Health Organization ('WHO') estimates that in 2012 around 1 in 9 deaths were attributed to exposure to air pollution, making it the largest environmental risk factor for ill health, and with 72% of outdoor air pollution-related premature deaths being due to ischaemic heart disease and strokes.

In 2016, 91% of the world's population lived in places where air quality levels exceed WHO limits (source: World Health Organization, Ambient (outdoor) air quality and health).

Chairman's statement

The patent filing means that DSM and the Company can use this research to assist with discussions with current and potential customers. The Company expects that this patent application will have a significantly beneficial effect on the current and future commercial prospects for Fruitflow worldwide.

Fruitflow® + Omega-3 dietary supplement product - direct sales

In June 2016 the Company launched its Fruitflow® + Omega-3 dietary supplement product, which is available through the Company's e-commerce website www.fruitflowplus.com, and from June 2017 it became available through Amazon.co.uk. The product also has a Facebook page at www.facebook.com/FruitflowPlus.

Total revenues for Fruitflow® + Omega-3 grew by 149% year on year to £73k, compared to £29k in its initial nine month launch period from June 2016 to 31 March 2017 with further sales growth seen since the year end. Further UK and international sales channel opportunities for Fruitflow® + Omega-3 are currently being progressed, and the Company is actively seeking to launch the product online into wider international markets to include North America.

Fruitflow® + Omega-3 dietary supplement product - launch in Holland & Barrett

In June 2018 the Company confirmed that it had secured a retail listing with Holland & Barrett for the Company's Fruitflow®+ Omega-3 dietary supplement product.

Holland & Barrett is Europe's largest health and wellbeing retailer (source: www.hollandandbarrett.com/info/who-we-are), supplying its customers with a wide range of vitamins, minerals, health supplements, specialist foods and natural beauty products.

The product was launched in Holland & Barrett in August 2018, with a listing in more than 660 Holland & Barrett stores across the UK and Ireland giving Fruitflow®+ Omega-3 widespread consumer exposure.

Holland & Barrett's loyalty programme, Rewards for Life, has over 10 million members in the UK and is free for customers to join. Holland & Barrett has also recently introduced a personalised Healthbox service, providing nutritionist recommended vitamins and supplements to their customers along with health tips. Holland & Barrett's Rewards for Life programme and their new Healthbox service will facilitate more direct communications with their customers, and both are expected to provide opportunities to highlight the unique benefits of Fruitflow®+ Omega-3.

The product listing is being supported by a number of ongoing staff training, consumer marketing and promotional initiatives, to include Holland & Barrett's in house Healthy magazine and their website www.hollandandbarrett.com.

The Company's Fruitflow®+ Omega-3 dietary supplement business is complementary to its long-term Alliance Agreement with DSM and it is supported by DSM, reflecting the continued strength of the relationship between Provexis and DSM and the shared interest of both companies in seeking to maximise the commercial returns that can be achieved from Fruitflow®. The Company's Fruitflow®+ Omega-3 dietary supplement business is expected to provide the Company with an additional long term income and profit stream, and all of the revenue and costs attributable to the listing with Holland & Barrett will accrue to Provexis.

The Company had a substantial batch of Fruitflow®+ Omega-3 capsules manufactured in July 2018, and it developed some enhanced product packaging which is better suited to a retail environment.

Fruitflow® + nitrates dietary supplement product

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. The patent was granted by the UK IPO in May 2017, and patents are being sought in Europe, the US, China and ten other territories, with potential patent protection out to December 2033.

The Company is progressing the formulation and launch of a Fruitflow® + nitrates dietary supplement product, which will be supported by the Company's strong patent position in this area, with the involvement now of third party manufacturers and with some interest already generated from brand owners. The product will have anti-inflammatory and circulation benefits for athletes seeking to recover after exercise, properties which would also be potentially beneficial to a wide range of other consumers to include people who are less active and people who suffering from the symptoms of basic ageing.

Chairman's statement

Further interest in the role of Fruitflow® in exercise was generated by Team Sunweb Pro Cycling's use of Fruitflow® in the 2018 Tour de France, with further details available on the Company's fruitflowplus.com website at www.fruitflowplus.com/sportrecovery and www.fruitflowplus.com/wp-content/uploads/2018/07/FF-athletes_summary-of-background-science-for-webpage_v2.pdf

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 seeking to undertake further research into the relationship between Fruitflow® and blood pressure regulation.

Results from the pilot study, conducted under the collaboration in 2016, indicated that a 150mg dose of Fruitflow® in powder format significantly lowered the average 24-hour systolic blood pressure compared to placebo. When the monitoring time was split into waking and sleeping periods, both systolic and diastolic blood pressure were significantly lower after 150mg Fruitflow® treatment than after placebo treatment during the waking period; systolic pressure was also significantly lower during the sleeping period.

In September 2017 the encouraging results from the blood pressure collaboration were published in the International Journal of Food Sciences and Nutrition and the study is available to view on the Company's website at: www.provexis.org/wp-content/uploads/2017/09/IJFSN-Fruitflow-blood-pressure-study-Sep-17.pdf

Intellectual property

The Company is responsible for filing and maintaining patents and trade marks for Fruitflow® as part of the Alliance Agreement with DSM. The Company is pursuing a strategy to strengthen the breadth and duration of its 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®.

The Company's patent application for Fruit Extracts, relating to part of the production process for Fruitflow®, was granted by the European Patent Office in January 2017, with the patent application also now having entered the national phase across larger global territories, with potential patent protection out to November 2029.

The Company's British and international patent applications for the use of Fruitflow® in mitigating exercise-induced inflammation, and for promoting recovery from intense exercise, were filed in December 2013. The patent was granted by the UK IPO in May 2017 as indicated above. Patents are being sought in Europe, the US, China and ten other territories. The patent application has now entered the national phase, with potential patent protection out to December 2033.

The patent applications for Fruitflow® as an antihypertensive (blood pressure lowering) agent are progressing well, with a patent granted by the European Patent Office in July 2018. The Company has provided primary funding for the necessary patent filings on a tightly managed budget, with the results from the blood pressure collaboration with Oslo University and the related patents being jointly owned by the Company and the University.

The Company's patent application which was announced in December 2017, relating to the use of Fruitflow® in protecting against the adverse effects of air pollution on the body's cardiovascular system, extends potential patent protection for Fruitflow® out to 2036.

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. The Group continues to investigate further options for the Crohn's disease project, seeking to maximise its value.

People

In January 2018 the Company announced with great sadness that its then Non-executive Director Krijn Rietveld had died suddenly. Krijn was a highly valued member of the Provexis Board and we are immensely grateful for his many contributions to the business.

Krijn was a member of the Company's Audit Committee and a senior employee of the Company's Alliance Partner for Fruitflow®, DSM. Krijn was appointed to the Board in September 2008 following DSM Venturing BV's initial investment in the Company.

Chairman's statement

In July 2018 Frédéric Boned, who was then EMEA Vice President of DSM's Human Nutrition & Health business, a part of DSM Nutritional Products, was appointed as a Non-executive Director.

Frédéric brings a wealth of sales and marketing knowledge and expertise to the Company from a diverse working background. Frédéric has held a variety of senior roles in DSM's Personal Care & Aroma Ingredients business, prior to which he worked in sales and marketing positions for over ten years at Givaudan.

The Company is delighted to welcome Frédéric to the Board, and expects his proven sales and marketing knowledge and expertise to help drive Provexis and its core Fruitflow® product forward.

Frédéric has recently been appointed North American Vice President of DSM's Human Nutrition & Health business, a welcome development for Provexis in this important market for Fruitflow®.

The Board would like to thank the Company's small team of sales, marketing, e-commerce, PR and scientific consultants for their professionalism, enthusiasm and dedication in driving the business forward over the last year. The Company would also like to thank its key professional advisers for their valuable help and support.

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.

The Company raised a further £672k through a two stage placing in May and August 2017, and on 27 September 2018 it announced it had raised a further £395k from a placing of new ordinary shares with new and existing investors at 0.40 pence per share.

The Company intends to hold its Annual General Meeting at the offices of Allenby Capital Limited, 5th Floor, 5 St Helen's Place, London EC3A 6AB at 10:30am on 25 October 2018.

Outlook

The Group has seen a strong start to the 2018/19 financial year, with first quarter revenues, including further marketing support received, ahead of first half revenues in 2017/18.

The Company is well placed to maximise the numerous commercial opportunities which the Company has been pursuing for Fruitflow®, to include its collaboration with BY-HEALTH in the vast Chinese market.

The Company would like to thank its investors for their continued support, and it remains positive about the outlook for Fruitflow® and the Provexis business for the coming year and beyond.

Dawson Buck

Chairman

27 September 2018

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 25 to 46.

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.

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 and minimising cash utilised in operations.

In June 2016 Provexis launched a high quality dietary supplement product containing Fruitflow® and Omega-3 which is being sold from a separate, dedicated website www.fruitflowplus.com on a mail order basis, the product is also available to purchase from Amazon.co.uk.

The Company's Fruitflow®+ Omega-3 dietary supplement business, which is expected to provide the Company with an additional long term income and profit stream, is complementary to its Alliance Agreement with DSM and it is supported by DSM, reflecting the continued strength of the long term relationship between Provexis and DSM and the shared interest of both companies in seeking to maximise the commercial returns that can be achieved from Fruitflow®.

The Company announced in June 2018 that it had secured a retail listing with Holland & Barrett for Fruitflow®+ Omega-3, with all of the revenue and costs attributable to this listing to accrue to the Company. The Company is seeking to expand further its commercial activities with Fruitflow®+ Omega-3, and it is seeking to develop and sell further Fruitflow®+ combination products, to include a Fruitflow® + nitrates product which would be supported by the Company's strong patent position in this area.

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.

Strategic report

Market opportunity (continued)

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.

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.

On 29 June 2016 the Company announced the launch of its Fruitflow® + Omega-3 dietary supplement product, which was sold initially from a separate, dedicated website www.fruitflowplus.com on a mail order basis. 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, and it achieved sales of £73k in the year to 31 March 2018, compared to £29k in its initial nine month launch period from 29 June 2016 to 31 March 2017.

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

In July 2017 the Company announced that it had secured a listing with Amazon.co.uk for the Company's Fruitflow® + Omega-3 dietary supplement product, and in June 2018 it was announced that the Company had secured a retail listing with Holland & Barrett for Fruitflow®+ Omega-3, with all of the revenue and costs attributable to this listing to accrue to the Company; further sales channel opportunities for the product are currently being explored.

The Group's total revenue for the year ended 31 March 2018 was £236k, an increase of 4% relative to the prior year (2017: £228k).

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

- An increase in the net income received from the Company's Alliance Agreement with DSM, which grew by 6% year on year to £163k; this increase was aided by an improvement in underlying trading margins, reflecting continuing efforts to reduce the production costs of Fruitflow® in liquid and powder form as production efficiencies increase;
- An increase in revenue from the Company's Fruitflow® + Omega-3 product, which grew by 149% year on year to £73k in the year to 31 March 2018, compared to £29k in its initial nine month launch period from 29 June 2016 to 31 March 2017.
- Amounts in excess of £45k which were received in the year to 31 March 2017 for marketing support, compared to amounts of £Nil which were received in the year to 31 March 2018.

Strategic report

Underlying operating loss

Underlying operating loss has reduced by 1.7% to £362k (2017: £368k), 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 are primarily composed of patent, trade mark and other research agreement costs, with the Group seeking to maintain and strengthen the breadth and duration of its patent and trade mark coverage for Fruitflow®. Research and development costs have reduced by 2.8% to £182k (2017: £187k), reflecting reduced expenditure on the Company's two stage collaboration agreement with the University of Oslo into the relationship between Fruitflow® and blood pressure regulation.

R&D tax relief: payable tax credit

A current tax credit of £15k (2017: £14k), in respect of research and development tax relief has been recognised in the financial statements. The tax credit claim for the year ended 31 March 2016 totalling £13k was paid to the Group in April 2017, and the tax credit claim for the year ended 31 March 2017 totalling £14k was paid to the Group in April 2018.

Taxation

The current tax charge is £Nil (2017: £Nil) due to the loss made in the year. No amounts in respect of deferred tax were recognised in profit and loss from continuing operations or charged / credited to equity for the current or prior year.

Results and dividends

The loss attributable to equity holders of the parent for the year ended 31 March 2018 was £448k (2017: £380k) and the basic loss per share was 0.02p (2017: 0.02p). The directors are unable to recommend the payment of a dividend (2017: £Nil).

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.

Further details of the issue were provided in the Company's AGM notice of 28 August 2014 which is available to download from the Company's website here www.provexis.org/wp-content/uploads/Provexis-plc-notice-of-22-Sep-14-AGM-FINAL.pdf

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 2018 and the report of the Directors thereon include a going concern statement which concludes that based on the level of existing cash, projected income and expenditure, and excluding the potential additional sources of funding, the directors are satisfied that the Company and the Group have adequate resources to continue in business for a period of more than twelve months from the date of approval of the financial statements. Accordingly the going concern basis has been used in preparing the financial statements.

Strategic report

Consideration of section 656 of the Companies Act 2006 (continued)

It remains the Directors' view on 27 September 2018 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

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), an online platform dedicated to equity crowdfunding for AIM-listed companies which is further detailed in note 16; 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.

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

On 10 May 2017 the Group announced it had raised proceeds of £350,000 via the placing of 70,000,000 new ordinary shares of 0.1p each at a gross 0.50p per share with investors. The placing shares were admitted to AIM on 16 May 2017.

On 31 July 2017 the Group announced it had raised proceeds of £322,100 via the placing of 64,420,000 new ordinary shares of 0.1p each at a gross 0.50p per share with investors. The placing shares were admitted to AIM on 4 August 2017.

On 27 September 2018 the Group announced it had raised proceeds of £395,000 via the placing of 98,750,000 new ordinary shares of 0.1p each at a gross 0.40p per share with investors, with no commissions payable. It is envisaged that the placing shares will be admitted to AIM on 5 October 2018.

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, calculated as operating profit before share based payment expense, from continuing operations for the two years ended 31 March 2018:

	Year ended 31 March 2018	Year ended 31 March 2017
	£	£
Underlying operating loss	361,618	367,842

The trading results are further detailed in this strategic report on pages 8 to 14.

The table below shows the Group's cash position at 31 March 2018 and 31 March 2017:

	31 March 2018	31 March 2017
	£	£
Cash and cash equivalents	315,166	12,349

Strategic report

Key performance indicators (continued)

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 £302,817 increase in cash and cash equivalents during the financial year is primarily the result of the cash inflows arising during the year from financing activities, as further detailed in the consolidated statement of cash flows on page 27.

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 and sales 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.

Strategic report

Principal risks and uncertainties (continued)

Commercialisation (continued)

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.

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 two directors both 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

27 September 2018

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 14.

Provexis plc is a public limited company incorporated and domiciled in the United Kingdom (registration number 05102907). The address of the registered office is 2 Blagrove Street, Reading, Berkshire RG1 1AZ, 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 F Boned, 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 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 (deceased 28 January 2018)

F Boned (appointed 4 July 2018)

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

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.

On 27 September 2018 the Group announced it had raised proceeds of £395,000 via the placing of 98,750,000 new ordinary shares of 0.1p each at a gross 0.40p per share with investors, with no commissions payable. It is envisaged that the placing shares will be admitted to AIM on 5 October 2018.

The Group has access to future equity financings, either through the Group's existing PrimaryBid.com platform or through a separate 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 are satisfied that the Company and the Group have adequate resources to continue in business for a period of more than twelve months from the date of approval of the financial statements.

Accordingly the going concern basis has been used in preparing the financial statements.

Directors' report

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.

Re-appointment of auditors

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' 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.

Directors' report

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. From 28 September 2018 under the AIM Rules for Companies the Group will be required to comply with a recognised corporate governance code chosen by the Board. The Board recognises the importance of sound corporate governance and intends that the Company will comply with the provisions of the QCA Code. The Company shall disclose on its website how it complies with the QCA Code and, where it departs from the QCA Code, will explain the reasons for doing so.

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

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 Frederic Boned, 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 2018 (2017: £7,000).

Environmental, social and community matters

As noted in the strategic report 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.

Directors' report

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.

Events after the reporting period

On 27 September 2018 the Group announced it had raised proceeds of £395,000 via the placing of 98,750,000 new ordinary shares of 0.1p each at a gross 0.40p per share with investors, with no commissions payable. It is envisaged that the placing shares will be admitted to AIM on 5 October 2018.

By order of the Board



Ian Ford
Secretary
27 September 2018

Remuneration report

Remuneration Committee: composition and terms of reference

In 2013 it was agreed with some of the Company's larger shareholders 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.

Frederic Boned, a Non-executive Director and senior employee of DSM, joined the Board in July 2018. Frederic Boned is not paid by Provexis.

Gains made on exercise of directors' share options

No directors' share options were exercised during the year (2017: Nil).

Details of directors' remuneration

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

	Year ended 31 March 2018			Year ended 31 March 2017	
	Salary and directors' fees	Benefits in kind	Pension	Total	Total
	£	£	£	£	£
Executive Directors					
C D Buck	76,008	-	-	76,008	76,008
I Ford	106,002	-	-	106,002	96,000
Non-executive Directors					
F Boned	-	-	-	-	-
K Rietveld	-	-	-	-	-
	182,010	-	-	182,010	172,008

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

Remuneration report

Share-based payment expense

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

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Executive Directors		
C D Buck	4,823	-
I Ford	4,823	-
Non-executive Directors		
F Boned	-	-
K Rietveld	-	-
	9,646	-

Directors' interests in shares	Ordinary shares of 0.1 pence each	Ordinary shares of 0.1 pence each
	Beneficial interests 31 March 2018	1 April 2017
C D Buck	25,416,667	25,416,667
I Ford	5,000,000	5,000,000
	30,416,667	30,416,667

Other than as shown in the table and as further disclosed in respect of share options in note 17, no director had any interest in the shares of the Company or its subsidiary companies at 31 March 2018.

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 2018 are summarised below.

	31 March 2018	31 March 2017
C D Buck	17,000,000	7,000,000
I Ford	35,000,000	25,000,000
	52,000,000	32,000,000

The unapproved share options at 31 March 2018 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	December 2017	10,000,000	0.55p	April 2020	December 2027
I Ford	December 2017	10,000,000	0.55p	April 2020	December 2027
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
		33,350,010			

The EMI share options at 31 March 2018 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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 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 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 Companies Act 2006.

What we have audited

Provexis plc financial statements comprise:

Group	Parent Company
Consolidated statement of comprehensive income	Parent company statement of financial position
Consolidated statement of financial position	Parent company statement of changes in equity
Consolidated statement of cash flows	Related notes 1 to 6 to the financial statements
Consolidated statement of changes in equity	
Related notes 1 to 21 to the financial statements	

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, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern	
Risk	The group's patented Fruitflow technology is still in the development and commercialisation stage of its life cycle. It is therefore not currently generating sufficient cash to cover operating costs. Key drivers of cash flow forecasts prepared by management include, the level of non-discretionary expenditure, income generated under its Alliance Agreement with DSM and the sale of Fruitflow + Omega 3 capsules via retailers and direct channels. There is uncertainty over the level of future revenue and cash flows that will be generated from Fruitflow + Omega 3 as the product is new and in the early stages of its listing with a major retailer. There is no guarantee that revenue and cash flows generated under the Alliance Agreement will be repeated in future years. The application of the going concern basis of preparation was dependent on the Company's ability to raise sufficient cash flows from a share placing to meet future operational expenditure. Subsequent to the year end this placing was completed raising net proceeds of £395,000.
Our response	Our procedures included: - Reviewing committed placing letters and verifying these to cash received since the year end; - Critically assessing management's financial forecast models, over a period of 12 months to 30 September 2019. In doing so we considered key assumptions including revenue generation under the DSM Alliance Agreement and direct sales of capsules; - Undertaking sensitivity analysis in respect of the key assumptions underpinning the forecasts including revenue expectation and the level of non-discretionary expenditure.

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

Revenue	
Risk	Revenue is a significant driver of the business and there is a risk that management might overstate revenue to meet targets or market expectations. We therefore identified revenue recognition as a significant risk. In particular we focussed on the potential overstatement of revenue.
Our response	Our procedures included: • Agreement of revenue recognised under the DSM Alliance Agreement to sales invoices, DSM profit share calculations and cash receipts; • Reconciling revenue from the sale of capsules via the group's website to cash receipts, through the third party payment processing platform.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Benchmark	Loss before taxation
Materiality	£20,000
(% of benchmark)	4%
Rationale for benchmark	The group is not generating sufficient revenue to cover its operating costs and has therefore been loss making for a number of years. The group is focussed on reducing the loss before taxation and commercialising its intellectual property to generate a profit, we have therefore considered this to be the most appropriate benchmark to set materiality.

Performance materiality relates to the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that basic performance materiality was 75% of materiality, being £15,000. Basic performance materiality is adjusted further for higher risk assertions.

We agreed with the Audit Committee that we would report misstatements identified during our audit above £1,000.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account the size, the risk profile of the organisation of the group, changes in the business environment and other factors such as output from discussion with management when assessing the work to be performed on each component.

We analysed the key financial metrics of the group's components to determine those we consider to be financially significant to the group. Provexis plc, Provexis Natural Products Limited and Provexis (IBD) Limited are considered to be significant components. As such, these companies were subject to full scope audits to component materiality.

We considered each key audit matter identified above in respect of the non-significant components, however we determined that these risks were appropriately addressed through our work performed at a group level.

All component audits were performed by Moore Stephens LLP with no use of component audit teams.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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 auditor's 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.



Daniel Henwood (Senior Statutory Auditor)
For and on behalf of Moore Stephens LLP, Statutory Auditor
Reading

27 September 2018

Consolidated statement of comprehensive income

		Year ended 31 March 2018	Year ended 31 March 2017
	Notes	£	£
Revenue	1,3	235,804	227,618
Cost of goods		(23,167)	(9,533)
Gross profit		212,637	218,085
Selling and distribution costs		(23,878)	(11,333)
Research and development costs	4	(181,922)	(187,163)
Administrative costs (including share based payment charges)		(489,777)	(446,010)
R&D tax relief: payable tax credit	8	15,015	14,445
Underlying operating loss		(361,618)	(367,842)
Share based payment charges	17	(106,307)	(44,134)
Loss from operations	4	(467,925)	(411,976)
Finance income	7	497	890
Loss before taxation		(467,428)	(411,086)
Taxation	8	-	-
Loss and total comprehensive expense for the year		(467,428)	(411,086)
Attributable to:			
Owners of the parent		(448,108)	(380,087)
Non-controlling interest		(19,320)	(30,999)
Loss and total comprehensive expense for the year		(467,428)	(411,086)
Loss per share to owners of the parent			
Basic - pence	9	(0.02)	(0.02)
Diluted - pence	9	(0.02)	(0.02)

Consolidated statement of financial position

Company number 05102907

	Notes	As at 31 March 2018 £	As at 31 March 2017 £
Assets			
Current assets			
Inventories	12	10,521	32,450
Trade and other receivables	13	64,621	86,976
Corporation tax asset	8	28,335	26,425
Cash and cash equivalents		315,166	12,349
Total current assets		418,643	158,200
Total assets		418,643	158,200
Liabilities			
Current liabilities			
Trade and other payables	14	(89,383)	(133,314)
Total current liabilities		(89,383)	(133,314)
Net current assets		329,260	24,886
Total liabilities		(89,383)	(133,314)
Total net assets		329,260	24,886
Capital and reserves attributable to owners of the parent company			
Share capital	16	1,885,238	1,750,818
Share premium reserve	18	17,179,546	16,648,471
Warrant reserve	18	26,200	26,200
Merger reserve	18	6,599,174	6,599,174
Retained earnings	18	(24,903,790)	(24,561,989)
		786,368	462,674
Non-controlling interest	18	(457,108)	(437,788)
Total equity		329,260	24,886

These consolidated financial statements were approved and authorised for issue by the Board on 27 September 2018. The notes on pages 29 to 46 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 2018	Year ended 31 March 2017
	Notes	£	£
Cash flows from operating activities			
Loss after tax		(467,428)	(411,086)
Adjustments for:			
Profit on sale of fixed assets	4	-	(3,000)
Finance income		(497)	(890)
Tax credit receivable	8	(15,015)	(14,445)
Share-based payment charge		106,307	44,134
Changes in inventories		21,929	(32,450)
Changes in trade and other receivables		22,478	(37,540)
Changes in trade and other payables		(43,931)	19,567
Net cash flow from operations		(376,157)	(435,710)
Tax credits received		13,105	5,408
Total cash flow from operating activities		(363,052)	(430,302)
Cash flow from investing activities			
Proceeds from sale of fixed assets		-	3,000
Interest received		374	1,015
Total cash flow from investing activities		374	4,015
Cash flow from financing activities			
Proceeds from issue of share capital	16	665,495	249,000
Total cash flow from financing activities		665,495	249,000
Net change in cash and cash equivalents		302,817	(177,287)
Opening cash and cash equivalents		12,349	189,636
Closing cash and cash equivalents		315,166	12,349

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 2016	1,647,068	16,503,221	26,200	6,599,174	(24,226,036)	549,627	(406,789)	142,838
Share-based charges	-	-	-	-	44,134	44,134	-	44,134
Issue of shares - placing 8 August 2016	93,333	130,667	-	-	-	224,000	-	224,000
Issue of shares - placing 22 September 2016	10,417	14,583	-	-	-	25,000	-	25,000
Total comprehensive expense for the year	-	-	-	-	(380,087)	(380,087)	(30,999)	(411,086)
At 31 March 2017	1,750,818	16,648,471	26,200	6,599,174	(24,561,989)	462,674	(437,788)	24,886
Share-based charges	-	-	-	-	106,307	106,307	-	106,307
Issue of shares - placing 16 May 2017	70,000	280,000	-	-	-	350,000	-	350,000
Issue of shares - placing 4 August 2017	64,420	251,075	-	-	-	315,495	-	315,495
Total comprehensive expense for the year	-	-	-	-	(448,108)	(448,108)	(19,320)	(467,428)
At 31 March 2018	1,885,238	17,179,546	26,200	6,599,174	(24,903,790)	786,368	(457,108)	329,260

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 2 Blagrove Street, Reading, Berkshire RG1 1AZ, UK. The functional and presentational currency is pounds sterling and the financial statements are rounded to the nearest £1.

The main activities of the Group are those of developing, licensing and selling 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 47 to 51.

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 2018.

These accounting policies are consistent with those applied in the year ended 31 March 2017, as amended to reflect any new Standards, amendments to Standards and interpretations which are mandatory for the year ended 31 March 2018.

The Group has adopted the appropriate new interpretations and revised Standards effective for the year ended 31 March 2018, which have not had a material impact on the disclosures and presentation of the financial statements.

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

IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)

IFRS 9 'Financial Instruments' (effective 1 January 2018)

IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

IFRS 16 'Leases' (effective 1 January 2019)

The Directors do not anticipate that the adoption of IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRIC Interpretation 22 'Foreign Currency and Advance Consideration' will have a material impact on the Group's financial statements, however further disclosure around the potential impact of IFRS 15 has been provided.

IFRS 15 'Revenue from Contracts with Customers' will replace IAS 18 'Revenue' with effect from the accounting period beginning 1 April 2018 and Management has reviewed the impact of this standard on the Group's financial statements.

Under IFRS 15, revenue will be recognised based on a five step model which requires, for each contract with a customer, the transaction price to be matched against the performance obligation arising under the contract or in the case of more than one performance obligation, apportioned over those obligations. The transaction price will be the amount of consideration the Group expects to be entitled to in exchange for transferring the goods or service to the customer. Depending on the particular contractual arrangements in place, application of the new standard and consideration of the judgment around variable consideration could change the amount of revenue recognised on a contract and/or its timing.

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, and the financial position of the Group, its cash flows and liquidity position are set out in the strategic report on pages 8 to 14. 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 loss for the year of £467,428 (2017: £411,086) and expects to make a further loss during the year ending 31 March 2019. The total cash outflow from continuing operations in the year was £363,052 (2017: £430,302). At 31 March 2018 the Group had cash balances of £315,166 (2017: £12,349).

On 4 June 2015 the Group announced 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 16.

On 10 May 2017 the Group announced it had raised proceeds of £350,000 via the placing of 70,000,000 new ordinary shares of 0.1p each at a gross 0.50p per share with investors. The placing shares were admitted to AIM on 16 May 2017.

On 31 July 2017 the Group announced it had raised proceeds of £322,100 via the placing of 64,420,000 new ordinary shares of 0.1p each at a gross 0.50p per share with investors. The placing shares were admitted to AIM on 4 August 2017.

On 27 September 2018 the Group announced it had raised proceeds of £395,000 via the placing of 98,750,000 new ordinary shares of 0.1p each at a gross 0.40p per share with investors, with no commissions payable. It is envisaged that the placing shares will be admitted to AIM on 5 October 2018.

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 has access to future equity financings, either through the Group's existing PrimaryBid.com platform or through a separate 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 are satisfied that the Company and the Group have adequate resources to continue in business for a period of more than twelve months from the date of approval of the financial statements.

Accordingly the going concern basis has been used in preparing the financial statements.

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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

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.

(iii) Revenue from sales to external customers is recognised when the significant risks and rewards of ownership have been transferred to the buyer in accordance with the customer terms. This is when goods are dispatched to customers.

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 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.

A reconciliation of underlying operating profit to statutory operating profit is set out on the face of the Statement of Comprehensive Income.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

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 profit and loss 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.

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 profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, representing finished goods, are stated at the lower of cost and net realisable value.

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 reporting 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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

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.

When research and development tax credits are claimed they are recognised on an accruals basis and are included as other income.

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.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability on the statement of financial position 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 reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

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 profit and loss.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

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 profit and loss 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.

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, profit and loss 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 a Binomial / Black-Scholes convergence 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 17.

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 £89,383 (2017: £133,314) as disclosed in note 14.

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 exclusively 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.

Notes to the consolidated financial statements continued

3. Segmental reporting

The Group's operating segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the 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 performance of operating segments is assessed on operating profit before share based payment expenses ('underlying operating loss').

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.

Revenue is reported separately to the CODM and all other reports are prepared as a single business unit.

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
DSM Alliance Agreement	162,486	152,957
Fruitflow + Omega 3	73,318	29,391
Other income	-	45,270
	235,804	227,618

4. Loss from continuing operations

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Loss from continuing operations is stated after charging:		
Research and development costs	181,922	187,163
Foreign exchange gains	1,460	377
Profit on disposal of fixed assets - plant and equipment	-	3,000
Equity-settled share based payment expense	106,307	44,134

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

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Audit services		
Parent company	10,500	10,500
Subsidiaries	8,750	8,750
Tax services - compliance		
Parent company	2,000	2,000
Subsidiaries	3,000	3,000
Other services		
iXBRL services	2,000	2,000
Total fees	26,250	26,250

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 2018	Year ended 31 March 2017
Research and development consultants	1	1
Directors	3	3
	4	4

Their aggregate emoluments were:

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Fees	241,014	220,008
Share-based payment remuneration charge: equity settled	106,307	44,134
Total emoluments	347,321	264,142

6. Directors' remuneration

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Directors		
Aggregate emoluments	182,010	172,008
Company pension contributions	-	-
	182,010	172,008
Share based payment remuneration charge: equity settled	9,646	-
Total Directors' emoluments	191,656	172,008

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

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Aggregate emoluments	106,002	96,000
Share based payment remuneration charge: equity settled	4,823	-
Total of the highest paid director's emoluments	110,825	96,000

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 19 to 21.

Notes to the consolidated financial statements continued

7. Finance income

	Year ended 31 March 2018	Year ended 31 March 2017
	£	£
Finance income		
Bank interest receivable	497	890
	497	890

8. R&D tax relief: payable tax credit and taxation

	Year ended 31 March 2018	Year ended 31 March 2017
	£	£
R&D tax relief: payable tax credit		
Research and development credit - current year	14,710	13,320
Research and development credit - in respect of prior periods	305	1,125
Taxation credit	15,015	14,445

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 2018	Year ended 31 March 2017
	£	£
Loss before tax	(467,428)	(411,086)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	88,811	82,217
Effects of:		
Expenses not deductible for tax purposes	(20,198)	(8,827)
Unutilised tax losses and other deductions arising in the year	(71,129)	(79,365)
Adjustment for R&D tax relief	2,516	5,975
Total taxation charge for the year	-	-

At 31 March 2018 the Group UK tax losses to be carried forward are estimated to be £19,245,000 (2017: £18,893,000).

R&D tax relief: payable tax credit receivable within one year	31 March 2018	31 March 2017
	£	£
R&D tax relief: payable tax credit recoverable	28,335	26,425
	28,335	26,425

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 17, 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 2018	Year ended 31 March 2017
Loss and total comprehensive expense for the year attributable to owners of the parent - £	448,108	380,087
Weighted average number of shares	1,854,178,119	1,712,581,870
Basic and diluted loss per share - pence	0.02	0.02

On 27 September 2018 the Group announced it had raised proceeds of £395,000 via the placing of 98,750,000 new ordinary shares of 0.1p each at a gross 0.40p per share with investors, with no commissions payable. It is envisaged that the placing shares will be admitted to AIM on 5 October 2018. The new shares issued would change the weighted average number of shares in issue as shown above for the year ended 31 March 2018, but they would not significantly change the resulting loss per share calculations.

10. Intangible assets

	Goodwill £	Development costs £	Total £
Cost			
At 1 April 2017	7,265,277	158,166	7,423,443
At 31 March 2018	7,265,277	158,166	7,423,443
Amortisation and Impairment			
At 1 April 2017	7,265,277	158,166	7,423,443
At 31 March 2018	7,265,277	158,166	7,423,443
Net book value			
At 31 March 2018	-	-	-
At 31 March 2017	-	-	-
Cost			
At 1 April 2016	7,265,277	158,166	7,423,443
At 31 March 2017	7,265,277	158,166	7,423,443
Amortisation and Impairment			
At 1 April 2016	7,265,277	158,166	7,423,443
At 31 March 2017	7,265,277	158,166	7,423,443
Net book value			
At 31 March 2017	-	-	-
At 31 March 2016	-	-	-

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

	Laboratory equipment £	Total £
Cost		
At 1 April 2017	-	-
At 31 March 2018	-	-
Depreciation		
At 1 April 2017	-	-
At 31 March 2018	-	-
Net book value		
At 31 March 2018	-	-
At 31 March 2017	-	-

	Laboratory equipment £	Total £
Cost		
At 1 April 2016	68,725	68,725
Disposals	(68,725)	(68,725)
At 31 March 2017	-	-
Depreciation		
At 1 April 2016	68,725	68,725
Disposals	(68,725)	(68,725)
At 31 March 2017	-	-
Net book value		
At 31 March 2017	-	-
At 31 March 2016	-	-

12. Inventories

	31 March 2018 £	31 March 2017 £
Finished goods	10,521	32,450
	10,521	32,450

There are no provisions included within inventories in relation to the impairment of inventories (2017: £Nil).

During the year inventories of £23,166 (2017: £9,533) were recognised as an expense within cost of goods.

Notes to the consolidated financial statements continued

13. Trade and other receivables

	31 March 2018 £	31 March 2017 £
Amounts receivable within one year:		
Trade receivables	1,314	1,251
Other receivables	11,700	16,287
Total financial assets other than cash and cash equivalents classified as loans and receivables	13,014	17,538
Prepayments and accrued income	51,607	69,438
Total trade and other receivables	64,621	86,976

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 reporting date is the fair value of each class of receivable.

14. Trade and other payables

	31 March 2018 £	31 March 2017 £
Trade payables	29,329	67,932
Accruals	54,829	60,157
Total financial liabilities measured at amortised cost	84,158	128,089
Other taxes and social security	5,225	5,225
Total trade and other payables	89,383	133,314

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

All amounts shown fall due within one year.

15. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2017: 17%).

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

Deferred tax assets amounting to £3,271,678 (2017: £3,211,838) have not been recognised on the basis that their future economic benefit is not certain. Assuming a prevailing tax rate of 17% (2017: 17%) when the timing differences reverse, the unrecognised deferred tax asset comprises:

	31 March 2018 £	31 March 2017 £
Depreciation in excess of capital allowances	1,334	1,334
Unutilised tax losses	3,270,344	3,210,504
	3,271,678	3,211,838

Notes to the consolidated financial statements continued

16. Share capital

On 4 June 2015 the Company announced 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			years	pence
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

16. Share capital (continued)

Allotted, called up and fully paid	Ordinary 0.1p shares £	Ordinary 0.1p shares number
At 31 March 2017	1,750,818	1,750,818,174
Issue of shares - placing 16 May 2017	70,000	70,000,000
Issue of shares - placing 4 August 2017	64,420	64,420,000
At 31 March 2018	1,885,238	1,885,238,174

On 10 May 2017 the Group announced it had raised proceeds of £350,000 via the placing of 70,000,000 new ordinary shares of 0.1p each at a gross 0.50p per share with investors. The placing shares were admitted to AIM on 16 May 2017.

On 31 July 2017 the Group announced it had raised proceeds of £322,100 via the placing of 64,420,000 new ordinary shares of 0.1p each at a gross 0.50p per share with investors. The placing shares were admitted to AIM on 4 August 2017.

Allotted, called up and fully paid	Ordinary 0.1p shares £	Ordinary 0.1p shares number
At 31 March 2016	1,647,068	1,647,068,167
Issue of shares - placing 8 August 2016	93,333	93,333,340
Issue of shares - placing 22 September 2016	10,417	10,416,667
At 31 March 2017	1,750,818	1,750,818,174

Notes to the consolidated financial statements continued

17. 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.

On 31 July 2017 the Company granted a total of 13,000,000 new share options to certain scientific, sales and marketing consultants to the Company. The options have an exercise price of 0.52 pence, being the closing mid-market price on 28 July 2017.

On 29 December 2017 the Company granted a total of 27,500,000 new share options to certain directors and scientific, sales and marketing consultants to the Company. The options have an exercise price of 0.55 pence, being the closing mid-market price on 28 December 2017.

The options are exercisable between 3 and 10 years from date of grant and are subject to performance criteria, including share price appreciation. The Company believes the grant of these new options will closely align the interests of the option holders with those of shareholders.

On 26 August 2018 41,117,620 options which had been issued in August 2008 lapsed.

Following the issue of the new options in July and December 2017, and the lapse of the options which expired in August 2018, the total number of Ordinary Shares under option which could be issued if all of the performance criteria are met is 138,000,000 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 Binomial / Black-Scholes convergence model. Where options have been approved but not formally granted and option holders 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 2018 the number of ordinary shares subject to options granted over the 2005 and prior option schemes were:

EMI options

	31 March 2018			31 March 2017		
	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	0.77	-	56,078,090
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 (2017: 0.59p and 1.85p) and their weighted average contractual life was 2.3 years (2017: 3.3 years).

Of the total number of EMI options outstanding at the end of the year, 56,078,090 (2017: 56,078,090) had vested and were exercisable at the end of the year. Their weighted average exercise price was 0.77 pence (2017: 0.77 pence).

Notes to the consolidated financial statements continued

17. Share options (continued)

Unapproved options

	31 March 2018		31 March 2017	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	1.12	82,539,530	1.19	62,539,530
Granted during the year	0.54	40,500,000	0.92	20,000,000
Outstanding at the end of the year	0.93	123,039,530	1.12	82,539,530

The exercise price of unapproved options outstanding at the end of the year ranged between 0.49p and 1.85p (2017: 0.49p and 1.85p) and their weighted average contractual life was 6.7 years (2017: 6.3 years).

Of the total number of unapproved options outstanding at the end of the year, 60,039,530 (2017: 50,039,530) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.22 pence (2017: 1.32 pence).

Grant of options

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

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
03-Sep-15	0.49	2,500,000	0.49	66%	0.80%	10	0.350
30-Dec-16	0.92	20,000,000	0.92	151%	0.53%	10	0.857
31-Jul-17	0.52	13,000,000	0.52	90%	0.55%	10	0.414
29-Dec-17	0.55	27,500,000	0.55	91%	0.73%	10	0.431

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 £106,307 (2017: £44,134) all of which related to equity settled share-based payment transactions.

Notes to the consolidated financial statements continued

18. Reserves

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 16).
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.

19. 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 2018 amounted to £Nil (2017: £Nil). Pension contributions payable but not yet paid at 31 March 2018 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 (2017: £3,871).

20. 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, F Boned is a director of the Company, and a senior employee of DSM.

Revenue recognised by the Group under agreements with DSM amounted to £162,486 (2017: £198,228). At 31 March 2018 the Group was owed £Nil (2017: £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 19 to 21. At 31 March 2018 the Company's Chairman Dawson Buck was owed £Nil, and the Company's Finance Director Ian Ford was owed £261. The Company settled its liability to Ian Ford in May 2018.

21. Events after the reporting period

On 27 September 2018 the Group announced it had raised proceeds of £395,000 via the placing of 98,750,000 new ordinary shares of 0.1p each at a gross 0.40p per share with investors, with no commissions payable. It is envisaged that the placing shares will be admitted to AIM on 5 October 2018.

Parent company statement of financial position

Company number 05102907

	Notes	As at 31 March 2018 £	As at 31 March 2017 £
Assets			
Non-current assets			
Investments	3	-	-
Total non-current assets		-	-
Current assets			
Cash and cash equivalents		110	67
Total current assets		110	67
Total assets		110	67
Liabilities			
Total liabilities		-	-
Net current assets		110	67
Total net assets		110	67
Capital and reserves attributable to owners of the parent company			
Share capital	5	1,885,238	1,750,818
Share premium reserve		17,179,546	16,648,471
Warrant reserve		26,200	26,200
Retained earnings		(19,090,874)	(18,425,422)
Total equity		110	67

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 £771,759 (2017: £383,167) which is dealt with in the financial statements of the Company.

These financial statements were approved and authorised for issue by the Board on 27 September 2018. The notes on pages 49 to 51 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 2016	1,647,068	16,503,221	26,200	(18,086,389)	90,100
Share-based charges	-	-	-	44,134	44,134
Issue of shares - placing 8 August 2016	93,333	130,667	-	-	224,000
Issue of shares - placing 22 September 2016	10,417	14,583	-	-	25,000
Total comprehensive expense for the year	-	-	-	(383,167)	(383,167)
At 31 March 2017	1,750,818	16,648,471	26,200	(18,425,422)	67
Share-based charges	-	-	-	106,307	106,307
Issue of shares - placing 16 May 2017	70,000	280,000	-	-	350,000
Issue of shares - placing 4 August 2017	64,420	251,075	-	-	315,495
Total comprehensive expense for the year	-	-	-	(771,759)	(771,759)
At 31 March 2018	1,885,238	17,179,546	26,200	(19,090,874)	110

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 16 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 2 Blagrove Street, Reading, Berkshire RG1 1AZ, UK.

Basis of preparation

The parent company financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards, including FRS 102.

The Company has taken advantage of disclosure exemptions and does not prepare a statement of cash flows.

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 4 to the consolidated financial statements.

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 reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting 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.

Events after the reporting period

Details of events after the reporting period relevant to the parent company are included in note 21 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 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 (2017: £10,000).

The parent company did not have any employees in the year and therefore there were no payroll costs or pension costs (2017: Nil).

Notes to the parent company financial statements continued

3. Investments

At 31 March 2018 the Company owned the following 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

The registered office of each of the three subsidiary undertakings above is 2 Blagrove Street, Reading, Berkshire RG1 1AZ, UK.

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 £43,853 (2017: £43,853) 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 2017	1,750,818	1,750,818,174
Issue of shares - placing 16 May 2017	70,000	70,000,000
Issue of shares - placing 4 August 2017	64,420	64,420,000
At 31 March 2018	1,885,238	1,885,238,174

Allotted, called up and fully paid	Ordinary 0.1p shares £	Ordinary 0.1p shares number
At 31 March 2016	1,647,068	1,647,068,167
Issue of shares - placing 8 August 2016	93,333	93,333,340
Issue of shares - placing 22 September 2016	10,417	10,416,667
At 31 March 2017	1,750,818	1,750,818,174

Details of the share subscriptions, share placings, and the shares issued by the Company during the two years ended 31 March 2018 are given in note 16 to the consolidated financial statements.

Details on the share option scheme and share based payment charge for the year are given in note 17 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 2018 (2017: Nil). At 31 March 2018 the Company was owed £5,509 by Provexis (IBD) Limited (31 March 2017: 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 £77,281 (2017: £123,995). Provexis (IBD) Limited owed Provexis group companies and Provexis Nutrition limited a total of £2,709,190 at 31 March 2018 (31 March 2017: owed £2,631,908). Provisions of £2,709,190 (2017: £2,631,908) 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 20 to the consolidated financial statements.

Company information

Company number	05102907
Directors	C D Buck F Boned I Ford
Audit committee	C D Buck F Boned
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Secretary and registered office	I Ford 2 Blagrove Street Reading Berkshire RG1 1AZ
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 2 Blagrove Street Reading Berkshire RG1 1AZ