Provexis plc

Annual report and accounts 2011

Company number 05102907

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Corporate statement

The Provexis strategy is the discovery, development and licensing of scientifically-proven functional food, medical food and dietary supplement technologies, with five areas of focus:

- Collaborating with leading research institutes to identify and develop proprietary technologies
- Developing credible scientific proof to demonstrate efficacy and support product claims
- Gaining regulatory and safety clearances in relevant global markets
- Implementing global IP strategies, underpinned by strong patent portfolios
- Commercialising technologies through collaboration and licensing with global brand owners and ingredients corporations.

Key highlights

Key highlights

- The Company has entered into a conditional agreement to acquire SiS (Science in Sport) Limited for a consideration of £8m, partially funded by a £2.5m conditional placing at 1.5p per share, which is expected to complete on 24 June 2011.

- Good progress to commercialise Fruitflow® heart-health technology in all major global markets under the Alliance Agreement with DSM Nutritional Products.

- Clinical trial for NSP#3G for Crohn's disease patients progressed through interim review with focus now on opening new trial centres to complete patient recruitment.

- Collaboration with Institute of Food Research for the reduction of cardiovascular inflammation and the reduction of risk of certain cancers making good progress with the first human trials underway.

- Agreement entered into with DSM Nutritional Products to develop technology for management of blood glucose.

- £2.5m total funding raised through Equity Financing Facility in June 2010 and October 2010.

Key financial results

- Loss attributable to owners of the parent for the year ended 31 March 2011 £2.0m (2010: £1.6m).

- Cash balance as at 31 March 2011 £7.6m (2010: £7.0m).

- Loss per share for the year ended 31 March 2011 0.17p (2010: 0.18p).

Chairman's statement

The business has made substantial progress this year through the development of its long-term, global commercial agreement with DSM for our lead Fruitflow® technology, in addition to the broader pipeline being extended and developed.

I can announce that we are about to meet our objective of making an acquisition, as we today announce that the Company has entered into a conditional agreement to purchase SiS (Science in Sport) Limited, which is expected to complete on 24 June 2011. The business develops, manufactures and sells nutrition products for sports people and its heritage is in providing nutrition products for professional and elite athletes. In addition to bringing revenues and cash flow to the Group, there is a great synergy between the two businesses and we believe our existing scientific and regulatory skills will help the acquired business to cement further its reputation in its target sectors.

Following the signing of our Alliance Agreement with DSM on 1 June 2010, good progress has been made in the commercialisation of our lead heart-health Fruitflow® technology. DSM launched Fruitflow® to the industry in Europe in November 2010 and in the US in March 2011. DSM has made significant progress in marketing the technology in a broad range of global markets, attracting positive interest from a wide range of global, multinational and national brand owners in the functional food and dietary supplement sectors. We are pleased with the progress made by DSM.

Having a broader pipeline remains central to our strategy and progress has been made on a number of fronts. While we have been frustrated with the slow progress in patient recruitment for our NSP#3G Crohn's disease trial, an independent interim review of trial data has given us confidence to open further patient centres. Our collaboration with the Institute of Food Research, with an initial objective of developing a product for cardiovascular inflammation, is proceeding well and a first human trial is underway. We recently entered into a development agreement with DSM where the Group will bring its scientific and regulatory expertise to bear to commercialise DSM owned intellectual property.

With our first commercial deal for Fruitflow®, a major acquisition and the expansion of our pipeline, it has been a busy year and I would like to thank the executive team, all of our staff and our advisors for their efforts and professionalism.

Dawson Buck
Chairman

Chief Executive's statement

Strategy

We have continued to execute our strategy of discovery, development and licensing functional food, medical food and dietary supplements. Our intention to make acquisitions in order to develop shareholder value has been realised through our entering into a conditional agreement to acquire SiS (Science in Sport) Limited ("SiS"), which is expected to complete on 24 June 2011. We believe that there is good synergy between the two businesses and that our existing scientific and regulatory expertise can assist in making the SiS business a leader in claims-supported sports nutrition.

The Provexis business model now extends from discovery, through development and now to market by a combination of licensing and direct sales revenues. The Directors believe that this gives the business the correct balance of short-term revenues and long-term pipeline potential.

The executive team will continue to seek further acquisitions as part of the long-term aim to strengthen the pipeline. We have continued to invest in top quality management expertise in order to assist the Group in meeting its strategic goals and this policy will continue.

To support our strategy, we raised £2.5m via our Equity Financing Facility in June and October 2010, with a further £2.5m from the conditional placing announced on 17 June 2011. Together, these fundraising events will enable us to undertake the acquisition of SiS, which is expected to complete on 24 June 2011, and deliver on our strategic plan.

Fruitflow®

The Company announced on 1 June 2010 that it had entered into a long-term alliance with DSM Nutritional Products ("DSM") to develop Fruitflow® in all major global markets, through an effective commercialisation of current formats and pioneering new and significant applications (the "Alliance").

DSM launched Fruitflow® to the industry in Europe in November 2010 and in the US in March 2011. Manufacturing and supply chain for a cost effective syrup version of Fruitflow® has been secured. Also good progress has been made on optimising the powder version of Fruitflow®, suitable for formats such as tablets and capsules, and this format will be commercially available late in the summer.

Fruitflow® has been recognised in the industry for its strong science and innovation, being awarded the 'Most Innovative Health Ingredient' and winning the best innovation in the 'Heart Health' category at the major Health Ingredients Europe Conference in November 2010. In March 2011 the technology was awarded 'Best New Ingredient' at the 2011 NutrAwards held at the Nutracon 2011 exhibition in Anaheim, California.

The Alliance partners continue to collaborate on regulatory matters related to certain markets. In addition, the Provexis scientific team continues to support its counterparts in areas such as analytical methods and analysis, together with deepening the understanding of the core science.

DSM has made significant progress in marketing the technology in a broad range of global markets, attracting positive interest from a wide range of global, multinational and national brand owners in the functional food and dietary supplement sectors. The Directors are pleased with the progress being made in the marketplace by the Company's Alliance partner.

NSP#3G plantain extract

A fully independent Data Monitoring Committee ("DMC") has reviewed the data gathered from the first patients to complete the full 12 months of treatment in the Crohn's disease trial. Following their review, the DMC has confirmed that there are no negative findings associated with this initial dataset and no safety concerns related to the administration of the test product. The DMC recommended a further interim review of the study be conducted in Q4 2011. The interim review findings are in line with the Company's expectations.

Following this advice, Provexis intends to identify up to four additional trial centres to facilitate full recruitment of the remaining patients required, to enable it to complete the trial in the shortest feasible timeline. The Directors have previously noted that the recruitment of patients for clinical trials in the area of inflammatory bowel disease is recognised as being challenging across the industry. The Company remains committed to this key technology and believes that opening extra trial centres will expedite the trial and support initial commercial discussions with corporate partners.

The Group's Liverpool-based R&D team will also continue to research and characterise NSP#3G extracts for addressing C.difficile, the so-called hospital 'super bug', and antibiotic-associated diarrhoea.

Isothiocyanates

The isothiocyanate-based cardiovascular inflammation work in collaboration with Institute of Food Research ("IFR") is proceeding well. A novel extract has been developed and the first human trial has now commenced. A second trial will commence later this year, with a third and final trial to provide regulatory support for product launches being scheduled for 2012.

Blood glucose

We recently announced an agreement for development of DSM-owned intellectual property for the promotion of healthy blood glucose levels, following a period of assessment by Provexis. Under the agreement, it is the intention that Provexis will develop a cost effective product, carry out clinical trials and gain the necessary regulatory clearances. DSM will contribute intellectual property and know-how to the development programme. The partners will together identify the most appropriate commercialisation arrangements before the product is launched.

Outlook

The commercial progress of Fruitflow® is an important objective for the Group in the coming financial period and we expect to see progress as our Alliance partner DSM continues its marketing and selling efforts, in addition to launching the powder version for dietary supplements.

Integrating the SiS business is the second major objective and we look to complete this as quickly as possible in order to focus existing and new management members on growing revenues in this business.

It is important that we reach full recruitment in the Crohn's disease trial during this year, in order that commercial partnering discussions can commence. The isothiocyanate technology platform and the new blood glucose technology will both be accelerated in order we can bring these to market in the earliest possible time.

The management team will be focused on progress in the revenue generating areas of Fruitflow® and SiS, while not losing sight of the medium and long term importance of the broader pipeline. Cash management will continue to be an area of high importance. We will maintain our strategy of developing the capability of the overall Provexis team in line with our goals.

Stephen Moon
Chief Executive

Directors' report – financial review

Revenue and grant income
Revenue for the year ended 31 March 2011 was £50,086 (2010: £14,767).

Grant income for the year ended 31 March 2011 was £ Nil (2010: £80,000), the amount in 2010 being the final part of a £100,000 grant which was awarded to the Group in January 2009 by The Northwest Regional Development Agency (NWDA).

Research and development costs
Research and development ("R&D") costs for the year ended 31 March 2011 were £1,268,874 (2010: £718,468), including £17,959 capitalised under IAS 38 (2010: £20,646), reflecting the recruitment of additional R&D staff, continuation of the clinical trial for the Group's NSP#3G technology for Crohn's disease and the commencement of isothiocyanate-based cardiovascular inflammation work in collaboration with the Institute of Food Research ("IFR").

R&D expenditure comprises in-house costs (staff, R&D consumables, intellectual property, facilities and depreciation of R&D assets) and external costs (preclinical studies, manufacturing, regulatory affairs and clinical trials).

The Group's R&D team continues to research further claim areas for the Group's technologies.

The Group aims to achieve cost effective research and development and to bring products to market through licensing partners as soon as is practicable.

Administrative costs
Administrative costs for the year relating to continuing operations were £1,274,493 (2010: £1,184,859).

The Group's cost base and its resources have been and will continue to be tightly managed.

Taxation
A research and development tax credit of £221,218 (2010: £54,408) of which £71,228 related to the prior year in respect of research and development expenditure incurred has been recognised in the financial statements and is shown as a debtor at 31 March 2011.

Losses and dividends
The loss attributable to owners of the parent for the year ended 31 March 2011 was £1,986,206 (2010: £1,648,180) and the loss per share was 0.17p (2010: 0.18p).

The directors do not recommend the payment of a dividend (2010: £ Nil).

Effect of change in accounting standard

The application of the following standard has resulted in the losses attributable to the non-controlling interest being accounted for in the financial statements even where this resulted in the non-controlling interest having a deficit balance:

- IAS 27 (Amendment) 'Consolidated and Separate Financial Statements' effective for periods beginning on or after 1 July 2009.

For further Information about this change in accounting standard see the Principal risks and uncertainties section of the business overview on page 10.

Financial instruments
Information about the use of financial instruments by the Group is disclosed in notes 1 and 2.

Directors' report – financial review continued

Capital structure and funding
The group is funded entirely by equity funding.

On 31 March 2010 the Company announced that it had secured a 3 year Equity Financing Facility of up to £25m (the "EFF") with Evolution Securities Limited ("Evolution"). The EFF has been arranged by Darwin Strategic Limited ("Darwin"), an appointed representative of Evolution.

On 22 June 2010 the Company announced that it had raised a net £88,426 by drawing down on the EFF, allotting 2,135,000 new ordinary shares of 0.1p each to Darwin.

On 4 October 2010 the Company announced that it had raised a further net £2.4m by drawing down on the EFF, allotting 86,300,000 new ordinary shares of 0.1p each to Darwin.

The Directors are of the opinion that at 17 June 2011, the Group's liquidity and capital resources are adequate to deliver the current strategic objectives and 2011/12 business plan and that the Group meets going concern criteria. See also note 1 to the consolidated financial statements on page 26.

Cash at bank at 31 March 2011 was £7,551,505 (31 March 2010: £7,049,134).

Directors’ report – business overview

Principal activities
Provexis plc is a life sciences-driven enterprise that discovers, develops and licenses scientifically-proven technologies for the global functional food, medical food and dietary supplement sectors.

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.

Group strategy
The Provexis strategy is the discovery, development and licensing of functional food, medical food and dietary supplement technologies, with five areas of focus:

- Collaborating with leading research institutes to identify and develop proprietary technologies
- Developing credible scientific proof to demonstrate efficacy and support product claims
- Gaining regulatory and safety clearances in relevant global markets
- Implementing global IP strategies, underpinned by strong patent portfolios
- Commercialising technologies through collaboration and licensing with global brand owners and ingredients corporations.

Review of the performance of the business and future developments
The Chairman’s Statement on page 3, the Chief Executive’s Statement on pages 4 and 5 and the Financial Review on pages 6 and 7 report on the Group’s performance during the year ended 31 March 2011, its position at that date and its likely future development.

Key performance indicators
The executive management and Directors utilise a balanced scorecard of key activities including R&D project progress, commercial milestones and regulatory activities to monitor and measure the performance of the business. These are measures of the progress of the business towards its strategic target of revenue generation and profitability, and are considered by the Board to be the key non-financial performance indicators used to determine achievement of Group strategy and are discussed in the Chief Executive’s statement. The balanced scorecard is reviewed regularly by the executive team and the Directors.

The Directors consider Group cash and the absolute values of, and the ratio between, research and development costs and other administrative overhead costs as being the Group’s key financial performance indicators. The cost related indicators assist in monitoring financial control to reduce the hurdle to achieving the key future financial milestone of monthly break-even. 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 table below shows the Group’s cash position at 31 March 2011 and 31 March 2010:

	31 March 2011 £	31 March 2010 £
Cash at bank and in hand	**7,551,505**	7,049,134
	7,551,505	7,049,134

Directors’ report – business overview continued

Key performance indicators (continued)
The table below shows the Group’s R&D ratio for the two years ended 31 March 2011. The R&D ratio is the percentage of research and development costs relative to total operating expenses. The Directors strive to maximise the ratio of research and development costs to administrative costs.

	31 March 2011 £	31 March 2010 £
Research and development costs	**1,250,915**	697,822
Administrative costs	**1,274,493**	1,184,859
Total operating costs	**2,525,408**	1,882,681
R&D ratio	**50%**	37%

The increase in the R&D ratio for the year is primarily due to increased R&D expenditure including the continuation of the clinical trial for Crohn’s Disease and two new projects: the development of a new product for the promotion of healthy blood glucose levels and a project targeting cardiovascular inflammation being carried out in conjunction with the Institute of Food Research.

Post balance sheet events
As disclosed in note 23 to the financial statements, on 1 June 2011 the Group announced an agreement to commercialise DSM owned intellectual property, through the development of a new product for the promotion of healthy blood glucose levels.

On 17 June 2011 the Group entered into a conditional agreement to acquire 100% of the issued share capital of SiS (Science in Sport) Limited, a company which manufactures and sells sports nutrition products for a maximum consideration of £8m, subject to completion. £7m is payable in cash of which £250,000 is to be held in escrow against claims for one year or longer if claims have been notified but not settled. The balance of the consideration is £1m in Provexis shares, with a lock-in of two years.

The £7m cash consideration will be met by £4.5m from current cash reserves and £2.5m from a placing for new shares. The Company intends to undertake an Open Offer to shareholders of the Company as soon as is reasonably practicable after the completion of the Acquisition.

Principal risks and uncertainties
The Directors consider that the key risks of the Group are as set out below:

The Group’s success will depend in part on its ability to obtain and maintain rigorous patent protection for its technologies both in the UK and internationally. The Group cannot give definitive assurance that pending or future patent applications will be granted or that patents granted will not be challenged, invalidated or held unenforceable.

The Group cannot assure that its intellectual property rights are sufficiently broad to prevent third parties from producing competing functional food, medical food and dietary supplement technologies similar in nature to its own. The Group also relies on protection of trade secrets, know-how and confidential and proprietary information. To mitigate this, the Group enters into non-disclosure agreements with employees, consultants and prospective commercial partners but cannot assure that such agreements will provide complete safeguards against unauthorised disclosure of confidential information.

The Group’s commercial success will also depend in part on avoiding infringement of other third parties’ patents or proprietary rights and the breach of any licences in connection with the pursuit of its technologies. Management is of the opinion that it does not infringe third parties’ patents or other rights and is not aware of any such infringements but cannot assure that it will not be found in the future to infringe such rights.

The Group has a limited pipeline of new technologies and new indications for technologies already in development. As a result of regulatory and competitive uncertainties and the unpredictability of successful outcomes to new research and development, the Group cannot provide assurance that it will be able to develop and license these new technologies.

The Group continues to pursue acquisitions as part of its growth strategy. Such acquisitions may not realise expected benefits.

Directors' report – business overview continued

Principal risks and uncertainties (continued)
The Group may require additional funding. To the extent that the current cash resources of the Group and the funds received from the Open Offer are insufficient to cover the Group's liabilities in the longer term it may be necessary to seek additional funds through future equity or debt financings and there is no certainty that such funds would be available. Any such further financings, if available at all, may be on terms that are not favourable to the Group. Further, if adequate capital cannot be obtained, the Group's operating results and financial condition could be adversely affected.

The Group currently employs fourteen people, excluding Non-executive Directors, and has a very small management team. Should it lose any key management resources and be unable to attract replacements of equivalent calibre to continue implementation of its business plan, future development and commercial activities could be materially adversely affected.

The Group relies on potential license partners to meet certain commercial and development milestones and their failure to achieve this, or other delays or cancellation of projects due to internal or market factors affecting potential license partners could affect the execution of the Group's business plan, with a material adverse effect on the business. In these circumstances the Group would look to raise additional funding through the issue of additional equity through rights issues, share placing and the exercise of share options but no assurance can be given regarding the successful outcome of such financing initiatives.

As noted previously the Group is not able to predict successful outcomes to research and development. The non-controlling interest share of Provexis (IBD) Limited's loss would need to be reversed if the project didn't come to fruition. At 31 March 2011 this would increase the loss attributable to the equity holders of the parent by £136,459 to £2,120,665.

Policy on the payment of creditors
It is the policy of the Group to pay creditors and suppliers in accordance with their normal terms of business. Creditor days outstanding for the Group at 31 March 2011 amounted to 22 days compared to 33 days at 31 March 2010.

Board of Directors
The Board of Directors has overall responsibility for the Group.

The Board comprises a Non-executive Chairman, two additional Non-executive Directors, all of whom are independent, and three further Executive Directors. The Board continues to be satisfied that it has an appropriate mix of independence and experience in its Non-executive Directors.

The Directors of the Company during the year are shown below.

Executive Directors
S N Moon
S N Morrison
I Ford

Non-executive Directors
C D Buck
N C Bain
K Rietveld

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

Directors' report – business overview continued

Audit Committee
The Audit Committee comprises two Non-executive Directors, and is chaired by Neville Bain as Senior Independent Non-executive Director. It meets as required and specifically to review the Interim Report and Annual Report and to consider the suitability and monitor the effectiveness of the internal control processes. There were three Audit Committee meetings during the year. 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 (with no Executive Director present) 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 advice, corporate finance services and share scheme advice and undertake work in relation to the interim report. The fees in respect of the non-audit services provided are £22,300 for the year ended 31 March 2011 (2010: £25,000). Further, the overall fees paid to the auditors are not deemed to be of such significance to them as to impair their independence. The Audit Committee considers that the objectivity and independence of the auditors is safeguarded.

The current terms of reference of the Audit Committee are set out in the governance pages on the Group's website www.provexis.com.

Internal control
The Directors are responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to the achievement of business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

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 annual review of internal control and financial reporting procedures did not highlight any issues warranting the introduction of an internal audit function. It was again concluded, given the current size and transparency of the operations of the Group, that an internal audit function was still not required.

The main features of the internal control system are outlined below:

- A control environment exists through the close management of the business by the Executive Directors. The Group has a defined organisational structure with delineated approval limits. Controls are implemented and monitored by the Executive Directors.

- The Board has a schedule of matters expressly reserved for its consideration and this schedule includes acquisitions and disposals, major capital projects, treasury and risk management policies and approval of budgets.

- The Group utilises a detailed budgeting and forecasting system. Detailed budgets are prepared annually by the Executive Directors before submission to the Board for approval. Forecasts are regularly updated at least quarterly to reflect changes in the business and are monitored by the Board including future cash flow projections. Actual results are monitored against annual budgets regularly and at least quarterly, with variances highlighted for the Board.

- Financial risks are identified and evaluated for each major transaction for consideration by the Board.

- Standard financial control procedures operate throughout the Group to ensure that the assets of the Group are safeguarded and that proper accounting records are maintained.

- A risk review process is in operation whereby the Chief Executive and Finance Director present a report to the Board each year on the key business risks.

Directors' report – business overview continued

Going concern
The Directors have a reasonable expectation that the Group and the Company will continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

See also note 1 to the consolidated financial statements on page 26.

Employees
The Executive Directors keep staff informed of the progress and development of the Group regularly through formal and informal meetings and employee feedback is encouraged. The Company has a policy of offering share options to all eligible employees, subject to availability under the option plan rules and with due consideration to the level of dilution to shareholders.

The Group does not discriminate between employees and 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 towards its employees to provide a safe and healthy working environment. The Group complies with health and safety legislation including conducting regular inspections and risk assessments.

Environmental, social and community matters
As a result of the size and nature of the Group's operations, the impact of the Group's operations on the local community and the environment is not considered to be significant. Recycling of office supplies is undertaken where possible.

Charitable and political contributions
No political or charitable donations were made during the year (2010: £Nil).

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 Chief Executive and Finance Director seek to meet 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.

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.

BDO LLP have expressed their willingness to continue in office. Under the Companies Act 2006 section 487(2) they will be automatically re-appointed as auditors 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

Directors' report – business overview continued

Directors' responsibilities
The directors are responsible for preparing the 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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 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.

By order of the Board

Ian Ford
Secretary
17 June 2011

Directors' report – remuneration report

Remuneration Committee: composition and terms of reference
The Group's Remuneration Committee during the year ended 31 March 2011 comprised two independent Non-executive Directors and was chaired by Dawson Buck.

The purpose of the Remuneration Committee is to ensure that the Executive Directors are fairly rewarded for their individual contribution to the overall performance of the Company. The Committee considers and recommends to the Board the remuneration of the Executive Directors and is kept informed of the remuneration packages of senior staff and invited to comment on these.

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 Remuneration Committee recommends to the Board remuneration packages by reference to individual performance and uses the knowledge and experience of the Non-executive Directors and published surveys relating to AIM Directors, and market changes generally. The Remuneration Committee has responsibility for recommending any long term incentive schemes.

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.

There are four main elements of the remuneration package for Executive Directors and senior staff:

(i) Basic salaries and benefits in kind
Basic salaries are recommended to the Board by the Remuneration Committee, taking into account the performance of the individual and the rates for similar positions in comparable companies. Benefits in kind comprising private medical insurance are available to all senior staff and Executive Directors.

(ii) Share option scheme
The Company operates a share option scheme which was established in June 2005 ("the Provexis 2005 share option scheme") to motivate the Executive Directors and employees through equity participation in the Company. Options granted pursuant to the Provexis 2005 share option scheme may take the form of either unapproved share options or tax favoured EMI options. Exercise of options under the scheme is subject to specified exercise periods and compliance with the AIM rules of the London Stock Exchange.

The scheme is overseen by the Remuneration Committee which recommends to the Board all grants of share options based on the Committee's assessment of personal performance and specifying the terms under which eligible individuals may be invited to participate.

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

The Combined Code refers to the requirement for the performance-related elements of remuneration to form a significant proportion of the total remuneration package of Executive Directors and should be designed to align their interests with those of shareholders. In the development phase of the Group and during the early stages of revenue generation, the Remuneration Committee currently considers that the best alignment of these interests is through continued use of incentives for performance through the award of share options or other share-based arrangements.

Directors’ report – remuneration report continued

Policy on Executive Directors’ remuneration (continued)
(iii) Bonus scheme
The Company has an established discretionary non-pensionable bonus scheme for Executive Directors, which is subject to the achievement of agreed goals and targets that are designed to incentivise Directors to perform at the highest levels, and align Directors’ interests with those of the shareholders.

For the Executive Directors the performance-related annual bonus potential is up to 40% of basic salary. The Remuneration Committee approved bonuses of between 20% and 40% of salary for 2011 based on the achievements in 2011. In 2010 annual bonuses of 15% were paid.

(iv) Pension contributions
The Group pays a defined contribution to the pension scheme of Executive Directors and employees. The individual pension schemes are private and their assets are held separately from those of the Group.

Salaries and benefits were reviewed in April 2010 to cover the year from 1 April 2010 to 31 March 2011. Future reviews will continue to be undertaken on an annual basis each April to enable the Group’s performance over the preceding financial year and the strategy for the forthcoming year to be considered.

Service contracts
The Chief Executive is employed under a service contract requiring twelve months’ notice by either party, and the Chief Operating Officer and Finance Director are employed under service contracts requiring three months’ notice. All Non-executive Directors receive payments under appointment letters which are terminable by three months’ notice from either party.

Policy on Non-executive Directors’ remuneration
Dawson Buck and Neville Bain each receive a fee for their services as a director, which is approved by the Board, mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments. Non-executive Directors are reimbursed for travelling and other minor expenses incurred.

Neville Bain, Non-executive Director, received 330,300 share options prior to the Group joining AIM, and he exercised these options on 12 February 2010. However, to maintain independence, the Non-executive Directors do not participate in any incentive or share option arrangements.

Gains made on exercise of directors’ share options

	Gain	
	Year ended 31 March 2011 £	Year ended 31 March 2010 £
N C Bain - exercise on 12 February 2010 of 330,300 share options granted on 17 June 2004	**-**	20,082
	-	20,082

Directors' report – remuneration report continued

Details of directors' remuneration
The emoluments of the individual Directors for the year were as follows:

	Year ended 31 March 2011					Year ended 31 March 2010
	Salary and directors' fees	**Benefits in kind**	**Bonus payments**	**Pension**	**Total**	Total
	£	**£**	**£**	**£**	**£**	£
Executive Directors						
S N Moon	**175,443**	**886**	**70,656**	**8,832**	**255,817**	191,149
S N Morrison	**124,881**	**1,792**	**25,126**	**6,281**	**158,080**	143,451
I Ford	**110,139**	**1,618**	**31,258**	**5,582**	**148,597**	118,866
Non-executive Directors						
C D Buck	**35,000**	**-**	**-**	**-**	**35,000**	42,500
N C Bain	**17,500**	**-**	**-**	**-**	**17,500**	17,500
J B Diggines (resigned 17 September 2009)	**-**	**-**	**-**	**-**	**-**	7,500
K Rietveld	**-**	**-**	**-**	**-**	**-**	-
	462,963	**4,296**	**127,040**	**20,695**	**614,994**	520,966

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

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

	Year ended 31 March 2011	Year ended 31 March 2010
	£	£
Executive Directors		
S N Moon	**15,857**	107,303
S N Morrison	**11,666**	36,870
I Ford	**12,324**	41,651
Non-executive Directors		
C D Buck	**-**	-
N C Bain	**-**	-
J B Diggines (resigned 17 September 2009)	**-**	-
K Rietveld	**-**	-
	39,847	185,824

Directors' interests in shares	**Ordinary shares of 0.1 pence each**	Ordinary shares of 0.1 pence each
	Beneficial interests	
	31 March 2011	1 April 2010
S N Moon	**1,540,000**	1,540,000
S N Morrison	**1,668,333**	1,668,333
I Ford	**1,668,333**	1,668,333
C D Buck	**11,271,359**	11,271,359
N C Bain	**5,608,416**	5,608,416
	21,756,441	21,756,441

Other than as shown in the table and as further disclosed above in respect of Deferred Shares, no Director had any interest in the shares of the Company or its subsidiary companies at 31 March 2011.

Directors' report – remuneration report continued

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.

On 1 September 2008 the Company announced that further to an announcement on 1 August 2008 the Company's Remuneration Committee had approved the grant of options over 62,471,648 ordinary shares of 0.1p each to certain Directors and employees of the Company. As a condition of the grant of options, certain Directors surrendered 19,089,110 existing options and an additional 3,709,384 existing options were surrendered by other existing employees.

On 15 October 2009 the Company's Remuneration Committee modified the Performance Period and Performance Target of share options over 62,471,648 ordinary shares of 0.1p each held by the Executive Directors and employees of the Company.

Following the changes agreed to the Performance Period and Performance Target, share options over 27,305,073 ordinary shares of 0.1p each held by the Executive Directors and employees of the Company vested on 15 October 2009. Share options over 35,166,575 ordinary shares of 0.1p each held by certain Directors and employees of the Company will vest on 1 April 2011.

The share options held by the Directors and not exercised at 31 March 2011 are summarised below.

	Number of options over shares		
	At 1 April 2010	Options exercised in year	**At 31 March 2011**
S N Moon	21,117,620	-	**21,117,620**
S N Morrison	12,000,000	-	**12,000,000**
I Ford	10,000,000	-	**10,000,000**
	43,117,620	-	**43,117,620**

The unapproved share options at 31 March 2011 of the Directors who served during the year are set out below:

	Grant date	**Number awarded**	**Exercise price/share**	**Earliest exercise date**	**Expiry date**
S N Moon	August 2008	7,324,520	0.900p	April 2011	August 2018
		7,324,520			

The EMI share options at 31 March 2011 of the Directors who served during the year are set out below:

	Grant date	**Number awarded**	**Exercise price/share**	**Earliest exercise date**	**Expiry date**
S N Moon	August 2008	1,117,620	1.000p	August 2008	August 2018
S N Moon	August 2008	2,675,480	0.900p	April 2011	August 2018
S N Moon	August 2008	10,000,000	0.900p	October 2009	August 2018
S N Morrison	October 2008	6,000,000	0.900p	April 2011	October 2018
S N Morrison	October 2008	6,000,000	0.900p	October 2009	October 2018
I Ford	August 2008	5,000,000	0.900p	April 2011	August 2018
I Ford	August 2008	5,000,000	0.900p	October 2009	August 2018
		35,793,100			

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

The Company carried out a share re-organisation on 28 August 2008, which is further detailed in note 17 to the consolidated financial statements on page 41.

Directors' report – remuneration report continued

Directors' interests in share options (continued)
Share options which had been granted prior to 28 August 2008 over existing ordinary shares with a nominal value of 1p each in the capital of the Company became options over new ordinary shares with a nominal value of 0.1p each in the capital of the Company. The options remain subject to the same terms as contained in the individual option contracts under which they were originally granted.

Share options issued after 28 August 2008 are options over new ordinary shares with a nominal value of 0.1p each in the capital of the Company.

Dawson Buck
Chairman of the Remuneration Committee

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVEXIS PLC

We have audited the financial statements of Provexis plc for the year ended 31 March 2011 which comprise the group statement of financial position and company balance sheet, the group statement of comprehensive income, the group statement of cash flows, the group statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 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.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Christopher Pooles (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Reading
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

	Notes	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Revenue	1,3	**50,086**	14,767
Grant income	4	**-**	80,000
Research and development costs		**(1,250,915)**	(697,822)
Administrative costs		**(1,274,493)**	(1,184,859)
Loss from operations	5	**(2,475,322)**	(1,787,914)
Finance income	8	**133,439**	85,326
Loss before tax		**(2,341,883)**	(1,702,588)
Taxation	9	**221,218**	54,408
Loss and total comprehensive expense for the year		**(2,120,665)**	(1,648,180)
Attributable to:			
Owners of the parent	19	**(1,984,206)**	(1,648,180)
Non-controlling interest		**(136,459)**	-
		(2,120,665)	(1,648,180)
Loss per share to owners of the parent			
Basic and diluted – pence	10	**0.17**	0.18

Consolidated statement of financial position

Company number 05102907	Notes	**As at 31 March 2011 £**	As at 31 March 2010 £
Non-current assets			
Goodwill	11,12	**3,802,685**	3,802,685
Other intangible assets	11	**75,892**	57,933
Plant and equipment	13	**89,769**	61,182
Total non-current assets		**3,968,346**	3,921,800
Current assets			
Trade and other receivables	14	**253,249**	274,638
Corporation tax asset	9	**271,220**	111,844
Cash and cash equivalents	15	**7,551,505**	7,049,134
Total current assets		**8,075,974**	7,435,616
Liabilities			
Current liabilities			
Trade and other payables	16	**(563,190)**	(295,498)
Total liabilities		**(563,190)**	(295,498)
Total net assets		**11,481,130**	11,061,918
Capital and reserves attributable to owners of the parent company			
Share capital	17	**4,812,036**	4,723,601
Share premium reserve	19	**16,909,650**	14,527,277
Warrant reserve	19	**115,980**	115,980
Merger reserve	19	**6,273,909**	6,273,909
Retained earnings	19	**(16,493,986)**	(14,578,849)
		11,617,589	11,061,918
Non-controlling interest		**(136,459)**	-
Total equity		**11,481,130**	11,061,918

These consolidated financial statements were approved and authorised for issue by the Board on 17 June 2011. The notes on pages 25 to 46 form part of these consolidated financial statements.

Stephen Moon
Director

Ian Ford
Director

On behalf of the Board of Provexis plc

Consolidated statement of cash flows

	Notes	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Cash flows from operating activities			
Loss after tax		**(2,120,665)**	(1,648,180)
Adjustments for:			
Depreciation		**28,697**	20,908
Finance income		**(133,439)**	(85,326)
Taxation		**(221,218)**	(54,408)
Share-based payment charge		**69,069**	225,909
Operating cash outflow before changes in working capital		**(2,377,556)**	(1,541,097)
(Increase) / decrease in trade and other receivables		**(5,898)**	(66,737)
Increase / (decrease) in trade and other payables		**267,692**	61,525
Cash used in operations		**(2,115,762)**	(1,546,309)
Tax credits received		**61,844**	46,215
Net cash outflow from operating activities		**(2,053,918)**	(1,500,094)
Cash flows from investing activities			
Purchase of plant and equipment		**(57,285)**	(15,149)
Purchase of intangible assets		**(17,959)**	(20,646)
Interest received		**148,339**	70,347
Cash generated by investing activities		**73,095**	34,552
Cash flows from financing activities			
Proceeds from issue of share capital – share placings and open offer		**2,684,534**	7,130,293
Expenses paid on share issues		**(201,340)**	(401,779)
Proceeds from exercise of share options		**-**	107,899
Cash generated by financing activities		**2,483,194**	6,836,413
Net increase in cash and cash equivalents		**502,371**	5,370,871
Cash and cash equivalents at beginning of year	15	**7,049,134**	1,678,263
Cash and cash equivalents at end of year	15	**7,551,505**	7,049,134

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 2009	4,434,907	7,979,558	-	6,273,909	(13,156,578)	5,531,796	-	5,531,796
Share-based charges	-	-	-	-	225,909	225,909	-	225,909
Issue of shares - exercise of share options	3,482	104,417	-	-	-	107,899	-	107,899
Issue of shares - subscription 30 September 2010	40,969	915,185	-	-	-	956,154	-	956,154
Issue of shares - subscription 16 October 2010	159,031	3,633,544	-	-	-	3,792,575	-	3,792,575
Issue of shares - open offer 22 December 2010	85,212	1,894,573	-	-	-	1,979,785	-	1,979,785
Issue of warrants - equity financing facility 30 March 2011	-	-	115,980	-	-	115,980	-	115,980
Total comprehensive expense for the year	-	-	-	-	(1,648,180)	(1,648,180)	-	(1,648,180)
At 31 March 2010	4,723,601	14,527,277	115,980	6,273,909	(14,578,849)	11,061,918	-	11,061,918
Share-based charges	-	-	-	-	69,069	69,069	-	69,069
Issue of shares - EFF drawdown – 28-Jun-10	2,135	86,291	-	-	-	88,426	-	88,426
Issue of shares - EFF drawdown – 08-Oct-10	86,300	2,296,082	-	-	-	2,382,382	-	2,382,382
Total comprehensive expense for the year	-	-	-	-	(1,984,206)	(1,984,206)	(136,459)	(2,120,665)
At 31 March 2011	**4,812,036**	**16,909,650**	**115,980**	**6,273,909**	**(16,493,986)**	**11,617,589**	**(136,459)**	**11,481,130**

The total comprehensive expense for the year represents the total recognised income and expense for the year.

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 Thames Court, 1 Victoria Street, Windsor, Berkshire SL4 1YB, UK.

As described in the Directors' Report, the main activities of the Group are those of discovering, developing and licensing scientifically-proven technologies for the global functional food, medical food and dietary supplement sectors.

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").

The Company has elected to prepare its parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("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 2011.

The following new standards, amendments to standards and interpretations, applied for the first time from 1 April 2010:

- IFRS 3 (Revised) 'Business Combinations' effective for periods beginning on or after 1 July 2009;
- Improvements to IFRSs (2009) effective for periods beginning on or after 1 January 2010; and
- IFRS 2 (Amendment) 'Share-based Payment: Group Cash-settled Share-based Payment Transactions' effective for periods beginning on or after 1 January 2010.

The adoption of these standards and interpretations has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

The application of the following standard has resulted in the losses attributable to the non-controlling interest being accounted for in the financial statements even where this resulted in the non-controlling interest having a deficit balance:

- IAS 27 (Amendment) 'Consolidated and Separate Financial Statements' effective for periods beginning on or after 1 July 2009.

The Directors have determined that only one operating segment exists under the terms of International Financial Reporting Standard 8 'Operating Segments', as the Group is organised and operates as a single business unit and all activities are based in the UK..

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended 31 March 2011. The new standards, amendments to standards and interpretations will be relevant to the Group but have not been adopted early as the Directors do not expect these standards and interpretations to have a material effect on the consolidated financial statements:

- IFRS 9 'Financial Instruments' is effective from periods commencing on or after 1 January 2013.
- IAS 24 (Amended) 'Related party disclosures' is effective from periods commencing on or after 1 January 2011.

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)

Going concern

The Group's business activities together with the factors likely to affect its future development are set out in the Business Overview on pages 8 to 13. The financial position of the Group, its cash flows and liquidity position are set out in the Financial Review on pages 6 and 7. 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 attributable to owners of the parent of £1,984,206 (2010: £1,648,180) and expects to make a further loss during the year ending 31 March 2012. At 31 March 2011 the Group had cash balances of £7,551,505 (2010: £7,049,134).

The directors have prepared projected cash flow information for a period including twelve months from the date of approval of these financial statements and have reviewed this information as at the date of these financial statements. Based on the level of existing cash, projected income and expenditure and other sources of funding, the Directors are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. Accordingly the going concern basis has been used in preparing the financial statements.

Basis of consolidation

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

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

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

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 of the Group's Fruitflow® product net of value added tax.

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

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

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

(iii) Sales of the Group's Fruitflow® product are recorded net of value added tax when the significant risks and rewards of ownership have been transferred to the buyer.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)
Leased assets
Leases, which contain terms whereby the Group does not assume substantially all the risks and rewards incidental to ownership of the leased item are classified as operating leases. Operating lease rentals are charged to the statement of comprehensive income on a straight line basis over the lease term. The Group does not hold any assets under finance leases.

Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

An impairment loss is recognised within administrative expenses in the consolidated statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses on goodwill are not reversed.

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

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

The value of the capitalised development cost is assessed for impairment annually. The value is written down immediately if impairment has occurred. Development costs are not being amortised as income has not yet been realised from the underlying technology.

Development expenditure, not satisfying the above criteria, and expenditure on the research phase of internal projects is recognised in the statement of comprehensive income as incurred.

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

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

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

1. Accounting policies (continued)

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.

Goodwill is allocated to cash-generating units ('CGU') for the purpose of impairment testing to the extent that it is possible to allocate goodwill to a CGU on a non-arbitrary basis. A CGU is identified at the lowest aggregation of assets that generate largely independent cash inflows, and that which is looked at by management for monitoring and managing the business.

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

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.

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 balance sheet 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'. These are recognised initially at fair value and subsequently at amortised cost.

Cash and cash equivalents

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

Government grants

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

Taxation

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

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

- The initial recognition of goodwill
- 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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Taxation (continued)

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

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

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

- The same taxable Group Company; or

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

Foreign currency translation

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

Employee benefits

(i) Defined contribution plans

The Group provides retirement benefits to all employees and Executive Directors. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions made by the Group are charged to the statement of comprehensive income in the period in which they become payable.

(ii) Accrued holiday pay

Provision has been made at the balance sheet date for holidays accrued but not taken at the salary of the relevant employee at that date.

(iii) Share-based payment transactions

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

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

National insurance on share options

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

1. Accounting policies (continued)

Interest income

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

Warrants

The Group has issued warrants to Evolution Securities Limited as part of the Equity Financing Facility. These are considered to be outside the scope of share-based employee remuneration, and hence out of the scope of IFRS 2. These warrants have been measured at fair value at the date of grant using an appropriate options pricing model. This fair value has been held on the balance sheet within prepayments and in the warrants reserve within equity. The prepayment will be released against share premium as the equity financing facility is utilised. The warrants reserve will be released to share premium when the warrants are exercised. If the warrants lapse then the reserve is 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. The Directors consider that the criteria to capitalise development expenditure were met in 2007 for one of the Group’s products and have continued to be met since.

(ii) Share-based payments

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

(iii) Goodwill and impairment

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

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

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

Further information is given in note 12 to these consolidated financial statements.

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 primarily enters into contracts which are to be settled in UK pounds. However, some contracts involve other major world currencies including the US Dollar and the Euro. Where large contracts of more than £50,000 total value are to be settled in foreign currencies consideration is given to converting the appropriate amounts to or from UK pounds at the outset of the contract to minimise the risk of adverse currency fluctuations.

The Group incurred minimal expenditure in foreign currencies during the year, and the prior year, and consequently there is no material exposure to foreign currency rate risk.

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 £563,190 (2010: £295,498) as disclosed in note 16 on page 39.

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 on page 22.

The Group remains funded primarily by equity capital which reflects the development status of its products. 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.

2.3 Fair value estimation
The Group uses amortised cost, using the effective interest rate method, to determine subsequent fair value after initial recognition, for its financial instruments.

Notes to the consolidated financial statements continued

3. Segmental reporting
The Directors have determined that only one operating segment exists under the terms of International Financial Reporting Standard 8 'Operating Segments', as the Group is organised and operates as a single business unit and all activities are based in the UK..

4. Grant income

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
NWDA R&D grant income recognised in consolidated statement of comprehensive income	**-**	80,000
	-	80,000

5. Loss from operations

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Loss from operations is stated after charging:		
Depreciation of plant and equipment	**28,697**	20,908
Operating lease costs – land and buildings	**120,543**	102,875
Equity-settled share based payment expense	**69,069**	225,909
Defined contribution pension expense	**37,370**	31,581

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

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Audit services		
Parent company	**14,000**	12,600
Subsidiaries	**27,500**	26,900
Tax services – compliance		
Parent company	**4,000**	3,600
Subsidiaries	**10,600**	8,400
Other services		
Tax advisory services	**700**	2,000
Parent company – share option scheme advice	**-**	8,000
Subsidiary – NWDA grant	**-**	3,000
Review of interim statement	**5,000**	5,000
Corporate finance	**7,000**	-
Total fees	**68,800**	69,500

Notes to the consolidated financial statements continued

6. Wages and salaries
The average monthly number of persons (including all Directors) employed by the Group during the year was as follows:

	Year ended 31 March 2011	Year ended 31 March 2010
Administrative staff	**1**	-
Research and development staff	**8**	7
Directors	**6**	6
	15	13

Their aggregate emoluments were:

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Wages and salaries	**953,287**	733,879
Social security costs	**102,944**	71,980
Other pension and insurance benefits costs	**48,089**	38,266
Total cash settled emoluments	**1,104,320**	844,125
Accrued holiday pay	**13,429**	1,600
Share-based payment remuneration charge: equity settled	**69,069**	225,909
Total emoluments	**1,186,818**	1,071,634

7. Directors' emoluments

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Directors		
Aggregate emoluments	**594,299**	502,144
Company pension contributions	**20,695**	18,822
Share based payment remuneration charge: equity settled	**39,847**	185,824
Gains made on exercise of directors' share options	**-**	20,082
Total Directors' emoluments	**654,841**	726,872

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

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Aggregate emoluments	**246,985**	183,169
Company pension contributions	**8,832**	7,980
Share based payment remuneration charge: equity settled	**15,857**	107,303
Total of the highest paid Director's emoluments	**271,674**	298,452

During the year, three Directors (2010: three Directors) participated in defined contribution pension schemes.

Directors' emoluments include amounts attributable to benefits in kind comprising private medical insurance on which the directors are assessed for tax purposes. The amounts attributable to benefits in kind are stated at cost to the Group, which is also the tax value of the attributable benefits.

Further details of Directors' emoluments are included in the Remuneration report on pages 14 to 18.

Notes to the consolidated financial statements continued

8. Finance income

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Bank interest receivable	**133,439**	85,326
	133,439	85,326

9. Taxation

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Current tax income		
United Kingdom corporation tax research and development credit	**150,000**	50,000
Adjustment in respect of prior period		
United Kingdom corporation tax research and development credit	**71,218**	4,408
Taxation credit	**221,218**	54,408

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 2011 £	Year ended 31 March 2010 £
Loss before tax	**2,341,883**	1,702,588
Loss before tax multiplied by the standard rate of corporation tax in the UK of 28% (2010: 28%)	**655,727**	476,725
Effects of:		
Expenses not deductible for tax purposes	**(12,435)**	3,540
Difference between depreciation and capital allowances	**8,005**	(5,854)
Other short-term timing differences	**(21,718)**	(63,255)
Unutilised tax losses and other deductions arising in the year	**(508,496)**	(442,056)
Tax deduction for share options exercised	**-**	80,900
Additional deduction for R&D expenditure	**178,917**	50,000
Surrender of tax losses for R&D tax credit refund	**(150,000)**	(50,000)
Adjustments in respect of prior years	**71,218**	4,408
Total tax credit for the year	**221,218**	54,408

At 31 March 2011 the Group UK tax losses to be carried forward are estimated to be £14,488,679 (2010: £13,398,578).

Notes to the consolidated financial statements continued

9. Taxation (continued)

Deferred tax

Deferred tax assets amounting to £4,093,379 (2010: £4,391,974) have not been recognised on the basis that their future economic benefit is not certain. Assuming a prevailing tax rate of 26% (2010: 28%) when the timing differences reverse, the unrecognised deferred tax asset comprises:

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Depreciation in excess of capital allowances	**4,324**	16,903
Other short term timing differences	**6,773**	-
Unutilised tax losses	**3,767,057**	3,639,702
Share-based payments	**315,225**	735,369
	4,093,379	4,391,974

Income tax asset receivable within one year	**31 March 2011 £**	31 March 2010 £
Corporation tax recoverable	**271,220**	111,844
	271,220	111,844

10. Loss per share

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

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

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

	Year ended 31 March 2011	Year ended 31 March 2010
Loss for the year attributable to owners of the parent - £	**1,984,206**	1,648,180
Weighted average number of shares	**1,150,836,614**	937,060,783
Basic and diluted loss per share – pence	**0.17**	0.18

Notes to the consolidated financial statements continued

11. Intangible assets

	Goodwill	Development costs	Total
	£	£	£
Cost			
At 1 April 2010	7,265,277	57,933	7,323,210
Additions	-	17,959	17,959
At 31 March 2011	**7,265,277**	**75,892**	**7,341,169**
Amortisation and impairment			
At 1 April 2010	3,462,592	-	3,462,592
At 31 March 2011	**3,462,592**	**-**	**3,462,592**
Net book value			
At 31 March 2011	**3,802,685**	**75,892**	**3,878,577**
At 31 March 2010	3,802,685	57,933	3,860,618

Cost			
At 1 April 2009	7,265,277	37,287	7,302,564
Additions	-	20,646	20,646
At 31 March 2010	7,265,277	57,933	7,323,210
Amortisation and impairment			
At 1 April 2009	3,462,592	-	3,462,592
At 31 March 2010	3,462,592	-	3,462,592
Net book value			
At 31 March 2010	3,802,685	57,933	3,860,618
At 31 March 2009	3,802,685	37,287	3,839,972

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

12. Goodwill and impairment
Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill arose on 23 June 2005 when the Company acquired the entire issued share capital of Provexis Natural Products Limited (formerly Provexis Limited), a private company engaged in research and development. Provexis Natural Products Limited has been consolidated using the purchase method and its results have been incorporated in the Group results from the date of acquisition.

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired.

The recoverable amount of goodwill is determined based on value in use calculations of the cash-generating units to which it has been allocated.

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

The value in use calculations use pre-tax cash inflow projections for nine years using data from the Group's approved internal forecasts. The cash inflow forecasts are extrapolated beyond nine years at growth rates of 2% (2010: between 2% and 7%) for a further 6 years and thereafter at a nil growth rate in perpetuity. The results of the value in use calculations are reviewed by the Board.

The Directors believe that it is appropriate to use internally approved forecasts for a period of 9 years as this will give a more accurate estimate of the likely growth patterns in the early stages of the product's life than the application of a single growth rate.

The value in use calculations use pre-tax cash outflows for two to four years based on approved budgets. The cash outflow forecasts are extrapolated beyond two to four years at growth rates of 2% for a further 13 or 11 years (2010: 2%) and thereafter at a nil growth rate in perpetuity. The results of value in use calculations are reviewed by the Board.

The values used in the Group's internal forecasts reflect anticipated market developments, following discussions with prospective customers and suppliers. An element of the risk inherent in the forecast income streams, which remain subject to contracts being agreed with prospective customers, has been incorporated in the Group's pre-tax cash flow projections and discount rates.

Pre-tax cash flow projections have been discounted to calculate value in use using pre-tax discount rates of 15.8% and 29.8% (2010: 23%) reflecting the stage of development of their respective cash generating units. No impairment charge was required in the current or previous year.

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

13. Plant and equipment

	Fixtures, fittings and computer equipment £	Laboratory equipment £	Total £
Cost			
At 1 April 2010	49,784	85,967	135,751
Additions	15,010	42,275	57,285
Disposals	(196)	-	(196)
At 31 March 2011	**64,598**	**128,242**	**192,840**
Depreciation			
At 1 April 2010	39,251	35,318	74,569
Charge for the year	8,014	20,684	28,698
Disposals	(196)	-	(196)
At 31 March 2011	**47,069**	**56,002**	**103,071**
Net book value			
At 31 March 2011	**17,529**	**72,240**	**89,769**
At 31 March 2010	10,533	50,649	61,182

	Fixtures, fittings and computer equipment £	Laboratory equipment £	Total £
Cost			
At 1 April 2009	41,433	79,169	120,602
Additions	8,351	6,798	15,149
At 31 March 2010	49,784	85,967	135,751
Depreciation			
At 1 April 2009	34,549	19,112	53,661
Charge for the year	4,702	16,206	20,908
At 31 March 2010	39,251	35,318	74,569
Net book value			
At 31 March 2010	10,533	50,649	61,182
At 31 March 2009	6,884	60,057	66,941

Notes to the consolidated financial statements continued

14. Trade and other receivables

	31 March 2011 £	31 March 2010 £
Amounts receivable within one year:		
Trade receivables	**48,708**	-
Other receivables	**39,862**	48,529
Total loans and receivables	**88,570**	48,529
Prepayments and accrued income	**164,679**	226,109
	253,249	274,638

The Directors consider that the carrying amount of these receivables approximates to their fair value.

All amounts shown under receivables fall due for payment within one year.

15. Cash and cash equivalents

	31 March 2011 £	31 March 2010 £
Cash at bank and in hand	**7,551,505**	7,049,134
	7,551,505	7,049,134

16. Trade and other payables

	31 March 2011 £	31 March 2010 £
Trade payables	**91,529**	87,409
Other taxes and social security	**62,376**	72,972
Accruals	**409,285**	135,117
Total financial liabilities measured at amortised cost	**563,190**	295,498

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

All amounts shown fall due within one year.

Notes to the consolidated financial statements continued

17. Share capital
On 31 March 2010 the Company announced that it had secured a 3 year Equity Financing Facility of up to £25m (the "EFF") with Evolution Securities Limited ("Evolution"). The EFF was arranged by Darwin Strategic Limited ("Darwin"), an appointed representative of Evolution.

On 22 June 2010 the Company announced that it had raised a net £88,426 by drawing down on the EFF, allotting 2,135,000 new ordinary shares of 0.1p each to Darwin.

On 4 October 2010 the Company announced that it had raised a further net £2.4m by drawing down on the EFF, allotting 86,300,000 new ordinary shares of 0.1p each to Darwin.

The EFF agreement, provides the Company with a facility which (subject to certain limited restrictions) can be drawn down at any time over the 3 years ending on 29 March 2013. The timing and amount of any draw down is at the discretion of Provexis. Provexis is under no obligation to make a draw down and may make as many draw downs as its wishes, up to the total value of the EFF, by way of issuing subscription notices to Evolution. Following delivery of a subscription notice, Evolution will subscribe and Provexis will allot to Evolution new ordinary shares of 0.1p each ("Ordinary Shares").

The subscription price for any Ordinary Shares to be subscribed by Evolution under a subscription notice will be at a 7.5% discount to an agreed reference price determined during 5, 10 or 15 trading days following delivery of a subscription notice (the "Pricing Period"). The length of the Pricing Period is at the discretion of Provexis and is set at each relevant subscription notice. Provexis is also obliged to specify in each subscription notice a minimum price below which Ordinary Shares will not be issued.

Warrant reserve
In consideration of Evolution agreeing to provide the EFF the Company entered into a warrant agreement dated 30 March 2010 for the grant to Evolution of warrants to subscribe for up to ten million Ordinary Shares, such warrants to be exercisable at a price of 20 pence per share and to be exercisable at any time prior to the expiry of 36 months following the date of the 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 pence	Number of warrants	Share price at grant date pence	Expected volatility	Risk free rate	Expected life years	Fair value per share under warrant pence
30-Mar-10	20.0	10,000,000	6.3	70%	1.77%	3	1.1598

Warrant reserve (continued)
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 total fair value of the warrants, £115,980, has been held on the balance sheet within prepayments and in the warrants reserve within equity. The prepayment will be released against share premium as the equity financing facility is utilised. The warrants reserve will be released to share premium when the warrants are exercised. If the warrants lapse then the reserve is transferred to retained earnings.

Evolution or the Company may terminate the EFF in specified circumstances. The issue of subscription notices is subject to specified pre-conditions. The Company has provided warranties and indemnities to Evolution and affiliated persons. If the aggregate price paid for the Ordinary Shares allotted under the EFF by the second anniversary of the EFF is not equal to or more than five million pounds (subject to certain exceptions), or if the EFF is terminated by Evolution in certain circumstances, then the Company will be required to pay a fee to Evolution amounting to 1% of the value of the facility in cash or by an issue of fully paid ordinary shares at the Company's discretion.

Notes to the consolidated financial statements continued

17. Share capital (continued)

Share re-organisation

In August 2008, to facilitate a share placing, the company undertook a share re-organisation when It was agreed to sub-divide:

- each of the 401,724,366 then issued existing ordinary shares of 1p each in the capital of the Company into one new ordinary share of 0.1p and one Deferred Share of 0.9p; and
- each of the 148,275,634 unissued ordinary shares of 1p each into 10 new ordinary shares of 0.1p each,

The share re-organisation was approved at an EGM on 26 August 2008.

The rights attached to the new ordinary shares are substantially the same as the rights attached to the original, pre placing ordinary shares. The Deferred Shares have very limited rights which are deferred to the new ordinary shares and effectively carry no value as a result. Accordingly, the holders of the Deferred Shares are not entitled to receive notice of, attend or vote at general meetings of the Company; nor be entitled to receive any dividends or any payment on a return of capital until at least £10,000,000 has been paid on each new ordinary share. No application will be made for the Deferred Shares to be admitted to trading on AIM. No certificates for the Deferred Shares will be issued.

Full details of the share re-organisation were provided in a circular to shareholders on 1 August 2008. The circular is available to download from the Company's website www.provexis.com.

Allotted, called up and fully paid	**Ordinary 0.1p shares number**	**Deferred 0.9p shares number**	**Total number**
At 31 March 2010	1,108,081,929	401,724,366	1,509,806,295
Issued on subscription	88,435,000	-	88,435,000
At 31 March 2011	**1,196,516,929**	**401,724,366**	**1,598,241,295**

	Ordinary 0.1p shares £	**Deferred 0.9p shares £**	**Total £**
At 31 March 2010	1,108,082	3,615,519	4,723,601
Issued on subscription	88,435	-	88,435
At 31 March 2011	**1,196,517**	**3,615,529**	**4,812,036**

Allotted, called up and fully paid	**Ordinary 0.1p shares number**	**Deferred 0.9p shares number**	**Total number**
At 31 March 2009	819,387,796	401,724,366	1,221,112,162
Issued on exercise of share options	3,482,469	-	3,482,469
Issued on subscription	200,000,000	-	200,000,000
Issued on open offer	85,211,664	-	85,211,664
At 31 March 2010	1,108,081,929	401,724,366	1,509,806,295

	Ordinary 0.1p shares £	**Deferred 0.9p shares £**	**Total £**
At 31 March 2009	819,388	3,615,519	4,434,907
Issued on exercise of share options	3,482	-	3,482
Issued on subscription	200,000	-	200,000
Issued on open offer	85,212	-	85,212
At 31 March 2010	1,108,082	3,615,519	4,723,601

Notes to the consolidated financial statements continued

17. Share capital (continued)
During the year ended 31 March 2011 the Company issued ordinary shares of 0.1p each as follows:

Date	Reason for issue	Shares issued £	Number
22.06.10	Share subscription	2,135	2,135,000
04.10.10	Share subscription	86,300	86,300,000
		88,435	**88,435,000**

During the year ended 31 March 2010 the Company issued ordinary shares of 0.1p as follows:

Date	Reason for issue	Shares issued £	Number
04.09.09	Exercise of share options	1,768	1,768,180
11.09.09	Exercise of share options	1,384	1,383,989
30.09.09	Share subscription	40,969	40,969,390
16.10.09	Share subscription	159,031	159,030,610
22.12.09	Open offer	85,212	85,211,664
19.02.10	Exercise of share options	330	330,300
		288,694	288,694,133

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

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

On 1 September 2008 the Company announced that further to an announcement on 1 August 2008 the Company's Remuneration Committee had approved the grant of options over 62,471,648 ordinary shares of 0.1p each to certain Directors and employees of the Company. As a condition of the grant of options, certain Directors surrendered 19,089,110 existing options and an additional 3,709,384 existing options were surrendered by other existing employees.

On 15 October 2009 the Company’s Remuneration Committee modified the Performance Period and Performance Target of share options over 62,471,648 ordinary shares of 0.1p each held by the Executive Directors and employees of the Company.

Following the changes agreed to the Performance Period and Performance Target, share options over 27,305,073 ordinary shares of 0.1p each held by certain Directors and employees of the Company vested on 15 October 2009. Share options over 35,166,575 ordinary shares of 0.1p each held by certain Directors and employees of the Company will vest on 1 April 2011.

Notes to the consolidated financial statements continued

18. Share options (continued)
At 31 March 2011 the number of ordinary shares subject to options granted over the 2005 and prior option schemes were:

EMI options

	31 March 2011		31 March 2010	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**1.07**	**51,552,031**	1.15	54,198,000
Granted during the year	**-**	**-**	-	-
Exercised during the year	**-**	**-**	2.75	(2,645,969)
Cancelled during the year	**-**	**-**	-	-
Outstanding at the end of the year	**1.07**	**51,552,031**	1.07	51,552,031

The exercise price of EMI options outstanding at the end of the year ranged between 0.9p and 6.28p (2010: 0.9p and 6.28p) and their weighted average contractual life was 7.3 years (2010: 8.3 years).

Of the total number of EMI options outstanding at the end of the year, 23,709,976 (2010: 23,709,976) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.3 pence (2010: 1.8 pence).

Unapproved options

	31 March 2011		31 March 2010	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**1.18**	**10,919,617**	1.39	11,756,117
Granted during the year	**-**	**-**	-	-
Exercised during the year	**-**	**-**	4.20	(836,500)
Cancelled during the year	**-**	**-**	-	-
Outstanding at the end of the year	**1.18**	**10,919,617**	1.18	10,919,617

The exercise price of unapproved options outstanding at the end of the year ranged between 0.9p and 6.28p (2010: 0.9p and 6.28p) and their weighted average contractual life was 6.3 years (2010: 7.3 years).

Of the total number of unapproved options outstanding at the end of the year, 3,595,097 (2010: 3,595,097) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.7 pence (2010: 1.7 pence).

Notes to the consolidated financial statements continued

18. Share options (continued)

Grant of options

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

Tranche	Date of grant	Exercise price	Number of options	Share price at grant date	Expected volatility	Risk free rate	Expected life	Fair value per share under option
		pence		pence			years	pence
1	06-Jun-07	2.875	17,304,347	2.75	78%	4.44%	10	1.42
2	29-Nov-07	3.38	2,751,479	3.00	65%	3.77%	10	1.06
3	26-Aug-08	0.9	44,166,575	0.87	65%	4.45%	10	0.585
4	01-Oct-08	0.9	12,000,000	0.725	65%	4.39%	10	0.485

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 charge for the year relating to employee share-based payment plans was £69,069 (2010: £225,909) all of which related to equity settled share-based payment transactions.

The Company carried out a share re-organisation on 28 August 2008, which is further detailed in note 17 to the consolidated financial statements on page 41.

Share options which had been granted prior to 28 August 2008 over existing ordinary shares with a nominal value of 1p each in the capital of the Company became options over new ordinary shares with a nominal value of 0.1p each in the capital of the Company. The options remain subject to the same terms as contained in the individual option contracts under which they were originally granted.

Share options issued after 28 August 2008 are options over new ordinary shares with a nominal value of 0.1p each in the capital of the Company.

Notes to the consolidated financial statements continued

19. Reserves

	Share premium reserve £	Warrant reserve £	Merger reserve £	Retained earnings £	Total attributable to equity holders of the parent £	Non-controlling interest £	Total equity £
At 1 April 2009	7,979,558	-	6,273,909	(13,156,578)	1,096,889	-	1,096,889
Loss for the year	-	-	-	(1,648,180)	(1,648,180)	-	(1,648,180)
Share-based charges	-	-	-	225,909	225,909	-	225,909
Issue of shares - exercise of share options	104,417	-	-	-	104,417	-	104,417
Issue of shares - subscription	4,548,729	-	-	-	4,548,729	-	4,548,729
Issue of shares - open offer	1,894,573	-	-	-	1,894,573	-	1,894,573
Warrants issued during the year - equity financing facility	-	115,980	-	-	115,980	-	115,980
At 31 March 2010	14,527,277	115,980	6,273,909	(14,578,849)	6,338,317	-	6,338,317
Loss for the year	-	-	-	(1,984,206)	(1,984,206)	(136,459)	(2,120,665)
Share-based charges	-	-	-	69,069	69,069	-	69,069
Issue of shares - subscription	2,382,373	-	-	-	2,382,373	-	2,382,373
At 31 March 2011	**16,909,650**	**115,980**	**6,273,909**	**(16,493,986)**	**6,805,553**	**(136,459)**	**6,669,094**

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

Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Warrant reserve	The warrant reserve arose in March 2010 when the Group issued warrants to Evolution Securities Limited as part of the Equity Financing Facility (see Note 17).
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.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

20. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 March 2011 amounted to £37,370 (2010: £31,581). Pension contributions payable but not yet paid at 31 March 2011 totalled £26,051, in respect of pension contribution entitlements where employees had not yet provided details of the funds to which the contributions should be made (2010: £16,368). In addition, pension contributions payable in arrears at 31 March 2011 totalled £ Nil (2010: £1,189). All unpaid contributions are included in accrued social security costs at the balance sheet date.

21. Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 March 2011 £	31 March 2010 £
Due within 1 year	**90,500**	86,500
	90,500	86,500

Operating lease payments represent rentals payable by the Group for various offices. The leases have various terms, escalation clauses and renewal rights typical of lease agreements for the class of asset.

Notes to the consolidated financial statements continued

22. Related party transactions
On 12 February 2010 the Company announced that it had entered into a Letter of Intent ("LOI") for its Fruitflow® technology with DSM Nutritional Products ("DSM").

The LOI provided a framework for the parties to develop a long-term Alliance Agreement (the "Agreement"), giving DSM exclusive global rights to Fruitflow®.

On 1 June 2010 the Company announced a long-term Alliance Agreement with DSM Nutritional Products, which will see the Company collaborate with DSM to develop Fruitflow® in all major global markets. DSM will invest substantially in the manufacture, technology development, marketing and sale of Fruitflow® in the coming years. Provexis will continue to contribute scientific expertise and will collaborate 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 related to launch planning. It is not possible to determine the financial impact of the Alliance Agreement at this time.

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

On 1 June 2011 the Group announced an agreement to commercialise DSM owned intellectual property, through the development of a new product for the promotion of healthy blood glucose levels.

Key management compensation
The Directors represent the key management personnel. Details of their compensation and share options are given in note 7 and within the Remuneration report on pages 14 to 18.

23. Post balance sheet events
On 1 June 2011 the Group announced an agreement to commercialise DSM owned intellectual property, through the development of a new product for the promotion of healthy blood glucose levels.

On 17 June 2011 the Group entered into an agreement to acquire 100% of the issued share capital of SiS (Science in Sport) Limited, a company which manufactures and sells sports nutrition products for a maximum consideration of £8m, subject to completion. £7m is payable in cash of which £250,000 is to held in escrow against claims under the Share Purchase Agreement and related contracts for one year or longer if claims have been notified but not settled. The balance of the consideration is £1m in Provexis shares, with a lock-in of two years. The £7m cash consideration will be met by £4.5m from current cash reserves and £2.5m from a subscription for new shares. The Company intends to undertake an Open Offer to shareholders of the Company as soon as is reasonably practicable after the completion of the Acquisition.

Completion of the acquisition is dependent on the fulfilment of certain conditions, which had not been met at the date of approval:

- the admission by the London Stock Exchange of the consideration shares to AIM becoming effective in accordance with the AIM Rules; and
- a placing agreement between the Company and Evolution Securities Limited concerning the placing becoming unconditional in all respects (save for the condition in the placing agreement that the agreement concerning the Acquisition becomes unconditional).

Since the acquisition agreement entered into on 17 June 2011 is conditional, and completion has therefore not yet occurred, control is not deemed to have passed to the Company as at the date of approval of the financial statements and there is therefore no requirement to provide IFRS 3 disclosures in respect of a post balance sheet acquisition. However, in the interests of full disclosure, we have included those disclosures for which information is available at the date of approval.

For the financial year ended 31 December 2010, SiS had unaudited turnover of £4.6 million (2009: £4.3 million (unaudited)) and unaudited profit before tax of £0.2 million (2009: £0.4 million (unaudited)). As at 31 December 2010, SiS had unaudited net assets of £0.96 million (2009: £0.8 million (unaudited)).

Parent company balance sheet

Company number 05102907	Notes	**As at 31 March 2011 £**	As at 31 March 2010 £
Fixed assets			
Investments	3	**1,117,336**	1,117,336
Current assets			
Debtors - due within one year	4	**103,593**	115,980
Debtors - due after one year	4	**10,143,754**	5,285,050
Cash and cash equivalents	5	**7,508,925**	6,979,011
Total current assets		**17,756,272**	12,380,041
Net assets		**18,873,608**	13,497,377
Creditors: amounts falling due after more than one year	6	**(2,900,418)**	-
Total net assets		**15,973,190**	13,497,377
Capital and reserves			
Share capital	8	**4,812,036**	4,723,601
Share premium reserve	9	**16,909,650**	14,527,277
Warrant reserve	9	**115,980**	115,980
Retained earnings	9	**(5,864,476)**	(5,869,481)
Equity shareholders' funds	10	**15,973,190**	13,497,377

These financial statements were approved and authorised for issue by the Board on 17 June 2011.
The notes on pages 48 to 51 form part of these parent company financial statements.

Stephen Moon
Director

Ian Ford
Director

On behalf of the Board of Provexis plc

Notes to the parent company financial statements

1. Accounting policies
The parent company financial statements have been prepared under the historical cost convention and in accordance with UK GAAP.

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 9 on page 51.

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

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

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

Warrants
The Group has issued warrants to Evolution Securities Limited as part of the Equity Financing Facility. These are considered to be outside the scope of share-based employee remuneration, and hence out of the scope of FRS20. These warrants have been measured at fair value at the date of grant using an appropriate options pricing model. This fair value has been held on the balance sheet within prepayments and in the warrants reserve within equity. The prepayment will be released against share premium as the equity financing facility is utilised. The warrants reserve will be released to share premium when the warrants are exercised. If the warrants lapse then the reserve is transferred to retained earnings.

2. Profit attributable to shareholders
As permitted by Section 408 of the Companies Act 2006 no separate Company profit and loss account has been included in these financial statements. The Group loss for the year includes a loss after tax of £64,065 (2010: £ Nil) which is dealt with in the financial statements of the Company. The total fees of the Group's auditor, BDO LLP, for services provided are analysed in note 5 to the consolidated financial statements on page 32. Total fees for the year were £68,896 (2010: £69,500).

The parent company did not have any employees in the year and therefore there were no payroll costs or pension costs (2010: Nil).

Notes to the parent company financial statements continued

3. Investments

	31 March 2011 £	31 March 2010 £
Cost	**1,382,919**	1,382,919
Provision for impairment	**(265,583)**	(265,583)
Net book value	**1,117,336**	1,117,336

At 31 March 2011 the Company owned the following material subsidiary undertakings:

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

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

4. Debtors

	31 March 2011 £	31 March 2010 £
Debtors falling due within one year		
Prepayments	**103,593**	115,980
Total debtors falling due within one year	**103,593**	115,980
Debtors falling due after one year		
Amounts owed by subsidiaries	**10,143,754**	5,285,050
Total debtors falling due after one year	**10,143,754**	5,285,050
Total debtors	**10,247,347**	5,401,030

5. Cash and cash equivalents

	31 March 2011 £	31 March 2010 £
Cash at bank and in hand	**7,508,925**	6,979,011
	7,508,925	6,979,011

Notes to the parent company financial statements continued

6. Creditors: amounts falling due after one year

	31 March 2011 £	31 March 2010 £
Creditors falling due after one year		
Amounts owed to subsidiaries	**2,900,418**	-
Total creditors falling due after one year	**2,900,418**	-

7. Deferred tax

Deferred tax assets amounting to £227,205 (2010: £153,128) have not been recognised on the basis that their future economic benefit is not certain.

8. Share capital

Allotted, called up and fully paid	**Ordinary 0.1p shares number**	**Deferred 0.9p shares number**	**Total number**
At 31 March 2010	1,108,081,929	401,724,366	1,509,806,295
Issued on subscription	88,435,000	-	88,435,000
At 31 March 2011	**1,196,516,929**	**401,724,366**	**1,598,241,295**

	Ordinary 0.1p shares £	**Deferred 0.9p shares £**	**Total £**
At 31 March 2010	1,108,082	3,615,519	4,723,601
Issued on subscription	88,435	-	88,435
At 31 March 2011	**1,196,517**	**3,615,529**	**4,812,036**

Allotted, called up and fully paid	**Ordinary 0.1p shares number**	**Deferred 0.9p shares Number**	**Total number**
At 31 March 2009	819,387,796	401,724,366	1,221,112,162
Issued on exercise of share options	3,482,469	-	3,482,469
Issued on subscription	200,000,000	-	200,000,000
Issued on open offer	85,211,664	-	85,211,664
At 31 March 2010	**1,108,081,929**	**401,724,366**	**1,509,806,295**

	Ordinary 0.1p shares £	**Deferred 0.9p shares £**	**Total £**
At 31 March 2009	819,388	3,615,519	4,434,907
Issued on exercise of share options	3,482	-	3,482
Issued on subscription	200,000	-	200,000
Issued on open offer	85,212	-	85,212
At 31 March 2010	**1,108,082**	**3,615,519**	**4,723,601**

Details of the share subscriptions, share placings, and the shares issued by the Company during the two years ended 31 March 2011 are given in note 17 to the consolidated financial statements on pages 40 to 42.

Details on the share option scheme and share based payment charge for the year are given in note 18 to the consolidated financial statements on page 44.

Notes to the parent company financial statements continued

9. Reserves

	Share premium reserve £	Warrant reserve £	Retained earnings £
At 1 April 2010	14,527,277	115,980	(5,869,481)
Retained loss for the year	-	-	(64,065)
Share-based charges	-	-	69,070
Reduction of premium – subscription under EFF	(12,386)	-	-
Shares issued during the year - subscription under EFF	2,394,759	-	-
At 31 March 2011	**16,909,650**	**115,980**	**(5,864,476)**

10. Shareholders' funds

Reconciliation of movement in shareholders' funds.

	31 March 2011 £	31 March 2010 £
Loss for year	**(64,065)**	-
Share-based payment charge (note 18 – page 44)	**69,070**	225,909
Shares issued during the year	**88,435**	288,694
Premium on shares issued	**2,394,759**	6,547,719
Reduction of premium on share issue	**(12,386)**	-
Warrants issued during the year - equity financing facility	**-**	115,980
Net additions to shareholders' funds	**2,475,813**	7,178,302
Opening shareholders' funds	**13,497,377**	6,319,075
Closing shareholders' funds	**15,973,190**	13,497,377

11. Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" 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 and the Company is included in the consolidated financial statements.

Provexis (IBD) Limited is 75% owned by Provexis plc and 25% owned by Ulive Enterprises Limited. Ulive Enterprises Limited is 75% 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 2011 (2010: Nil). At 31 March 2011 the Company was owed £5,509 by Provexis (IBD) Limited (31 March 2010: 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 £545,838 (2010: £380,094). Provexis (IBD) Limited owed Provexis group companies a total of £1,426,593 at 31 March 2011 (31 March 2010: owed £880,755).

Details of a related party transaction with DSM are given in note 22 to the consolidated financial statements on page 46.

12. Post balance sheet events

Details of post balance sheet events are given in note 23 to the consolidated financial statements on page 46.

Company information

Company number	05102907
Directors	C D Buck N C Bain K Rietveld S N Moon S N Morrison I Ford
Audit committee	N C Bain C D Buck
Remuneration committee	C D Buck N C Bain K Rietveld
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Secretary and registered office	I Ford Thames Court 1 Victoria Street Windsor Berkshire SL4 1YB
Nominated adviser and broker	Evolution Securities Limited 100 Wood Street London EC2V 7AN
Principal solicitors	Shoosmiths Apex Plaza Forbury Road Reading Berkshire RG1 1SH
Auditors	BDO LLP Kings Wharf 20–30 Kings Road Reading Berkshire RG1 3EX