Provexis plc

Annual report and accounts 2012

Company number 05102907

Contents

Corporate statement

The Provexis strategy is the development, licensing and marketing of scientifically-proven functional food, and sports nutrition technologies, with four areas of focus:

- To develop SiS® into the leader in elite endurance sports nutrition in major global markets;
- Collaborate closely with partners to maximise the commercial success of Fruitflow® globally;
- Underpin the competitiveness of these revenue streams with scientific excellence and regulatory capability; and
- Seek further opportunities in the global functional food and sports nutrition sectors through being recognised as a partner of choice.

Key highlights

- Science in Sport generated revenues of £3.48m in the nine months from acquisition, representing like for like revenue growth of 12% compared to the same period last year;

- Substantial investment made in SiS® in order to execute the Board's growth plan for FY2012/13, including new supply facility and plant, investment in marketing and sales, and enhanced innovation pipeline;

- First two SiS® innovations in market, with Fruitflow® product to follow in Q3 FY2012/13;

- Good progress with proprietary Fruitflow® heart health technology with seven regional consumer products containing Fruitflow® syrup now on sale in various global markets, and at least five further launches expected in 2012;

- Tablet grade powder format of Fruitflow® now complete, with good levels of interest from potential customers;

- DSM Nutritional Products ("DSM" or "Alliance partner") continuing commercial discussions with a wide range of consumer healthcare businesses including global brand owners;

- Significant restructuring across the Company to reduce cash burn and improve the operating margin of SiS®; and

- Appointment of John Clarke, formerly Global President of GlaxoSmithKline's Consumer Healthcare business, as Non-executive Director.

Key financial results

- Revenues £3.48m (2011: £50k).

- Underlying operating loss* reduced to £2.18m (2011: £2.41m); the 2012 underlying operating loss includes £0.66m of costs which are non-recurring, following the restructuring undertaken during the financial year.

- Statutory loss from operations of £4.33m (2011: £2.48m); this loss is after charging £1.39m of non-cash amortisation and impairment charges (2011: £Nil), £0.15m of acquisition costs (2011: £Nil), £0.46m of restructuring costs (2011: £Nil) and a £0.14m non cash share based payment charge (2011: £0.07m).

- Cash balance at 31 March 2012 £1.45m (2011: £7.55m).

- Loss per share 0.28p (2011: 0.17p).

*before impairment and amortisation of intangible assets, share based payments and exceptional costs of £2.15m (2011: £69k), as set out on the face of the Consolidated Statement of Comprehensive Income

Chairman's statement

The past year has seen substantial change with the acquisition of SiS® and good progress with our proprietary Fruitflow® heart health technology. The Board announced at the interim results that it was to focus on these two assets, and as a result major reductions in cash burn have been made in the second half.

Following the acquisition of SiS® last June, we have made great progress in developing a platform to drive long-term shareholder value. Key steps include opening a new supply chain facility including state of the art gel filling, investment in an enhanced marketing and sales strategy, and a range of science-led innovation initiatives to solidify our position as leading nutrition suppliers to elite athletes.

DSM has now completed the development of a tablet grade version of Fruitflow® and we see this as a major milestone in the commercialisation of the technology, this being borne out by high interest from brand owners across the globe. The syrup version of Fruitflow® continues to gain traction in the marketplace, with seven regional healthcare products now on sale, with at least a further five expected in the second half of the year.

Other pipeline projects were ceased or wound down at the half-year, and the focus is now firmly on the revenue generation potential of Fruitflow® and SiS®. As a Board, we continue to examine the business for further efficiencies and savings, as we seek to drive towards profitability.

While the Board believes that the economic environment is challenging and will remain so for the foreseeable future, we believe that all due steps have been taken to develop a viable growth platform based on two promising revenue streams, while reducing cash usage and entrenching a culture of cost reduction.

Dr Neville Bain resigned as non-executive Director, for health reasons, during the year. Sadly, Neville passed away in May 2012, and I would like to register on behalf of the Board my appreciation for the immeasurable value he contributed to the Company during his years of service. Dr Bain was replaced by John Clarke, formerly Global President of GlaxoSmithKline's Consumer Healthcare business. The wealth of sector experience John brings to the Board will be a great asset to the business in the coming years.

Following a year of wide ranging change in the business, including the acquisition and integration of SiS®, and further major development steps for Fruitflow®, I would like to thank the executive team and all of our staff and advisors for their continued high levels of commitment and professionalism.

Dawson Buck
Chairman

Chief Executive's statement

SiS®

Revenues were £3.48m from the acquisition at the end of June, through to the end of the period, representing like for like revenue growth of 12% compared to the same period last year. The underlying operating loss was £226k, this being related to low season sales levels in the winter months and high levels of investment in the new supply chain facility, together with increased investment in marketing and sales. We believe that following this period of investment, the SiS® business has a very solid growth platform.

Much focus has been given to developing heartland sales in independent cycle, triathlon and running shops and we will continue to invest in this important sector. In addition we have made good progress in multiple retailers and this progress has continued into the new financial year, with new listings being secured for the second half of the current financial year. New advertising and public relations strategies have re-established the brand, together with continuation of many of the existing sponsorship arrangements with elite athletes and teams in cycling, triathlon and rowing. Investment in marketing and sales has increased significantly when compared with the last financial year under previous ownership. The Company hopes to benefit following the Olympic Games, as interest in elite athletes increases and given the expected uplift in sports participants.

Substantial investment has been made in the development of a new e-commerce platform and this will launch in the second half of the year. While export sales have remained stable, we continue to examine options for expansion into new markets and again, we expect to see progress later in the year.

We believe that continuous science-led innovation is important in maintaining and enhancing our reputation with elite athletes. We developed the novel Go Gel® plus Nitrates during the year, launching it in April 2012. May saw us launch Go Hydro hydration tablets. During the year we also significantly advanced the development of a Go Gel® with Fruitflow® and this novel and proprietary product will launch later in the calendar year. All three of these innovations are supported by research and development programmes, including collaboration with research institutes. A promising innovation pipeline is in development for 2013 and 2014. Key to this strong innovation drive is the combined scientific and regulatory expertise of the enlarged business, together with strong relationships with leading figures, teams and research institutes in the sports science arena.

The move to the new supply chain facility and the installation of a new gel-filling machine has resulted in cost efficiencies and we are seeing improved gross margin in the current financial year as a result. In addition we have made savings in overheads and instituted an ongoing cost improvement programme to improve margins further and facilitate investment in revenue growth and innovation.

Fruitflow®

DSM has developed a tablet grade version of Fruitflow® and this represents a major milestone in the commercialisation of the technology, as evidenced by the large number of requests for samples from brand owners. Manufacturing facilities for both the syrup and powder formats are now in place and in addition, DSM has used its expertise in ingredient development to significantly reduce the cost in use of Fruitflow®.

Seven regional consumer healthcare brands incorporating Fruitflow® syrup are now for sale in a range of global markets, and it is expected at least a further five brands will launch in the second half of the year. The introduction of the tablet grade format is expected to drive further interest in the technology and the current sales enquiry pipeline is promising and includes some global brands.

Whilst revenues for Fruitflow® are nominal in the last period, the overall trend is that the technology is gaining market acceptance via the increasing number of brands in market. This together with the new tablet grade format and progress made on reducing cost in use provides a promising outlook for the technology.

Pipeline restructuring

At the interim results we announced the decision to halt, postpone or review other activities in the pipeline in order to deliver a focused, revenue-oriented strategy based on Fruitflow® and SiS®. This resulted in the halting of the Crohn's disease trial and the closure of the Liverpool facility. We have since halted the cardiovascular inflammation project. Together, these actions will result in an annualised reduction in cash burn of £1.15m.

Chief Executive's statement

The second interim review of the Crohn's disease trial showed an inconclusive result in terms of efficacy. We are currently assessing the residual value of the intellectual property ('IP') related to the technology, both in the area of Crohn's disease and other potential applications, before arriving at a decision as to whether to seek a development partner or purchaser for the IP.

Following the cessation of the cardiovascular inflammation project, we have chosen not to retain any of the jointly owned IP, although background IP was developed by the Group which may be used in the future. On the DSM-owned blood glucose technology, while we have successfully developed a pilot scale product, we are not pursuing any further activity at this stage.

These actions in closing or suspending pipeline activities are consistent with our previously announced strategy of focusing our efforts and resources on the revenue generating potential of Fruitflow® and SiS®.

Strategy

Our strategy has been aligned to focus on developing the Fruitflow® heart health technology and the SiS® sports nutrition business, with these two areas underpinned by the scientific and regulatory expertise of the Group. The closure of other pipeline activities has resulted in annualised underlying expenditure being reduced by £1.15m. In addition, we have reduced overheads in the SiS® business and we are improving operating margins through investment in supply chain and other efficiency initiatives. The combination of focus on revenue generation, reduced costs and improved margins are targeted at achieving breakeven and then operating profit for the business.

Scientific capability will remain at the heart of the enlarged Company, both to support our Alliance partner DSM in the development of Fruitflow® and to achieve our goal of being a global leader in endurance sports nutrition.

Outlook

The economic climate remains challenging and we expect this to continue through the coming year, affecting both brand owner attitudes to innovation, and consumer spending. The poor weather in the first quarter of the year has also constrained the growth of SiS®, although we believe we will achieve our growth target for the full year. Overall, the medium to long-term growth prospects for the sports nutrition category are very promising.

We will continue to work closely with our Alliance partner DSM on the commercialisation of Fruitflow® as a priority, particularly in the areas of scientific and technical support, as well as refining the commercial positioning.

On SiS® we will drive our growth model of improving gross margin and reducing costs, in order to invest further in marketing, sales and science-led innovation. In the second half of the year we also expect to progress our major e-commerce initiative, together with firming up international expansion plans. The Board believes the Company is well placed for sustained long-term growth and we are looking forward to the year ahead.

Stephen Moon
Chief Executive

Directors' report – financial review

Acquisition of SiS (Science in Sport) Limited ("SiS®")
On 24 June 2011 the Group acquired SiS®, a company which manufactures and sells sports nutrition products. The Acquisition of SiS® was for a total consideration of £7.36 million, of which £7.0 million was satisfied in cash and a further £0.36 million was satisfied in new Ordinary Shares. Further details of the acquisition accounting are set out in note 10.

The Group has identified the fair values of the consideration paid and of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations'. This formal process involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. The assessment period remains open up to a maximum of 12 months from the relevant acquisition date. As at 31 March 2012, the assessment was not complete and accordingly the fair values presented are provisional.

Research and development costs
Research and development costs for the year ended 31 March 2012 were £818,186 (2011: £1,268,874) including £56,729 capitalised under IAS 38 (2011: £17,959).

The suspension of work on the Crohn's disease trial does not constitute discontinued operations as defined by 'IFRS 5 Non-current assets Held for Sale and Discontinued Operations' as the operations have neither been permanently abandoned nor are being actively marketed for sale at this stage, and therefore no discontinued operations disclosures are necessary.

Impairment of goodwill and restructuring costs
During the year the Group took the decision to halt the Crohn's disease trial and suspend other activity related to the NSP#3G technology. The Group has fully impaired the goodwill relating to the Crohn's disease CGU, given the uncertainty regarding the future cash flows of the CGU, resulting in a non-cash goodwill impairment charge for the year of £1,140,806 within the Provexis CGU.

The Directors have concluded that no other indication of impairment to goodwill exists because the results of SiS® have been in line with budget since acquisition, and the Alliance partners have made good progress with Fruitflow®.

The suspension of work on the Crohn's disease trial and the cardiovascular inflammation project and the closure of the Liverpool facility have resulted in an annualised reduction in cash burn of £1.15m. Restructuring costs of £205,746 were incurred as part of this process.

Restructuring and rebranding costs of a further £258,767 have been incurred as part of the reorganisation and rebranding of the SiS® business since acquisition.

Total restructuring costs arising during the financial year from these activities were £464,513.

Underlying operating loss
Underlying operating loss has reduced to £2,180,362 (2011: £2,406,253).

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

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

Taxation
A research and development tax credit of £150,000 (2011: £221,218) in respect of research and development expenditure incurred and deferred tax credit of £49,590 (2011: £Nil) in respect of the amortisation of acquired intangible assets have been recognised in the financial statements. A £121,220 research and development tax credit claim primarily relating to the year ended 31 March 2010 was paid to the Group during the year.

Directors' report – financial review

Losses and dividends
The loss attributable to equity holders of the parent for the year ended 31 March 2012 was £3,873,215 (2011: £1,984,206) and the basic and diluted loss per share was 0.28p (2011: 0.17p).

The directors are unable to recommend the payment of a dividend (2011: £Nil).

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

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

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

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

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

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

On 17 May 2012 the Company announced that it had raised a net £244,336 by drawing down on the EFF, allotting 13,197,880 new ordinary shares of 0.1p each to Darwin.

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

The Directors are of the opinion that at 31 July 2012, the Group's liquidity and capital resources are adequate to deliver the current strategic objectives and 2012/13 business plan and that the Group and Company remain a going concern. See also note 1 to the consolidated financial statements on page 25.

Cash and cash equivalents at 31 March 2012 were £1.4m (31 March 2011: £7.6m).

Directors' report – business overview

Principal activities
Provexis plc is a business that develops, licenses and markets scientifically-proven functional food and sports nutrition technologies.

Provexis plc has three wholly owned subsidiaries, SiS (Science in Sport) Limited ("SiS"), 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, licensing and marketing of scientifically-proven functional food and sports nutrition technologies, with four areas of focus:

- 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 2012, its position at that date and its likely future development.

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

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

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

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

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

The table below shows the Group's underlying operating loss for the two years ended 31 March 2012:

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Underlying operating loss	**2,180,362**	2,406,253

Directors' report – business overview

Internal control and risk management (continued)
The £225,891 reduction in underlying operating loss in 2012 is primarily attributable to the R&D cost savings made during the financial year, which are further detailed in the financial review on page 6. The underlying operating loss for 2012 includes £656,348 of costs which are non-recurring, following the restructuring undertaken during the financial year, as further described in the financial review on page 6.

The table below shows the Group's cash position at 31 March 2012 and 31 March 2011:

	31 March 2012 £	31 March 2011 £
Cash and cash equivalents	**1,447,405**	7,551,505

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 £6,104,100 reduction in cash and cash equivalents during the financial year is primarily due to the acquisition of SiS, as further detailed in the consolidated statement of cash flows on page 23, and in note 10 on page 39.

The R&D cost savings realised during the financial year will result in an annualised reduction in operating costs and cash burn of £1.15m, to the direct advantage of the underlying operating loss and cash and cash equivalents KPIs.

In 2011 KPIs included the ratio of R&D expenditure to administrative expenditure. Following the restructuring of the business and the acquisition of SiS this KPI is no longer considered relevant.

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

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

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

Intellectual property
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 and sports nutrition 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.

Principal risks and uncertainties (continued)

Food quality and safety

A major incident resulting from a food quality or health and safety failure could pose a risk to consumers and therefore have reputational and financial implications for the Group.

The Group's stringent approach to food quality and safety is controlled via quality assurance procedures which are based on a risk management approach. Internal systems are reviewed continuously and potential for improvement is monitored.

The Group's SiS® manufacturing facility is subject to regular food safety and quality control audits, including those carried out by, and/or for, major customers. The Group's products are analysed and tested regularly for banned substances by an experienced, independent surveillance company. Where appropriate, additional investment is made to optimise ingredient screening efficiency and effectiveness.

The Group maintains product liability insurance cover to mitigate the potential impact of such an event.

The Group believes that the quality of its raw materials is critical to the quality of its product. The availability and resultant price levels of ingredients meeting the Group's high standards of quality may adversely affect the margins available to the Group, subject to the ability to pass through corresponding price increases to customers.

Movement in the commodity prices of raw materials and, in the case of imported raw materials and other goods, the value of Sterling against other currencies may have a corresponding impact on finished product cost. Failure to manage the Group's exposure to price increase may adversely affect the Group's financial performance.

Customers and consumers

The Group operates in a competitive market sector and its ability to compete effectively requires an on-going commitment to marketing, product development, innovation, product quality and ability to offer value for money.

A significant proportion of the Group's sales is generated from a small number of customers and hence there is a risk from loss of a key customer of a significant piece of business. Significant resources are devoted to forging strong relationships with customers.

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.

People

The Group recognises that its employees are critical to the successful delivery of service to customers. The failure to retain people of high quality would have an adverse effect on Group performance. The Group has high expectations of all staff and in return strives to provide an environment that is both challenging and rewarding.

Funding and other risks

The Group may require additional funding. To the extent that the current cash resources of the Group 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 continues to pursue acquisitions as part of its growth strategy. Such acquisitions may not realise expected benefits.

Directors' report – business overview

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 2012 amounted to 51 days compared to 22 days at 31 March 2011.

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 two 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 and up to the date that the financial statements were approved are shown below.

Executive Directors
S N Moon
S N Morrison (resigned 30 November 2011)
I Ford
Phil Walker (appointed 24 September 2011 - resigned 29 November 2011)

Non-executive Directors
C D Buck
N C Bain (resigned 30 November 2011)
J M Clarke (appointed 1 April 2012)
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.

Audit Committee
The Audit Committee comprises two Non-executive Directors and is chaired by Dawson Buck as Chairman. 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 two 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 £63,500 for the year ended 31 March 2012 (2011: £27,300). 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.

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 25.

Directors' report – business overview

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.

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 and a resolution to re-appoint BDO LLP will be proposed at the forthcoming AGM.

Directors' report – business overview

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
31 July 2012

Remuneration report

Remuneration Committee: composition and terms of reference
The Group's Remuneration Committee during the year ended 31 March 2012 comprised three 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 UK Corporate Governance 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 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.

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 no bonuses in 2012. In 2011 annual bonuses of between 20% and 40% of salary 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 2011 to cover the year from 1 April 2011 to 31 March 2012. 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 Finance Director is employed under a service contract 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 John Clarke 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.

Gains made on exercise of directors' share options
No directors' share options were exercised during the year (2011: Nil).

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

			Year ended 31 March 2012			Year ended 31 March 2011
	Salary and directors' fees	**Benefits in kind**	**Pension**	**Loss of office**	**Total**	Total
	£	**£**	**£**	**£**	**£**	£
Executive Directors						
S N Moon	**187,248**	**943**	**9,362**	**-**	**197,553**	255,817
S N Morrison (resigned 30 November 2011)	**92,423**	**1,269**	**4,314**	**30,000**	**128,006**	158,080
I Ford	**119,676**	**1,914**	**6,029**	**-**	**127,619**	148,597
P Walker (appointed 24 September 2011 - resigned 29 November 2011)	**52,083**	**500**	**2,604**	**61,250**	**116,437**	-
Non-executive Directors						
C D Buck	**27,500**	**-**	**-**	**-**	**27,500**	35,000
N C Bain (resigned 30 November 2011)	**11,667**	**-**	**-**	**-**	**11,667**	17,500
K Rietveld	**-**	**-**	**-**	**-**	**-**	-
	490,597	**4,626**	**22,309**	**91,250**	**608,782**	614,994

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

Remuneration report

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

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Executive Directors		
S N Moon	**69,504**	15,857
S N Morrison (resigned 30 November 2011)	**-**	11,666
I Ford	**32,708**	12,324
P Walker (appointed 24 September 2011 - resigned 29 November 2011)	**-**	-
Non-executive Directors		
C D Buck	**-**	-
N C Bain (resigned 30 November 2011)	**-**	-
K Rietveld	**-**	-
	102,212	39,847

Directors' interests in shares	**Ordinary shares of 0.1 pence each**	Ordinary shares of 0.1 pence each
	Beneficial interests	
	31 March 2012	1 April 2011
S N Moon	**2,060,666**	1,540,000
S N Morrison (resigned 30 November 2011)	**-**	1,668,333
I Ford	**2,201,832**	1,668,333
N C Bain (resigned 30 November 2011)	**-**	5,608,416
C D Buck	**12,906,433**	11,271,359
	17,168,931	21,756,441

Other than as shown in the table and as further disclosed above in respect of Deferred Shares in note 19 and disclosed in respect of share options on page 17, no Director had any interest in the shares of the Company or its subsidiary companies at 31 March 2012.

Remuneration report

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

On 17 June 2011 the Company announced that the Company's Remuneration Committee had approved the grant of options over 51,300,000 ordinary shares of 0.1p each to certain Directors and employees of the Company. During the year 22,000,000 of these options were surrendered by Directors leaving the company.

The share options held by the Directors and not exercised at 31 March 2012 are summarised below.

	At 1 April 2011	Options granted in year	Resignation as a director	**At 31 March 2012**
S N Moon	21,117,620	17,000,000	-	**38,117,620**
S N Morrison (resigned 30 November 2011)	12,000,000	-	(12,000,000)	**-**
I Ford	10,000,000	8,000,000	-	**18,000,000**
Phil Walker (appointed 24 September 2011 - resigned 29 November 2011)	-	10,000,000	(10,000,000)	**-**
	43,117,620	35,000,000	(22,000,000)	**56,117,620**

The unapproved share options at 31 March 2012 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
S N Moon	June 2011	17,000,000	2.800p	April 2014	June 2021
I Ford	June 2011	6,350,010	2.800p	April 2014	June 2021
		30,674,530			

The EMI share options at 31 March 2012 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	3,000,000	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
I Ford	June 2011	1,649,990	2.800p	April 2014	June 2021
		34,443,090			

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 19 to the consolidated financial statements on page 49.

Remuneration report

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

TO THE MEMBERS OF PROVEXIS PLC

We have audited the financial statements of Provexis plc for the year ended 31 March 2012 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the parent company balance sheet and 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 2012 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

Date

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 2012 £	Year ended 31 March 2011 £
Revenue	1,3	**3,477,862**	50,086
Cost of goods		**(1,720,241)**	-
Gross profit		**1,757,621**	50,086
Research and development costs	4	**(761,457)**	(1,250,915)
Administrative costs		**(5,326,301)**	(1,274,493)
Underlying operating loss		**(2,180,362)**	(2,406,253)
Amortisation and impairment charges	11	**(1,390,638)**	-
Costs of acquisition	10	**(153,163)**	-
Restructuring costs	4	**(464,513)**	-
Share based payment charges	20	**(141,461)**	(69,069)
Loss from operations	4	**(4,330,137)**	(2,475,322)
Net finance income	7	**46,111**	133,439
Loss before taxation		**(4,284,026)**	(2,341,883)
Taxation	8	**328,538**	221,218
Loss and total comprehensive expense for the period		**(3,955,488)**	(2,120,665)
Attributable to:			
Owners of the parent	21	**(3,873,215)**	(1,984,206)
Non-controlling interest	21	**(82,273)**	(136,459)
Loss and total comprehensive expense for the period	21	**(3,955,488)**	(2,120,665)
Loss per share to owners of the parent			
Basic and diluted – pence	9	**0.28**	0.17

All amounts relate to continuing operations.

Consolidated statement of financial position

Company number 05102907	Notes	**As at 31 March 2012 £**	As at 31 March 2011 £
Assets			
Non-current assets			
Intangible assets	11	**9,369,603**	3,878,577
Plant and equipment	13	**598,430**	89,769
Deferred tax	18	**128,948**	-
Total non-current assets		**10,096,981**	3,968,346
Current assets			
Inventories	14	**635,771**	-
Trade and other receivables	15	**934,773**	253,249
Corporation tax asset	8	**300,000**	271,220
Cash and cash equivalents	16	**1,447,405**	7,551,505
Total current assets		**3,317,949**	8,075,974
Total assets		**13,414,930**	12,044,320
Liabilities			
Current liabilities			
Trade and other payables	17	**(1,541,839)**	(563,190)
Current tax liabilities		**(39,133)**	-
Total current liabilities		**(1,580,972)**	(563,190)
Net current assets		**1,736,977**	7,512,784
Non-current liabilities			
Deferred tax	18	**(535,072)**	-
Total non-current liabilities		**(535,072)**	-
Total liabilities		**(2,116,044)**	(563,190)
Total net assets		**11,298,886**	11,481,130
Capital and reserves attributable to owners of the parent company			
Share capital	19	**5,085,352**	4,812,036
Share premium reserve	21	**19,998,832**	16,909,650
Warrant reserve	21	**60,000**	115,980
Merger reserve	21	**6,599,174**	6,273,909
Retained earnings	21	**(20,225,740)**	(16,493,986)
		11,517,618	11,617,589
Non-controlling interest		**(218,732)**	(136,459)
Total equity		**11,298,886**	11,481,130

These consolidated financial statements were approved and authorised for issue by the Board on 31 July 2012. The notes on pages 25 to 54 form part of these consolidated financial statements.

Stephen Moon
Director
On behalf of the Board of Provexis plc

Ian Ford
Director

Consolidated statement of cash flows

	Notes	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Cash flows from operating activities			
Loss after tax		**(3,955,488)**	(2,120,665)
Adjustments for:			
Amortisation and impairment	11	**1,390,638**	-
Depreciation	13	**89,360**	28,697
Loss on disposal of intangible assets		**9,872**	-
Profit on sale of fixed assets		**(3,631)**	-
Net finance income		**(46,111)**	(133,439)
Taxation		**(328,538)**	(221,218)
Share-based payment charge		**141,461**	69,069
Operating cash outflow before changes in working capital		**(2,702,437)**	(2,377,556)
Changes in inventories		**42,239**	-
Changes in trade and other receivables		**81,419**	(5,898)
Changes in trade and other payables		**320,426**	267,692
Total cash outflow from operations		**(2,258,353)**	(2,115,762)
Tax paid		**(28,134)**	-
Tax credits received		**121,220**	61,844
Total cash flow from operating activities		**(2,165,267)**	(2,053,918)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(458,984)**	(57,285)
Proceeds from sale of property, plant and equipment		**4,750**	-
Purchase of intangible assets		**(62,356)**	(17,959)
Interest received		**49,762**	148,339
Acquisition of subsidiary net of cash acquired	10	**(6,786,036)**	-
Net cash (outflow)/inflow from investing activities		**(7,252,864)**	73,095
Cash flow from financing activities			
Proceeds from issue of share capital		**3,524,694**	2,684,534
Expenses paid on share issues		**(236,919)**	(201,340)
Proceeds from exercise of share options		**27,000**	-
Interest paid		**(744)**	-
Net cash flow from financing activities		**3,314,031**	2,483,194
Net (decrease) / increase in cash and cash equivalents		**(6,104,100)**	502,371
Opening cash and cash equivalents	16	**7,551,505**	7,049,134
Closing cash and cash equivalents	16	**1,447,405**	7,551,505

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 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
Share-based charges	-	-	-	-	141,461	141,461	-	141,461
Issue of shares - acquisition of SiS (Science in Sport) 24 June 2011	35,336	-	-	325,265	-	360,601	-	360,601
Issue of shares - placing 24 June 2011	166,667	2,333,333	-	-	-	2,500,000	-	2,500,000
Issue costs - placing 24 June 2011	-	(199,380)	-	-	-	(199,380)	-	(199,380)
Issue of shares - open offer 27 July 2011	68,313	956,381	-	-	-	1,024,694	-	1,024,694
Issue costs - open offer 27 July 2011	-	(37,539)	-	-	-	(37,539)	-	(37,539)
Issue of shares - share options exercised 13 December 2011	3,000	24,000	-	-	-	27,000	-	27,000
Cancellation of warrants - equity financing facility 8 November 2011	-	12,387	(115,980)	-	-	(103,593)	-	(103,593)
Issue of warrants - equity financing facility 8 November 2011	-	-	60,000	-	-	60,000	-	60,000
Total comprehensive expense for the year	-	-	-	-	(3,873,215)	(3,873,215)	(82,273)	(3,955,488)
At 31 March 2012	**5,085,352**	**19,998,832**	**60,000**	**6,599,174**	**(20,225,740)**	**11,517,618**	**(218,732)**	**11,298,886**

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 Kings Road House, 2 Kings Road, Windsor, Berkshire SL4 2AG, UK.

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

Basis of preparation

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

The Company has elected to prepare its parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), and these are set out on pages 55 to 59.

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 2012.

The following new amendment to IAS24 was applied for the first time from 1 April 2011:

- IAS 24 (amended) 'Related party disclosures'

The Group has adopted all amendments published in 'Improvements to IFRSs' issued in May 2010. The adoption of the above amendment has not had any significant impact on the amounts reported in the Group financial statements but may impact the disclosure of future transactions and arrangements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended 31 March 2012. 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:

- IAS 1 (Amended) 'Financial statement presentation' is effective from periods commencing on or after 1 July 2012.
- IFRS 7 (Amended) 'Financial instruments: Disclosures' and IAS 32 (Amended) Financial instruments: Presentation' are effective from 1 January 2013 and 2014 respectively.
- IFRS 9 'Financial Instruments' is effective from periods commencing on or after 1 January 2015.
- IFRS 10 'Consolidated financial statements' is effective from periods commencing on or after 1 January 2013.
- IFRS 12 'Disclosures of interests in other entities' is effective from periods commencing on or after 1 January 2013.
- IFRS 13 'Fair value measurement' is effective from periods commencing on or after 1 January 2013.
- IAS 27 (Amended) 'Separate financial statements' is effective from periods commencing on or after 1 January 2013.

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.

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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)
Going concern (continued)
The Group made a loss for the year attributable to owners of the parent of £3,873,215 (2011: £1,984,206) and expects to make a further loss during the year ending 31 March 2013. At 31 March 2012 the Group had cash balances of £1,447,405 (2011: £7,551,505).

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.

The restructuring undertaken during the year ended 31 March 2012, as further set out in the Financial Review on pages 6 and 7, has resulted in an annualised reduction in cash burn of £1.15m. The Group is able to seek additional funds through future equity or debt financings, and is currently in negotiations with the Group's bankers seeking to obtain an overdraft and asset finance facility.

The Group has access to future equity or debt financings, overdraft and asset financing facilities as potential additional sources of funding. Based on the level of existing cash, projected income and expenditure, and excluding the potential additional sources of funding, the Directors are satisfied that the Company and the Group have adequate resources to continue in business for 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, Provexis (IBD) Limited and SiS (Science in Sport) Limited as if they formed a single entity ("the Group"). All subsidiaries share the same reporting date, 31 March, as Provexis plc. All intra group balances are eliminated in preparing the financial statements.

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

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

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

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

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

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

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Revenue (continued)

(iii) Sales are recorded net of value added tax when the significant risks and rewards of ownership have been transferred to the buyer in accordance with customer terms. This is normally when goods are dispatched to export customers and when the goods are delivered for UK customers. Sales rebates and discount reserves are established based on management's best estimate of the amounts necessary to meet claims by the Group's customers in respect of these rebates and discounts. The provision is made at the time of sale and released, if unutilised, after assessment that the likelihood of such a claim being made has become remote.

Segment reporting

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

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

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

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

Exceptional items

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

Use of non-GAAP profit measure – underlying operating profit

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

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. For the purposes of assessing impairment, assets are grouped into cash generating units ('CGU') being the lowest levels for which there are separately identifiable cash flows. The recoverable amount of a CGU is the higher of a CGU's fair value less costs to sell and value in use.

Impairment losses on goodwill are not reversed.

1. Accounting policies (continued)
Intangible assets (continued)
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.

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

1. Accounting policies (continued)
Non-current assets held for sale and disposal groups (continued)
Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

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

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

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

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

- between 3 and 8 years for motor vehicles, plant and machinery, fixtures, fittings and computer equipment; and
- 5 years for laboratory equipment.

Leasehold improvements are depreciated on a straight line basis over the unexpired portion of the lease.

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.

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. Impairment losses on goodwill are not reversed.

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Inventories

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

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

Financial instruments

Financial assets

The Group's financial assets are comprised of 'trade and other receivables' and 'cash and cash equivalents'. They are recognised initially at their fair value and subsequently at amortised cost. The Group will assess at each 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.

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.

1. Accounting policies (continued)

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.

Interest income

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

Warrants

The Group has issued warrants to Darwin Strategic Limited as part of the Equity Financing Facility. 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 or are cancelled then the reserve is transferred to retained earnings.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)
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. The charge for share-based payments is determined based on the fair value of awards at the date of grant partly by use of the Black-Scholes pricing model which require judgements to be made regarding expected volatility, dividend yield, risk free rates of return and expected option lives. The inputs used in these pricing models to calculate the fair values are set out in note 20. An element of the share-based payment charge also relies on certain assumptions over the future performance of the share price which may not be met or may be exceeded by the time the relevant awards vest.

(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. Further detail on key assumptions, including growth rates, discount rates and the time period of these value in use calculations is given in note 12 on page 42.

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

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

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

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 £1,541,839 (2011: £563,190) as disclosed in note 17 on page 46.

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

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

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

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

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

Year ended 31 March 2012	**Provexis**	**SiS**	**Group**
	£	**£**	**£**
Revenue	5,779	3,472,083	3,477,862
Underlying operating loss	**(1,954,680)**	**(225,682)**	**(2,180,362)**
Intangible asset amortisation and impairment charges	(1,179,352)	(211,286)	(1,390,638)
Costs of SiS acquisition expensed	(153,163)	-	(153,163)
Restructuring costs	(205,746)	(258,767)	(464,513)
SG&A costs - share-based payment charges	(141,461)	-	(141,461)
Loss from operations	**(3,634,402)**	**(695,735)**	**(4,330,137)**
Net finance income	46,853	(742)	46,111
Loss before taxation	**(3,587,549)**	**(696,477)**	**(4,284,026)**
Additions to non-current assets	**85,175**	**7,249,144**	**7,334,319**
Reportable segment assets	**4,503,878**	**8,911,052**	**13,414,930**
Reportable segment liabilities	**(355,755)**	**(1,760,289)**	**(2,116,044)**

External revenue by location of customers	**2012**	2011
	£	£
UK	**3,085,147**	50,086
Europe	**338,634**	-
Rest of the World	**54,081**	-
Revenue	**3,477,862**	50,086

All operations and assets are based in the UK. There were no intersegment sales or transfers for the period.

Revenues from one customer total £406,884 (2011: £Nil). This major customer purchases goods from the SiS segment.

The segments identified include the following:
- Provexis, being the development and marketing of health based nutritional products; and
- SiS, being the development and marketing of sports based nutritional products

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

Notes to the consolidated financial statements continued

4. Loss from operations

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Loss from operations is stated after charging:		
Depreciation of plant and equipment	**89,360**	28,697
Amortisation and impairment of intangible assets	**1,390,638**	-
Research and development costs	**761,457**	1,250,915
Foreign exchange losses	**2,414**	19
Costs of acquisition	**153,163**	-
Restructuring costs	**464,513**	-
Loss on disposal of intangible assets	**9,872**	-
Profit on disposal of property, plant and equipment	**(3,631)**	-
Changes in inventories of finished goods and work in progress	**42,239**	-
UKTI TR&DE R&D Grant income	**(3,000)**	-
Operating lease costs - land and buildings	**222,441**	120,543
Equity-settled share based payment expense	**141,461**	69,069
Defined contribution pension expense	**42,434**	37,370

Restructuring costs of £205,746 were incurred as part of the suspension of work on the Crohn's disease trial and the cardiovascular inflammation project, and the closure of the Liverpool facility.

Restructuring and rebranding costs of a further £258,767 have been incurred as part of the reorganisation and rebranding of the SiS® business since acquisition.

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

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Audit services		
Parent company	**28,000**	14,000
Subsidiaries	**46,500**	27,500
Tax services – compliance		
Parent company	**4,000**	4,000
Subsidiaries	**12,500**	10,600
Other services		
Tax advisory services	**-**	700
Parent company - share option scheme advice	**15,000**	-
Review of interim statement	**7,000**	5,000
Corporate finance - due diligence	**25,000**	7,000
Total fees	**138,000**	68,800

5. 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 2012	Year ended 31 March 2011
Sales staff	**5**	-
Manufacturing staff	**8**	-
Administrative staff	**12**	1
Research and development staff	**7**	8
Directors	**4**	6
	36	15

Their aggregate emoluments were:

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Wages and salaries	**1,736,465**	953,287
Social security costs	**191,772**	102,944
Other pension and insurance benefits costs	**69,205**	48,089
Total cash settled emoluments	**1,997,442**	1,104,320
Accrued holiday pay	**42,498**	13,429
Share-based payment remuneration charge: equity settled	**141,461**	69,069
Total emoluments	**2,181,401**	1,186,818

6. Directors' remuneration

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Directors		
Aggregate emoluments	**495,223**	594,299
Compensation for loss of office	**91,250**	-
Company pension contributions	**22,309**	20,695
	608,782	614,994
Share based payment remuneration charge: equity settled	**102,212**	39,847
Total Directors' emoluments	**710,994**	654,841

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

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Aggregate emoluments	**188,191**	246,985
Company pension contributions	**9,362**	8,832
Share based payment remuneration charge: equity settled	**69,504**	15,857
Total of the highest paid Director's emoluments	**267,057**	271,674

During the year, four Directors (2011: 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

7. Finance income

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Bank interest receivable	**46,111**	133,439
	46,111	133,439

8. Taxation

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Current tax income		
United Kingdom corporation tax research and development credit	**150,000**	150,000
Adjustment in respect of prior period		
United Kingdom corporation tax research and development credit	**-**	71,218
Total current tax income	**150,000**	221,218
Deferred tax		
Origination and reversal of temporary differences	**178,538**	-
Tax on loss for the year	**328,538**	221,218

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 2012 £	Year ended 31 March 2011 £
Loss before tax	**4,284,026**	2,341,883
Loss before tax multiplied by the standard rate of corporation tax in the UK of 26% (2011: 28%)	**1,113,846**	655,727
Effects of:		
Expenses not deductible for tax purposes	**(343,565)**	(12,435)
Difference between depreciation and capital allowances	**19,432**	8,005
Other short-term timing differences	**(37,930)**	(21,718)
Unutilised tax losses and other deductions arising in the year	**(479,391)**	(508,496)
Additional deduction for R&D expenditure	**221,808**	178,917
Surrender of tax losses for R&D tax credit refund	**(150,000)**	(150,000)
Adjustments in respect of prior years	**-**	71,218
Effect of rate change	**(15,662)**	-
Total tax credit for the year	**328,538**	221,218

At 31 March 2012 the Group UK tax losses to be carried forward are estimated to be £16,504,434 (2011: £14,488,679).

The 2010 Budget announced that the main rate of UK corporation tax was to be reduced from 28% to 24% between 2011 and 2014. Further reductions were announced in the 2011 and 2012 Budgets, so that the main rate of corporation tax was reduced to 26% from 1 April 2011, to 24% from 1 April 2012 and with more reductions planned to reduce the main rate to 22% by 1 April 2014.

The rate change from 26% to 24% had been substantively enacted by the balance sheet date, so deferred tax is provided for at a rate of 24%.

The other proposed changes had not been substantively enacted by the balance sheet date and it is not yet possible to quantify the full effect of the announced further 2% rate reduction, although this will further reduce the company’s future current tax charges and reduce the deferred tax assets accordingly.

Notes to the consolidated financial statements continued

8. Taxation (continued)

Income tax asset receivable within one year	31 March 2012 £	31 March 2011 £
Corporation tax recoverable	**300,000**	271,220
	300,000	271,220

9. 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 94,071,648 share options in issue (2011: 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 2012	Year ended 31 March 2011
Loss for the year attributable to owners of the parent - £	**3,873,215**	1,984,206
Weighted average number of shares	**1,398,837,335**	1,150,836,614
Basic and diluted loss per share – pence	**0.28**	0.17

Notes to the consolidated financial statements continued

10. Acquisition

As part of the Group's strategy to grow through acquisition, on 24 June 2011 the Group acquired 100% of the share capital of SiS (Science in Sport) Limited, a company which manufactures and sells sports nutrition products. The principal reason for this acquisition is that it provides immediate revenue and cash flow to the Group and diversifies the Group's business model from its existing longer-term technology development and licensing model. The Group believes it can use its management and technical capabilities to support growth in the SiS business in the areas of product development, scientific and regulatory expertise and expertise in the sports nutrition sector.

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

The Group has identified the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations'. This formal process involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. The assessment period remains open up to a maximum of 12 months from the relevant acquisition date. As at 31 March 2012, the assessment was not complete and accordingly the fair values presented are provisional.

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

The consideration paid or payable in respect of the acquisition comprises the amount paid on completion and an amount held in escrow which is contingent on certain warranties and indemnities being satisfied and has been allocated against the identified net assets, with the balance recorded as goodwill. Transaction costs and expenses such as professional fees are charged to the Statement of Comprehensive Income.

Goodwill arose on the acquisition of SiS® because the cost of the combination included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of SiS®. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. A summary of the effect of the acquisition is detailed below:

	Book value at acquisition £	**Provisional fair value adjustments £**	**Fair value £**
Website costs capitalised	16,201	-	16,201
Trademarks	-	1,004,029	1,004,029
Patents / recipes / formulations	-	180,886	180,886
Covenants not to compete	-	22,480	22,480
Customer relationships	-	1,228,696	1,228,696
Property, plant and equipment	140,155	-	140,155
Inventories	711,010	(33,000)	678,010
Trade and other receivables	809,444	-	809,444
Net cash	213,964	-	213,964
Trade and other payables	(658,223)	-	(658,223)
Tax and deferred tax	(67,267)	(584,662)	(651,929)
	1,165,284	**1,818,429**	**2,983,713**
Goodwill			4,376,888
Consideration			**7,360,601**
Satisfied by:			
cash consideration	**6,750,000**	-	6,750,000
non-cash consideration (issue of shares)	**1,000,000**	(639,399)*	360,601
cash consideration held in escrow	**250,000**	-	250,000
	8,000,000	(639,399)	**7,360,601**
Net cash acquired			(213,964)
Transaction costs and expenses			153,163
Total expected net cost of acquisition			**7,299,800**

Notes to the consolidated financial statements continued

10. Acquisition (continued)

	Fair value £
The net cash outflow in the period in respect of acquisitions comprised:	
Cash consideration	6,750,000
Net cash acquired	(213,964)
Consideration held in escrow	250,000
Net cash outflow in respect of acquisitions	**6,786,036**
Acquisition related costs recognised as an expense	153,163
Total cash outflow in respect of acquisitions	**6,939,199**

*In accordance with IFRS 3 Business Combinations (revised 2008) the fair value adjustment to consideration paid in shares is based on the difference between the share price at the date on which the Company obtained control of SiS and the price determined in the Sale and Purchase Agreement for calculating the number of shares to be issued to the vendors.

The acquisition made during the year to 31 March 2012 contributed £3.5m to the Group's revenue and a £0.7m operating loss to the Group's loss from operations.

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

	£
Revenue	**4,977,156**
Underlying operating loss before amortisation, exceptional restructuring and acquisition related costs	**43,014**
Loss from operations	**576,442**

Notes to the consolidated financial statements continued

11. Intangible assets

	Goodwill	Development costs	Trademarks	Patents / recipes / formulations	Covenants not to compete	Customer relationships	Website development costs	Total
	£	£	£					£
Cost								
At 1 April 2011	7,265,277	75,892	-	-	-	-	-	7,341,169
Acquisitions	4,376,888	-	1,004,029	180,886	22,480	1,228,696	16,201	6,829,180
Additions	-	56,729	-	-	-	-	5,627	62,356
Disposals	-	-	-	-	-	-	(12,314)	(12,314)
At 31 March 2012	**11,642,165**	**132,621**	**1,004,029**	**180,886**	**22,480**	**1,228,696**	**9,514**	**14,220,391**
Amortisation and impairment								
At 1 April 2011	3,462,592	-	-	-	-	-	-	3,462,592
Charge for year	1,140,806	38,546	81,027	20,696	5,745	99,158	4,660	1,390,638
Disposals	-	-	-	-	-	-	(2,442)	(2,442)
At 31 March 2012	**4,603,398**	**38,546**	**81,027**	**20,696**	**5,745**	**99,158**	**2,218**	**4,850,788**
Net book value								
At 31 March 2012	**7,038,767**	**94,075**	**923,002**	**160,190**	**16,735**	**1,129,538**	**7,296**	**9,369,603**
At 31 March 2011	3,802,685	75,892	-	-	-	-	-	3,878,577

	Goodwill	Development costs	Trademarks	Patents / recipes / formulations	Covenants not to compete	Customer relationships	Website 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

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

Further detail on the components of acquisition intangibles is provided in Note 10 on page 39.

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. The carrying amount of goodwill is allocated to the cash generating units (CGUs) as follows:

	Goodwill carrying amount	
	2012	2011
	£	£
Provexis	**2,661,879**	3,802,685
SiS	**4,376,888**	-
	7,038,767	3,802,685

During the year the Group took the decision to halt the Crohn's disease trial and suspend other activity related to the NSP#3G technology. The Group has fully impaired the goodwill relating to the Crohn's disease CGU, given the uncertainty regarding the future cash flows of the CGU, resulting in a non-cash goodwill impairment charge for the year of £1,140,806 within the Provexis CGU.

The Directors have concluded that no other indication of impairment to goodwill exists because the results of SiS® have been in line with budget since acquisition, and the Alliance partners have made good progress with Fruitflow®.

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 major assumptions used in value in use calculations are as follows:

2012	**Provexis**	**SiS**
	%	%
Pre-tax discount rate	15.8	13
Growth rate*	2	10
Growth rate in perpetuity	0	3

* The growth rate for cash flows from operating activities applies only to the period beyond the formal budgeted period with the value in use calculation based on an extrapolation of the budgeted cash flows for year seven for Provexis and year three for SiS.

The key assumptions for the value in use calculations are those regarding discount rates and growth rates. 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. Growth rates are based on information received from commercial partners and market intelligence reports on expectations of future changes in the market. The growth rate used in Provexis is below the long-term growth rate for the Nutraceuticals industry. The growth rate used in SiS is higher than the long-term growth rate for the sports nutrition market because the Directors believe they can gain market share.

The Directors believe that it is appropriate to use internally approved forecasts for a period of more than the 5 years recommended by IFRS as they consider this will give a more accurate estimate of the likely growth patterns in the early stages of the product's life and better reflect the growth of the sports nutrition market than the application of a single growth rate.

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.

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.

12. Goodwill and impairment (continued)
The results of the value in use calculations for the CGUs are as follows:

- Provexis exceeds its carrying amount by £971,516 (2011: £5,796,075)
- SiS exceeds its carrying amount by £442,581 (2011: £Nil)

If any one of the following changes were made to the above key assumptions, the carrying amount and recoverable amount would be equal:

2012	**Provexis**	**SiS***
	%	%
Pre-tax discount rate	increase from 15.8% to 18.4%	increase from 13.0% to 13.5%
Growth rate	Not sensitive	reduction from 10.0% to 8.3%
Growth rate in perpetuity	Not sensitive	reduction from 3% to 2.0%

*The SiS business was acquired during the year and therefore the sensitivity of the key assumptions and headroom by which the value in use calculations exceeds the carrying amount of the CGU reflects the fact that there has been limited time to increase the value of the business beyond the acquisition price.

Notes to the consolidated financial statements continued

13. Plant and equipment

	Leasehold improvements	Fixtures, fittings, plant and equipment	Laboratory equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2011	-	64,598	128,242	-	192,840
Acquisitions	-	127,120	-	13,035	140,155
Additions	219,247	220,834	18,903	-	458,984
Disposals	-	(2,157)	-	(1,508)	(3,665)
At 31 March 2012	**219,247**	**410,395**	**147,145**	**11,527**	**788,314**
Depreciation					
At 1 April 2011	-	47,069	56,002	-	103,071
Charge for the year	10,706	44,669	28,268	5,717	89,360
Disposals	-	(1,039)	-	(1,508)	(2,547)
At 31 March 2012	**10,706**	**90,699**	**84,270**	**4,209**	**189,884**
Net book value					
At 31 March 2012	**208,541**	**319,696**	**62,875**	**7,318**	**598,430**
At 31 March 2011	-	17,529	72,240	-	89,769

	Leasehold improvements	Fixtures, fittings, plant and equipment	Laboratory equipment	Motor vehicles	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

Notes to the consolidated financial statements continued

14. Inventories

	31 March 2012 £	31 March 2011 £
Raw materials	**351,744**	-
Finished goods	**284,027**	-
	635,771	-

There is £61,103 included within inventories in relation to assets held at fair value less costs to sell acquired with SiS. During the year inventories of £1,252,233 were recognised as an expense within cost of sales.

15. Trade and other receivables

	31 March 2012 £	31 March 2011 £
Amounts receivable within one year:		
Trade receivables	**600,649**	48,708
Less: provision for impairment of trade receivables	**(32,101)**	-
Trade receivables - net	**568,548**	48,708
Other receivables	**178,571**	39,862
Total financial assets other than cash and cash equivalents classified as loans and receivables	**747,119**	88,570
Prepayments and accrued income	**187,654**	164,679
Total trade and other receivables	**934,773**	253,249

Trade receivables represent debts due for the sale of goods to customers. The provision for impairment of receivables is estimated by the Group's management based on prior experience.

The balance at 31 March 2012 of £934,773 is £682,524 greater than the prior year due predominantly to the incorporation of SiS net trade receivables of £568,548.

Trade receivables are denominated in Sterling. The Directors consider that the carrying amount of these receivables approximates to their fair value. Trade and other receivables are categorised as loans and receivables under IAS 39.

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

At 31 March 2012, £476,551 (March 2011: £Nil) of trade receivables had been sold to a provider of invoice discounting and debt factoring services. The Group is committed to underwrite any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default.

The Group does not hold any collateral as security.

As at 31 March 2012 trade receivables of £154,902 (2011: £48,708) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these receivables is as follows:

	31 March 2012 £	31 March 2011 £
Up to 3 months	**154,902**	48,708
	154,902	48,708

As at 31 March 2012 trade receivables of £32,101 (2011: £Nil) were past due and impaired. The amount of the provision as at 31 March was £32,101 (2011: £Nil).

Notes to the consolidated financial statements continued

15. Trade and other receivables (continued)
Movements on the group provision for impairment of trade receivables are as follows

	31 March 2012 £	31 March 2011 £
At beginning of the year	**-**	-
Provided during the year	**32,101**	-
Receivable written off during the year as uncollectible	**-**	-
Unused amounts reversed	**-**	-
	32,101	-

The movement on the provision for impaired receivables has been included in administrative expenses in the consolidated statement of comprehensive income.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

16. Cash and cash equivalents

	31 March 2012 £	31 March 2011 £
Cash at bank and in hand	**1,447,405**	7,551,505
	1,447,405	7,551,505

17. Trade and other payables

	31 March 2012 £	31 March 2011 £
Trade payables	**894,535**	91,529
Other payables	**43,341**	-
Accruals	**513,377**	409,285
Total financial liabilities measured at amortised cost	**1,451,253**	500,814
Other taxes and social security	**90,586**	62,376
Total trade and other payables	**1,541,839**	563,190

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

All amounts shown fall due within one year.

18. Deferred tax
Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 24% (2011: 26%).

Details of the deferred tax asset and liability, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

	Asset 2012 £	**Liability 2012 £**	**Net 2012 £**	**(Charged) / credited to profit or loss 2012 £**	**(Charged) / credited to equity 2012 £**
Business combinations	-	(535,072)	(535,072)	49,590	-
Available losses	128,948	-	128,948	128,948	-
Net tax assets / (liabilities)	**128,948**	**(535,072)**	**(406,124)**	**178,538**	**-**

18. Deferred tax (continued)
A deferred tax asset of £128,948 (2011:£Nil) has been recognised in respect of tax losses in SiS and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered. The Directors have made this assessment based on the evidence available from projected budgets, forecasts of profitability and post year end profitability of the entity.

Deferred tax assets amounting to £4,199,712 (2011: £4,093,379) have not been recognised on the basis that their future economic benefit is not certain. Assuming a prevailing tax rate of 24% (2011: 26%) when the timing differences reverse, the unrecognised deferred tax asset comprises:

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Depreciation in excess of capital allowances	**38,846**	4,324
Other short term timing differences	**7,314**	6,773
Unutilised tax losses	**3,832,116**	3,767,057
Share-based payments	**321,436**	315,225
	4,199,712	4,093,379

Notes to the consolidated financial statements continued

19. Share capital

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

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 6 November 2014. 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 Darwin. Following delivery of a subscription notice, Darwin will subscribe and Provexis will allot to Darwin new ordinary shares of 0.1p each ("Ordinary Shares").

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

Warrant reserve

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

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

Date of grant	Exercise price	Number of warrants	Share price at grant date	Expected volatility	Risk free rate	Expected life	Fair value per share under warrant
	pence		pence			years	pence
7-Nov-11	5.0	10,000,000	2.0	75%	3.00%	3	0.6

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, £60,000, 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.

Darwin 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 Darwin 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 two and a half million pounds (subject to certain exceptions), or if the EFF is terminated by Darwin in certain circumstances, then the Company will be required to pay a fee to Darwin amounting to a maximum of £125,000 in cash or by an issue of fully paid Ordinary Shares at the company's discretion (such fee reducing pro rata with reference to the aggregate price paid for the Ordinary Shares allotted under the EFF at the date the fee becomes payable).

19. 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 2011	1,196,516,929	401,724,366	1,598,241,295
Issued on exercise of share options	3,000,000	-	3,000,000
Issued on acquisition	35,335,689	-	35,335,689
Issued on placing	166,666,662	-	166,666,662
Issued on open offer	68,312,935	-	68,312,935
At 31 March 2012	**1,469,832,215**	**401,724,366**	**1,871,556,581**

	Ordinary 0.1p shares £	**Deferred 0.9p shares £**	**Total £**
At 31 March 2011	1,196,517	3,615,519	4,812,036
Issued on exercise of share options	3,000	-	3,000
Issued on acquisition	35,336	-	35,336
Issued on placing	166,667	-	166,667
Issued on open offer	68,313	-	68,313
At 31 March 2012	**1,469,833**	**3,615,519**	**5,085,352**

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	3,615,519	4,812,036

Notes to the consolidated financial statements continued

19. Share capital (continued)
During the year ended 31 March 2012 the Company issued ordinary shares of 0.1p each as follows:

Date	Reason for issue	Shares issued £	Number
24.06.11	Acquisition	35,336	35,335,689
24.06.11	Placing	166,667	166,666,662
27.07.11	Open offer	68,313	68,312,935
13.12.11	Exercise of share options	3,000	3,000,000
		273,316	**273,315,286**

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**

20. 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 vested on 1 April 2011.

On 17 June 2011 the Company announced that the Company's Remuneration Committee had approved the grant of options over 51,300,000 ordinary shares of 0.1p each to certain Directors and employees of the Company. Subsequently 16,700,000 of these options were cancelled.

On 4 July 2011 the Company announced that the Company's Remuneration Committee had approved the grant of options over 10,000,000 ordinary shares of 0.1p each to certain Directors and employees of the Company. Subsequently these options were cancelled.

20. Share options (continued)

At 31 March 2012 the number of ordinary shares subject to options granted over the 2005 and prior option schemes were:

EMI options

	31 March 2012			31 March 2011	
	Weighted average exercise price (pence)	**Weighted average share price at date of exercise (pence)**	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**1.07**	**-**	**51,552,031**	1.07	51,552,031
Granted during the year	**2.80**	**-**	**27,949,990**	-	-
Exercised during the year	**0.90**	**1.78**	**(3,000,000)**	-	-
Cancelled during the year	**2.80**	**-**	**(16,700,000)**	-	-
Outstanding at the end of the year	**1.42**	**-**	**59,802,021**	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 (2011: 0.9p and 6.28p) and their weighted average contractual life was 6.9 years (2011: 7.3 years).

Of the total number of EMI options outstanding at the end of the year, 37,385,456 (2011: 23,709,976) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.16 pence (2011: 1.27 pence).

Unapproved options

	31 March 2012		31 March 2011	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**1.18**	**10,919,617**	1.18	10,919,617
Granted during the year	**2.80**	**23,350,010**	-	-
Exercised during the year	**-**	**-**	-	-
Cancelled during the year	**-**	**-**	-	-
Outstanding at the end of the year	**2.28**	**34,269,627**	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 (2011: 0.9p and 6.28p) and their weighted average contractual life was 8 years (2011: 7.3 years).

Of the total number of unapproved options outstanding at the end of the year, 10,919,617 (2011: 3,595,097) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.18 pence (2011: 1.7 pence).

Notes to the consolidated financial statements continued

20. 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
5	17-Jun-11	2.8	51,300,000	2.00	88%	4.48%	10	1.17

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 £141,461 (2011: £69,069) 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 19 to the consolidated financial statements on page 49.

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.

21. Reserves

	Share premium reserve £	Warrant reserve £	Merger reserve £	Retained earnings £	Total attributable to equity holders of the parent £	Non-controlling interest £	Total reserves £
At 31 March 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**
Loss for the year	-	-	-	(3,873,215)	(3,873,215)	(82,273)	(3,955,488)
Share-based charges	-	-	-	141,461	141,461	-	141,461
Issue of shares - acquisition	-	-	325,265	-	325,265	-	325,265
Issue of shares - placing	2,333,333	-	-	-	2,333,333	-	2,333,333
Issue costs - placing	(199,380)	-	-	-	(199,380)	-	(199,380)
Issue of shares - open offer	956,381	-	-	-	956,381	-	956,381
Issue costs - open offer	(37,539)	-	-	-	(37,539)		(37,539)
Issue of shares - exercise of share options	24,000	-	-	-	24,000	-	24,000
Warrants cancelled during the year - equity financing facility	12,387	(115,980)	-	-	(103,593)	-	(103,593)
Warrants issued during the year - equity financing facility	-	60,000	-	-	60,000	-	60,000
At 31 March 2012	**19,998,832**	**60,000**	**6,599,174**	**(20,225,740)**	**6,432,266**	**(218,732)**	**6,213,534**

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 19). These warrants were cancelled and new warrants were issued to Darwin Strategic Limited on the renewal of the Equity Financing Facility in November 2011.
Merger reserve	The merger reserve arose on the reverse takeover in 2005 of Provexis Natural Products Limited (formerly Provexis Limited) by Provexis plc through a share for share exchange and on the issue of shares for the acquisition of SiS (Science in Sport) Limited in 2011.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

22. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 March 2012 amounted to £42,434 (2011: £37,370). Pension contributions payable but not yet paid at 31 March 2012 totalled £30,474, in respect of pension contribution entitlements where employees had not yet provided details of the funds to which the contributions should be made (2011: £26,051).

23. Operating lease commitments

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

	31 March 2012 £	31 March 2011 £
Due within 1 year	**146,456**	90,500
Due between 1 year and 2 years	**152,500**	-
Due between 2 years and 5 years	**372,500**	-
	671,456	-

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.

24. Related party transactions
On 1 June 2010 the Company announced a long-term Alliance Agreement with DSM Nutritional Products, which has seen the Company collaborate with DSM to develop Fruitflow® in all major global markets. DSM 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 of the project. It is not possible to determine the financial impact of the Alliance Agreement at this time.

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

Key management compensation
The Directors represent the key management personnel. Details of their compensation and share options are given in note 6 and within the Remuneration report on pages 14 to 18.

Parent company balance sheet

Company number 05102907	Notes	**As at 31 March 2012 £**	As at 31 March 2011 £
Fixed assets			
Investments	3	**8,151,922**	1,117,336
Current assets			
Debtors - due within one year	4	**60,000**	103,593
Debtors - due after one year	4	**5,206,256**	10,143,754
Total debtors		**5,266,256**	10,247,347
Cash and cash equivalents	5	**1,151,476**	7,508,925
Total current assets and net current assets		**6,417,732**	17,756,272
Total assets		**14,569,654**	18,873,608
Creditors: amounts falling due after more than one year	6	**(239,896)**	(2,900,418)
Net assets		**14,329,758**	15,973,190
Capital and reserves			
Share capital	8	**5,085,352**	4,812,036
Share premium reserve	9	**19,998,832**	16,909,650
Warrant reserve	9	**60,000**	115,980
Retained earnings	9	**(10,814,426)**	(5,864,476)
Equity shareholders' funds	10	**14,329,758**	15,973,190

These financial statements were approved and authorised for issue by the Board on 31 July 2012.
The notes on pages 56 to 59 form part of these parent company financial statements.

Stephen Moon	**Ian Ford**
Director	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 applicable United Kingdom Accounting Standards.

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 59.

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

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

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

Warrants
The Group has issued warrants to Darwin Strategic Limited as part of the Equity Financing Facility. 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 £5,091,411 (2011: £64,065) 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 4 to the consolidated financial statements on page 35. Total fees for the year were £138,000 (2011: £68,800).

The parent company did not have any employees in the year and therefore there were no payroll costs or pension costs (2011: Nil).

Notes to the parent company financial statements continued

3. Investments

	31 March 2012 £	31 March 2011 £
Cost	**8,418,255**	1,382,919
Provision for impairment	**(266,333)**	(265,583)
Net book value	**8,151,922**	1,117,336

At 31 March 2012 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
SiS (Science in Sport) Limited	100%	England and Wales	Sports nutrition

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 2012 £	31 March 2011 £
Debtors falling due within one year		
Prepayments	**60,000**	103,593
Total debtors falling due within one year	**60,000**	103,593
Debtors falling due after one year		
Amounts owed by subsidiaries	**5,206,256**	10,143,754
Total debtors falling due after one year	**5,206,256**	10,143,754
Total debtors	**5,266,256**	10,247,347

5. Cash and cash equivalents

	31 March 2012 £	31 March 2011 £
Cash at bank and in hand	**1,151,476**	7,508,925
	1,151,476	7,508,925

6. Creditors: amounts falling due after one year

	31 March 2012 £	31 March 2011 £
Creditors falling due after one year		
Amounts owed to subsidiaries	**(239,896)**	2,900,418
Total creditors falling due after one year	**(239,896)**	2,900,418

7. Deferred tax

Deferred tax assets amounting to £257,959 (2011: £227,205) 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 2011	1,196,516,929	401,724,366	1,598,241,295
Issued on exercise of share options	3,000,000	-	3,000,000
Issued on acquisition	35,335,689	-	35,335,689
Issued on placing	166,666,662	-	166,666,662
Issued on open offer	68,312,935	-	68,312,935
At 31 March 2012	**1,469,832,215**	**401,724,366**	**1,871,556,581**

	Ordinary 0.1p shares £	**Deferred 0.9p shares £**	**Total £**
At 31 March 2011	1,196,517	3,615,519	4,812,036
Issued on exercise of share options	3,000	-	3,000
Issued on acquisition	35,336	-	35,336
Issued on placing	166,667	-	166,667
Issued on open offer	68,313	-	68,313
At 31 March 2012	**1,469,833**	**3,615,519**	**5,085,352**

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	3,615,519	4,812,036

Details of the share subscriptions, share placings, and the shares issued by the Company during the two years ended 31 March 2012 are given in note 19 to the consolidated financial statements on pages 48 to 50.

Details on the share option scheme and share based payment charge for the year are given in note 20 to the consolidated financial statements on page 50.

Notes to the parent company financial statements continued

9. Reserves

	Share premium reserve £	Warrant reserve £	Retained earnings £
At 1 April 2011	16,909,650	115,980	(5,864,476)
Retained loss for the year	-	-	(5,091,411)
Share-based charges	-	-	141,461
Issue of shares - placing	2,133,953	-	-
Issue of shares - open offer	918,842	-	-
Issue of shares - exercise of share options	24,000	-	-
Warrants cancelled on renewal of EFF 8 November 2011	12,387	(115,980)	-
Warrants issued on renewal of EFF 8 November 2011	-	60,000	-
At 31 March 2012	**19,998,832**	**60,000**	**(10,814,426)**

10. Shareholders' funds

Reconciliation of movement in shareholders' funds.

	31 March 2012 £	31 March 2011 £
Loss for year	**(5,091,411)**	(64,065)
Share-based payment charge (note 20 - page 52)	**141,461**	69,070
Shares issued during the year	**273,316**	88,435
Premium on shares issued	**3,076,795**	2,394,759
Reduction of premium on share issue	**-**	(12,386)
Warrants cancelled on renewal of EFF 8 November 2011	**(103,593)**	-
Warrants issued on renewal of EFF 8 November 2011	**60,000**	-
Net (decrease) / increase in shareholders' funds	**(1,643,432)**	2,475,813
Opening shareholders' funds	**15,973,190**	13,497,377
Closing shareholders' funds	**14,329,758**	15,973,190

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.

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, SiS (Science in Sport) Limited and Provexis Natural Products Limited. Provexis Nutrition Limited, Provexis Natural Products Limited, SiS (Science in Sport) 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 2012 (2011: Nil). At 31 March 2012 the Company was owed £5,509 by Provexis (IBD) Limited (31 March 2011: 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 £329,091 (2011: £545,838). Provexis (IBD) Limited owed Provexis group companies and Provexis Nutrition limited a total of £1,755,684 at 31 March 2012 (31 March 2011: owed £1,426,593). Provisions of £1,755,684 (2011: £Nil) have been recognised in the accounts of Provexis group companies and Provexis Nutrition Limited.

Details of a related party transaction with DSM are given in note 24 to the consolidated financial statements on page 54.

Company information

Company number	05102907
Directors	C D Buck J M Clarke K Rietveld S N Moon I Ford
Audit committee	C D Buck J M Clarke
Remuneration committee	C D Buck J M Clarke K Rietveld
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Secretary and registered office	I Ford Kings Road House 2 Kings Road Windsor Berkshire SL4 2AG
Nominated adviser and broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Principal solicitors	Shoosmiths Apex Plaza Forbury Road Reading Berkshire RG1 1SH
Auditors	BDO LLP Kings Wharf 20–30 Kings Road Reading Berkshire RG1 3EX