

Provexis plc

Annual report and accounts 2013

Company number 05102907

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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 Alliance partner DSM Nutritional Products 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

Key highlights

- Science in Sport generated revenues of £5.52m in the year, in line with management expectations, representing like for like revenue growth of 11% compared to the same period last year, with growth in the second half being 17%;
- Substantial investment made in SiS[®] in order to execute the Board's growth plan for FY2012/13, including support for marketing, sales and e-commerce;
- Gross margin for SiS[®] improved by 6% as a result of factory efficiencies and cost saving initiatives;
- Further progress with proprietary Fruitflow[®] heart health technology, in conjunction with Alliance partner DSM, with 17 branded consumer products now on sale in various global markets;
- Powder format of Fruitflow[®], suitable for dietary supplements, now fully commercialised, with 4 of the 17 products in market using this format and strong interest from potential customers;
- Successful efforts to control costs across the Group, along with revenue growth, resulting in a 50% reduction in underlying operating loss*; and
- Equity financing facility to drawdown £244k in May to support our innovation programme, further £541k drawdown in September to meet the increasing working capital needs of the growing SiS[®] business.

Key financial results

- Revenues £5.56m (2012: £3.48m).
- Underlying operating loss* reduced to £1.09m (2012: £2.18m);
- Statutory operating loss £4.66m (2012: £4.33m); statutory loss attributable to owners of the parent £4.34m (2012: £3.87m). These losses are after charging £3.07m (2012: £1.39m) of non-cash amortisation and impairment charges, £0.31m (2012: £0.46m) of restructuring costs and a £0.18m (2012: £0.14m) non-cash share based payment charge.
- Cash balance at 31 March 2013 £0.62m (2012: £1.45m).
- Loss per share 0.29p (2012: 0.28p).

*before impairment and amortisation of intangible assets, share based payments and exceptional costs of £3.56m (2012: £2.15m), as set out on the face of the Consolidated Statement of Comprehensive Income

Chairman's statement

The past year has seen substantial progress across the Group as a result of our clear focus on the strategic objectives of developing revenues from our Fruitflow[®] and SiS[®] assets, together with reducing costs and seeking efficiencies.

SiS[®] delivered revenues in line with our expectations and while the summer of 2012 was challenging due to historically poor weather and adverse trading conditions, we finished the year very strongly and have carried this momentum into the new financial year. Investment in all our key growth drivers has seen a good return, with the areas of sales excellence, and e-commerce staff and infrastructure having received major focus. The new factory has developed well during the year and is now in a position to effectively meet the growing demand of the SiS[®] business. We continue to develop new SiS[®] products both in-house and in collaboration with strategic partners, and we believe this to be a key competitive advantage for us.

The completion of a commercially viable powder version of Fruitflow[®] in the final quarter of the year was an important milestone for our collaboration with DSM, given feedback from potential customers in the global dietary supplement sector. DSM have brought 17 products to market in conjunction with their international consumer brand customers, and are seeing strong interest in all major global markets for the powder version of Fruitflow[®].

We have focused strongly on controlling the cost base of the business and the results of this are evident given the 50% reduction in underlying operating losses for the Group. We will continue to seek further savings and efficiencies in the coming months, and since the year end we have closed our R&D facility at the University of Aberdeen as part of this drive.

With the investment cycle for Fruitflow[®] now complete, and given ongoing cost reduction initiatives, the Board also propose the demerger of SiS[®] from the Group, in order to optimise the future prospects of both of our revenue generating assets. The details of the proposed demerger are set out in a separate circular and announcement. Shareholders will receive one share in the new SiS[®] business for each 100 Provexis shares already owned, allowing investors the flexibility to participate in the growth story for either or both of our revenue generating assets. The demerger will also see a share placing to capitalise the new SiS[®] business and to fund its growth strategy.

I would like to thank the executive team and all of our staff and advisors for their high levels of commitment and professionalism, not only in developing the business, but in putting in place the strategy to demerge SiS[®] from the Group in order to deliver value for shareholders.

Dawson Buck

Chairman

Chief Executive's statement

Strategy

Our strategic priority for the year was to focus on developing revenues from the SiS[®] business, and the Fruitflow[®] technology together with our Alliance partner DSM. In addition, further efforts to reduce costs across the Group were a parallel strategic activity. We believe we have succeeded in all three areas, with strong revenue growth from SiS[®], good progress with Fruitflow[®] in bringing a powder version to market, and wide ranging cost reductions reflected in the 50% reduction in underlying operating loss for the Group.

With these three strategic areas all making good progress, in conjunction with the Board, a next strategic phase is proposed, which will see the separation of SiS[®] and Fruitflow[®] businesses, in order to optimise the profit potential of each. The details of this are contained within a circular posted today to shareholders and an announcement.

We used our equity financing facility to drawdown £244k in May to support our innovation programme, with a further £541k drawdown in September to meet the increasing working capital needs of the growing SiS[®] business.

SiS[®]

Revenue in FY12/13 was £5.52m, representing like for like revenue growth of 11% compared to the same period last year. Growth was constrained to 7% in the first half due to historically poor weather and adverse trading conditions. However trading in the second half was much stronger as a range of initiatives took effect, resulting in second half revenue growth of 17% and final quarter revenue growth of 25%. This momentum has carried into FY13/14.

We have continued to invest in the heartland of independent cycle, triathlon and running shops, through extra sales staff and capital investment in display stands. This has paid dividends, as we have seen growth through all our key wholesale accounts. In major grocers and high street accounts, we have both broadened our range and space in key accounts, together with extending distribution via the addition of new accounts including Sainsbury's, Boots, Costco and since the year end, Halfords. International markets have continued to develop well for us, with strong performances by our distributors in Benelux and Denmark, and the appointment of a new distributor in France.

Direct selling is a strategic growth driver and as a result we developed and launched a new website and e-commerce platform in the second half, and recruited an e-commerce team, resulting in good growth in this channel. Further investment in direct selling is continuing.

Good levels of investment have been made in marketing, through the acquisition of brand ambassadors Sir Chris Hoy and Helen Jenkins, taking substantial share of voice through press advertising, generating brand profile through social media channels, and substantially increased PR.

Innovation has been a key growth driver, with Go Hydro tablets, Go Gel[®] plus Fruitflow[®] and Go Gel[®] plus Nitrates being notable and successful launches in the year. We have a strong research programme in place, largely carried out in conjunction with our partner sports teams and athletes, and through collaboration with leading research institutes. The Directors believe that a promising pipeline is in place for 2013 and 2014.

The move to a new supply facility has proved effective as gross margin improved by 6%. In addition the commissioning of the new Go Gel[®] filling machine has given us capacity to deal with the strong growth in this product format, and we have recently moved to a 24 hour manufacturing operation to meet growing demand.

Fruitflow[®]

The Alliance with DSM has made good progress during the year, with commercial progress with the existing Fruitflow[®] syrup format in a range of global markets, and the launch of a powder format, suitable for use in dietary supplement formats such as capsules and tablets.

There are now 17 consumer brands containing Fruitflow[®] syrup on sale in a range of global markets. As well as the core blood flow targeted products, DSM customers have also launched brands in the sports nutrition and travel-related sectors. Our SiS[®] Go Gel[®] plus Fruitflow[®] sports recovery product also launched during the year.

Chief Executive's statement continued

Fruitflow[®] (continued)

The powder format was completed by the DSM team in the final quarter of the year, and the product was officially launched at Vitafoods in May 2013. The format has broad potential applications in dietary supplements, dairy shots, nutrition bars and spreads. Four products containing this format are now in market, and interest from potential customers is strong, especially in the USA.

We collaborated with DSM to complete a substantial piece of consumer research to more fully understand consumer attitudes to Fruitflow[®] and blood flow, in order to support potential customers in understanding the key success factors for any new brand launches. The DSM marketing and sales teams are using the findings from this research to assist their customers with potential brand positioning.

Whilst revenues for Fruitflow[®] remain low in the year, there has been a marked improvement over the year both in revenues and number of brands in the market. In addition, interest in the technology and awareness of Fruitflow[®] continues to develop. These trends, together with the availability of the powder format are a source of continued optimism for the prospects of this novel technology.

With the investment cycle completed for Fruitflow[®] we continue to focus keenly on costs. Since the year end, we have to this end, closed our facility at the University of Aberdeen. Residual ongoing costs for Fruitflow[®] are largely related to IP maintenance and management time for the Alliance with DSM.

Outlook

The outlook for SiS[®] is positive as we continue to invest in marketing, sales and direct selling to drive revenue growth, underpinned by an increasingly effective supply chain. With our current sales momentum, the continued resilience in the sports nutrition category, the Board believes we are placed for strong growth for the coming year and beyond.

While the investment cycle is completed for Fruitflow[®] we continue to work closely with DSM to explore all avenues for growing revenues for our novel technology. The number of international brands containing Fruitflow[®] continues to steadily increase and the availability of the powder format enhances further the prospects for the technology. While the economic climate is still affecting the attitude of global brand owners towards large-scale innovation, the general outlook is positive.

The proposed demerger of SiS[®], subject to shareholder approval, will further optimise the outlook for both the Fruitflow[®] and SiS[®] businesses.

Stephen Moon

Chief Executive

Directors' report – financial review

Underlying operating loss

Underlying operating loss has reduced by 50% to £1,094,937 (2012: £2,180,362), reflecting the significant restructuring conducted between 2011 and 2013, and continued progress with SiS[®] and Fruitflow[®].

The Group has chosen to report underlying operating loss as the Directors believe that the operating loss before amortisation and impairment of acquired goodwill and other 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 operating loss is presented on the face of the consolidated statement of comprehensive income. This measure is used for internal performance analysis.

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

Research and development costs

Research and development costs for the year ended 31 March 2013 were £501,098 (2012: £818,186) including £25,545 capitalised under IAS 38 (2012: £56,729).

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 – amortisation and impairment charges

The consolidated balance sheet of the Group includes goodwill relating to two cash generating units (CGUs), Provexis and SiS.

Under IAS 36, management must test this goodwill for impairment annually by comparing the carrying value of assets in each CGU with either the fair value less costs to sell or value in use.

Significant judgement is exercised in determining the underlying assumptions used in the impairment review; the assumptions include the discount rate, operating margin and growth rate, as further detailed in note 12.

On 28 June 2013 the Company announced its intention to separate SiS (Science in Sport) Limited from the Provexis Group by way of a demerger, as further detailed in note 26, with a consequent significant reduction envisaged in the annual central running costs of the Provexis Group. For the purposes of IAS 36 the proposed demerger amounts to a future restructuring to which an entity is not yet committed at the year end, hence the future estimated cash flows of the Provexis CGU used in the calculations do not include the significant annual central cost savings which are expected to result from the demerger.

Using the discount rate and growth rates shown in note 12, and without taking into account the significant annual central cost savings which are expected to result from the demerger, the carrying amount of the Provexis CGU exceeds its recoverable amount hence a total non cash impairment loss of £2,781,499 has been recognised in the year, as further detailed in notes 11 and 12. The impairment loss is made up of the existing £2,661,879 carrying value of the Provexis CGU and a related £119,620 of intangible assets in respect of previously capitalised intangible development costs.

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.

A further £269,512 non cash amortisation charge has been recognised during the year in respect of the intangible assets acquired by the Company on its acquisition of SiS in June 2011.

Restructuring costs

Restructuring costs of £314,370 (2012: £464,513) were incurred during the year primarily in respect of staff reductions, as the Group has continued to seek to reduce its cost base. The restructuring charge this year includes all the costs of closing the Group's facility at the University of Aberdeen.

Directors' report – financial review continued

Taxation

A current tax credit of £190,304 (2012: £150,000), primarily in respect of research and development expenditure incurred, and a deferred tax credit of £65,682 (2012: £178,538) primarily in respect of the amortisation of acquired intangible assets have been recognised in the financial statements. A £162,369 tax credit claim for the year ended 31 March 2011 was paid to the Group during the year, and further group tax credit claims amounting to £194,927 for the year ended 31 March 2012 were paid to the Group in May 2013, after the year end.

Losses and dividends

The loss attributable to equity holders of the parent for the year ended 31 March 2013 was £4,338,600 (2012: £3,873,215) and the basic and diluted loss per share was 0.29p (2012: 0.28p). The directors are unable to recommend the payment of a dividend (2012: £Nil).

Capital structure and funding

On 23 April 2012 the Company announced that application had been made for the admission to AIM of 4,000,000 ordinary shares of 0.1p each in the Company, pursuant to the exercise of options by a former employee. The Company received net proceeds of £36,000 in respect of this transaction.

On 17 May 2012 the Company announced that it had raised a net £244,336 by drawing down on the Company's equity financing facility (the "EFF") which was arranged by Darwin Strategic Limited ("Darwin"), allotting 13,197,880 new ordinary shares of 0.1p each to Darwin.

On 28 August 2012 the Company announced that it had raised a net £541,111 by drawing down on the Company's EFF, allotting 31,620,884 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.

In September 2012 an asset finance agreement was secured with HSBC Equipment Finance for a number of assets acquired in the last year by SiS[®] for the Company's new Nelson factory. HSBC remitted £258,544 to the Group in September 2012.

A £200,000 bank overdraft facility for SiS[®] was additionally agreed with HSBC in September 2012, providing the Group with greater headroom.

Going concern

The Group made a loss for the year attributable to owners of the parent of £4,338,600 (2012: £3,873,215) and expects to make a further loss during the year ending 31 March 2014. The total cash outflow from operating activities in the year was £1,433,348 (2012: £2,165,267). At 31 March 2013 the Group had cash balances of £616,612 (2012: £1,447,405).

The directors have prepared projected cash flow information for a period including twelve months from the date of approval of these financial statements on the basis that the demerger of SiS (Science in Sport) Limited and concurrent placing, as further detailed in note 26, will proceed.

The demerger is conditional *inter alia* upon the approval of the Company's shareholders at the General Meeting proposed for 15 July 2013 and the confirmation of the Company's reduction of capital by the Court. It is the directors' current belief and intention that the demerger will proceed as intended and accordingly the going concern basis has been used in preparing the financial statements.

Should the demerger not proceed the Company would be forced to seek further finance, most likely through the Group's existing equity drawdown facility with Darwin or through an equity fundraising with the Company's shareholders, albeit that such funds realised may be insufficient to meet the ongoing working capital requirements of the Group.

Were the demerger not to proceed it may not be appropriate for the directors to prepare the accounts on a going concern basis and adjustments may need to be made accordingly. The directors have concluded that these circumstances represent a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that therefore, if the demerger is not approved, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless after making enquiries, the directors have a reasonable expectation that the demerger will proceed as expected. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 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 Alliance partner DSM Nutritional Products 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.

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 2013, 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.

Directors' report – business overview continued

Internal control and risk management (continued)

The table below shows the Group's underlying operating loss for the two years ended 31 March 2013:

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Underlying operating loss	1,094,937	2,180,362

The £1,085,425 reduction in underlying operating loss in 2013 was primarily attributable to the £285,904 R&D cost savings made during the financial year, a reduction in central administrative costs of £330,075 and a £300,013 increase in the underlying operating profit of SiS. The trading results are further detailed in the financial review on pages 6 and 7.

The table below shows the Group's cash position at 31 March 2013 and 31 March 2012:

	31 March 2013 £	31 March 2012 £
Cash and cash equivalents	616,612	1,447,405

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 £830,793 reduction in cash and cash equivalents during the financial year is primarily the result of the operating cash outflows arising during the year, as further detailed in the consolidated statement of cash flows on page 22.

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.

Directors' report – business overview continued

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, in particular should the demerger and placing not go ahead, 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.

Directors' report – business overview continued

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 2013 amounted to 62 days compared to 51 days at 31 March 2012.

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

I Ford

Non-executive Directors

C D Buck

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 £10,500 for the year ended 31 March 2013 (2012: £63,500). The Audit Committee have considered the non-audit fees agreed with Chantrey Vellacott DFK in respect of the demerger and are satisfied 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.

This expectation is contingent upon the successful completion of the demerger and placing as further detailed in note 1 and note 26 to the consolidated financial statements.

Directors' report – business overview continued

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.

Post balance sheet events

On 28 June 2013 the Group announced its intention to separate SiS (Science in Sport) Limited from the Provexis Group. It is proposed that this separation will be effected by way of a demerger of SiS (Science in Sport) Limited to a new company called Science in Sport plc. Science in Sport plc will seek admission of its entire issued and to be issued ordinary share capital to trading on AIM on or around 9 August 2013.

In order to provide ongoing working capital for each of the demerged businesses and to pay the costs associated with the demerger, Science in Sport plc has announced that it has undertaken a conditional placing to raise £2.25 million (before commission and expenses).

The demerger and placing are conditional *inter alia* upon the approval of Provexis plc shareholders at a General Meeting proposed for 15 July 2013, and the subsequent confirmation of the Company's reduction of capital by the Court.

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.

Following a tender process, Chantrey Vellacott DFK LLP were appointed as the Company's external auditor commencing with the 2013 financial year.

Chantrey Vellacott DFK LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

Directors' report – business overview continued

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

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

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

Website publication

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

By order of the Board

Ian Ford

Secretary

28 June 2013

Remuneration report

Remuneration Committee: composition and terms of reference

The Group's Remuneration Committee during the year ended 31 March 2013 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.

Remuneration report continued

Policy on Executive Directors' remuneration (continued)

(iii) Bonus scheme

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

For the Executive Directors the performance-related annual bonus potential is up to 40% of basic salary. The Remuneration Committee approved no bonuses in 2013 or 2012.

(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 2012 to cover the year from 1 April 2012 to 31 March 2013. 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. Non-executive Directors receive payments under appointment letters which are terminable by six 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 (2012: Nil).

Details of directors' remuneration

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

	Year ended 31 March 2013				Year ended
	Salary and directors' fees	Benefits in kind	Pension	Total	31 March 2012
	£	£	£	£	£
Executive Directors					
S N Moon	200,364	1,109	10,018	211,491	197,553
S N Morrison (resigned 30 November 2011)	—	—	—	—	128,006
I Ford	129,024	1,993	6,451	137,468	127,619
P Walker (appointed 24 September 2011 – resigned 29 November 2011)	—	—	—	—	116,437
Non-executive Directors					
C D Buck	35,000	—	—	35,000	27,500
J M Clarke (appointed 1 April 2012)	29,000	—	—	29,000	—
N C Bain (resigned 30 November 2011)	—	—	—	—	11,667
K Rietveld	—	—	—	—	—
	393,388	3,102	16,469	412,959	608,782

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

Remuneration report continued

Share-based payment expense

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

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Executive Directors		
S N Moon	88,087	69,504
S N Morrison (resigned 30 November 2011)	—	—
I Ford	41,453	32,708
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	—	—
	129,540	102,212

Directors' interests in shares	Ordinary shares of 0.1 pence each	Ordinary shares of 0.1 pence each
	Beneficial interests 31 March 2013	1 April 2012
S N Moon	2,060,666	2,060,666
I Ford	2,201,832	2,201,832
C D Buck	12,906,433	12,906,433
	17,168,931	17,168,931

Other than as shown in the table and as further disclosed above in respect of Deferred Shares in note 20 and disclosed in respect of share options in note 21, no Director had any interest in the shares of the Company or its subsidiary companies at 31 March 2013.

Remuneration report continued

Directors' interests in share options

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

The share options held by the Directors and not exercised at 31 March 2013 are summarised below.

	31 March 2013	31 March 2012
S N Moon	38,117,620	38,117,620
I Ford	18,000,000	18,000,000
	56,117,620	56,117,620

The unapproved share options at 31 March 2013 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 2013 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
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
		25,443,090			

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 20 to the consolidated financial statements.

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.

On 28 June 2013, following a recommendation from the Company's Remuneration Committee at a meeting on 1 May 2012, the Company will grant a further 35,000,000 options to Directors.

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 2013 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the parent company balance sheet and related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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 2013 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.

Emphasis of matter-going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £4,391,706 and net cash outflows from operating activities of £1,433,348 during the year ended 31 March 2013 and the directors expect the group to incur further losses in the year ended 31 March 2014. The directors have projected cash flows on the basis that the demerger of SiS (Science in Sport) Limited and concurrent placing will proceed as planned. The demerger is conditional *inter alia* upon the approval of the Company's shareholders at the General Meeting proposed for 15 July 2013 and the confirmation of the Company's reduction of capital by the Court.

These conditions along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty that casts significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

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

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.

Matters on which we are required to report by exception

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

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

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

28 June 2013

Consolidated statement of comprehensive income

	Notes	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Revenue	1,3	5,559,591	3,477,862
Cost of goods		(2,418,177)	(1,720,241)
Gross profit		3,141,414	1,757,621
Research and development costs	4	(475,553)	(761,457)
Administrative costs		(7,322,685)	(5,326,301)
Underlying operating loss		(1,094,937)	(2,180,362)
Amortisation and impairment charges	11	(3,068,234)	(1,390,638)
Costs of acquisition	10	—	(153,163)
Restructuring costs	4	(314,370)	(464,513)
Share based payment charges	21	(179,283)	(141,461)
Loss from operations	4	(4,656,824)	(4,330,137)
Finance income	7	12,407	46,853
Finance costs	7	(3,275)	(742)
Loss before taxation		(4,647,692)	(4,284,026)
Taxation	8	255,986	328,538
Loss and total comprehensive expense for the period		(4,391,706)	(3,955,488)
Attributable to:			
Owners of the parent	22	(4,338,600)	(3,873,215)
Non-controlling interest	22	(53,106)	(82,273)
Loss and total comprehensive expense for the period	22	(4,391,706)	(3,955,488)
Loss per share to owners of the parent			
Basic and diluted – pence	9	0.29	0.28

All amounts relate to continuing operations.

Consolidated statement of financial position

Company number 05102907

	Notes	As at 31 March 2013 £	As at 31 March 2012 £
Assets			
Non-current assets			
Intangible assets	11	6,553,502	9,369,603
Plant and equipment	13	634,920	598,430
Deferred tax	19	110,348	128,948
Total non-current assets		7,298,770	10,096,981
Current assets			
Inventories	14	913,387	635,771
Trade and other receivables	15	1,253,305	934,773
Corporation tax asset	8	288,801	300,000
Cash and cash equivalents	16	616,612	1,447,405
Total current assets		3,072,105	3,317,949
Total assets		10,370,875	13,414,930
Liabilities			
Current liabilities			
Trade and other payables	17	(1,787,569)	(1,541,839)
Borrowings	18	(64,774)	—
Current tax liabilities		—	(39,133)
Total current liabilities		(1,852,343)	(1,580,972)
Net current assets		1,219,762	1,736,977
Non-current liabilities			
Borrowings	18	(161,871)	—
Deferred tax	19	(450,789)	(535,072)
Total non-current liabilities		(612,660)	(535,072)
Total liabilities		(2,465,003)	(2,116,044)
Total net assets		7,905,872	11,298,886
Capital and reserves attributable to owners of the parent company			
Share capital	20	5,134,170	5,085,352
Share premium reserve	22	20,769,423	19,998,832
Warrant reserve	22	60,000	60,000
Merger reserve	22	6,599,174	6,599,174
Retained earnings	22	(24,385,057)	(20,225,740)
		8,177,710	11,517,618
Non-controlling interest	22	(271,838)	(218,732)
Total equity		7,905,872	11,298,886

These consolidated financial statements were approved and authorised for issue by the Board on 28 June 2013. The notes on pages 24 to 52 form part of these consolidated financial statements.

Stephen Moon

Director

Ian Ford

Director

On behalf of the Board of Provexis plc

Consolidated statement of cash flows

	Notes	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Cash flows from operating activities			
Loss after tax		(4,391,706)	(3,955,488)
Adjustments for:			
Amortisation and impairment	11	3,068,234	1,390,638
Impairment of fixed assets		37,876	—
Depreciation	13	187,712	89,360
Loss on disposal of intangible assets		—	9,872
Loss / (profit) on sale of fixed assets		1,556	(3,631)
Net finance income		(9,132)	(46,111)
Taxation		(255,986)	(328,538)
Share-based payment charge		179,283	141,461
Operating cash outflow before changes in working capital		(1,182,163)	(2,702,437)
Changes in inventories		(338,719)	42,239
Changes in trade and other receivables		(320,590)	81,419
Changes in trade and other payables		245,755	320,426
Total cash outflow from operations		(1,595,717)	(2,258,353)
Tax paid		—	(28,134)
Tax credits received		162,369	121,220
Total cash outflow from operating activities		(1,433,348)	(2,165,267)
Cash flow from investing activities			
Purchase of property, plant and equipment		(263,634)	(458,984)
Proceeds from sale of property, plant and equipment		—	4,750
Purchase of intangible assets		(191,030)	(62,356)
Interest received		12,427	49,762
Acquisition of subsidiary net of cash acquired	10	—	(6,786,036)
Net cash outflow from investing activities		(442,237)	(7,252,864)
Cash flow from financing activities			
Proceeds from issue of share capital		785,447	3,524,694
Expenses paid on share issues		—	(236,919)
Proceeds from borrowings		258,544	—
Repayment of borrowings		(31,924)	—
Proceeds from exercise of share options		36,000	27,000
Interest paid		(3,275)	(744)
Net cash flow from financing activities		1,044,792	3,314,031
Net decrease in cash and cash equivalents		(830,793)	(6,104,100)
Opening cash and cash equivalents	16	1,447,405	7,551,505
Closing cash and cash equivalents	16	616,612	1,447,405

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 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
Share-based charges	—	—	—	—	179,283	179,283	—	179,283
Issue of shares – share options exercised 27 April 2012	4,000	32,000	—	—	—	36,000	—	36,000
Issue of shares – equity financing facility 23 May 2012	13,198	230,504	—	—	—	243,702	—	243,702
Issue of shares – equity financing facility 3 September 2012	31,620	508,087	—	—	—	539,707	—	539,707
Total comprehensive expense for the year	—	—	—	—	(4,338,600)	(4,338,600)	(53,106)	(4,391,706)
At 31 March 2013	5,134,170	20,769,423	60,000	6,599,174	(24,385,057)	8,177,710	(271,838)	7,905,872

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 53 to 57.

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 2013.

There have been no new or amended standards adopted by the Group since the prior financial year.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended 31 March 2013. 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.
- 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 2014.
- IFRS 12 'Disclosures of interests in other entities' is effective from periods commencing on or after 1 January 2014.
- 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 2014.
- Improvements to IFRS 2009-2011 cycle, effective for periods beginning 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.

Phase 1 of IFRS 9 'Financial instruments' was issued in November 2009 and has subsequently been updated and amended. The standard is effective for annual periods commencing on or after 1 January 2015 and has not yet been endorsed for use by the EU. The Group is currently assessing the impact of this standard on its results, financial position and cash flows.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Going concern

The Group's business activities together with the factors likely to affect its future development are set out in the Business Overview on pages 8 to 13. The financial position of the Group, its cash flows and liquidity position are set out in the Financial Review on pages 6 and 7. In addition note 2 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The Group made a loss for the year attributable to owners of the parent of £4,338,600 (2012: £3,873,215) and expects to make a further loss during the year ending 31 March 2014. The total cash outflow from operating activities in the year was £1,433,348 (2012: £2,165,267). At 31 March 2013 the Group had cash balances of £616,612 (2012: £1,447,405).

The directors have prepared projected cash flow information for a period including twelve months from the date of approval of these financial statements on the basis that the demerger of SiS (Science in Sport) Limited and concurrent placing, as further detailed in note 26, will proceed.

The demerger is conditional *inter alia* upon the approval of the Company's shareholders at the General Meeting proposed for 15 July 2013 and the confirmation of the Company's reduction of capital by the Court. It is the directors' current belief and intention that the demerger will proceed as intended and accordingly the going concern basis has been used in preparing the financial statements.

Should the demerger not proceed the Company would be forced to seek further finance, most likely through the Group's existing equity drawdown facility with Darwin or through an equity fundraising with the Company's shareholders, albeit that such funds realised may be insufficient to meet the ongoing working capital requirements of the Group.

Were the demerger not to proceed it may not be appropriate for the directors to prepare the accounts on a going concern basis and adjustments may need to be made accordingly. The directors have concluded that these circumstances represent a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that therefore, if the demerger is not approved, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless after making enquiries, the directors have a reasonable expectation that the demerger will proceed as expected. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual 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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Revenue

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

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

- (i) Exclusivity arrangements and collaboration agreements are recognised as revenue in the accounting period in which the related services, or required activities, are performed or specified conditions are fulfilled in accordance with the terms of completion of the specific transaction.
- (ii) Royalty income relating to the sale by a licensee of licensed product is recognised on an accruals basis in accordance with the substance of the relevant agreement and based on the receipt from the licensee of the relevant information to enable calculation of the royalty due.
- (iii) 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.

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.

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

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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

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.

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.

Website development costs

Website development costs are capitalised to the extent that it is capable of generating direct revenues from enabling orders to be placed. Costs associated with the planning stage are recognised in the Income Statement.

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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Externally acquired intangible assets (continued)

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
Website development costs	5.0	Historic Cost

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

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

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

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Plant and equipment (continued)

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.

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.

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

Cash and cash equivalents

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

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Government grants

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

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.

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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Employee benefits (continued)

(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.

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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Critical accounting estimates and judgements (continued)

(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 21. 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.

The Group prepares and approves formal five year management plans for its operations, which are used in the value in use calculations. In certain cases the fifth year of the management plan is not indicative of the long-term future performance as operations may not have reached maturity. In this case management extends the plan data for a longer period.

(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.

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.

Notes to the consolidated financial statements continued

2. Financial risk management (continued)

2.1 Financial risk factors (continued)

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 £1,787,569 (2012: £1,541,839) as disclosed in note 17.

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 21.

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

3. Segmental reporting

The 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.

Notes to the consolidated financial statements continued

3. Segmental reporting (continued)

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	2013			2012		
	Provexis £	SiS £	Group £	Provexis £	SiS £	Group £
Revenue	37,351	5,522,240	5,559,591	5,779	3,472,083	3,477,862
Underlying operating (loss)/ profit	(1,169,268)	74,331	(1,094,937)	(1,954,680)	(225,682)	(2,180,362)
Intangible asset amortisation and impairment charges	(2,781,499)	(286,735)	(3,068,234)	(1,179,352)	(211,286)	(1,390,638)
Costs of SiS acquisition expensed	—	—	—	(153,163)	—	(153,163)
Restructuring costs	(135,787)	(178,583)	(314,370)	(205,746)	(258,767)	(464,513)
Share-based payment charges	(179,283)	—	(179,283)	(141,461)	—	(141,461)
Loss from operations	(4,265,837)	(390,987)	(4,656,824)	(3,634,402)	(695,735)	(4,330,137)
Net finance income/(expense)	12,407	(3,275)	9,132	46,853	(742)	46,111
Loss before taxation	(4,253,430)	(394,262)	(4,647,692)	(3,587,549)	(696,477)	(4,284,026)
Additions to non-current assets	28,582	487,185	515,767	85,175	7,249,144	7,334,319
Reportable segment assets	880,077	9,490,798	10,370,875	4,503,878	8,911,052	13,414,930
Reportable segment liabilities	(333,672)	(2,131,331)	(2,465,003)	(355,755)	(1,760,289)	(2,116,044)

External revenue by location of customers	2013	2012
	£	£
UK	4,804,440	3,085,147
Europe	679,830	338,634
Rest of the World	75,321	54,081
Revenue	5,559,591	3,477,862

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

Revenues from three customers individually exceed 10% of group revenue, respectively £651,768 (2012: £406,884), £648,988 (2012: £286,690) and £588,760 (2012: £331,770). These major customers purchase 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.

Notes to the consolidated financial statements continued

4. Loss from operations

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Loss from operations is stated after charging:		
Depreciation of plant and equipment	187,712	89,360
Amortisation and impairment of intangible assets	3,068,234	1,390,638
Research and development costs	475,553	761,457
Foreign exchange (gains) / losses	(6,245)	2,414
Costs of acquisition	—	153,163
Restructuring costs	314,370	464,513
Loss on disposal of intangible assets	—	9,872
Loss / (profit) on disposal of property, plant and equipment	1,556	(3,631)
Changes in inventories of finished goods and work in progress	(338,719)	42,239
Grant income	(3,000)	(3,000)
Operating lease costs – land and buildings	157,374	222,441
Equity-settled share based payment expense	179,283	141,461
Defined contribution pension expense	24,903	42,434

Restructuring costs of £135,787 were incurred as part of the closure of the group's R&D facility at the University of Aberdeen, along with other reductions in group administrative headcount. The restructuring costs in 2012 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 £178,583 (2012: £258,767) have been incurred as part of the reorganisation and rebranding of the SiS[®] business.

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

	Chantrey Vellacott DFK		BDO LLP	
	Year ended 31 March 2013 £	Year ended 31 March 2012 £	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Audit services				
Parent company	15,000	—	—	28,000
Subsidiaries	24,500	—	—	46,500
Tax services – compliance				
Parent company	2,500	—	—	4,000
Subsidiaries	6,000	—	—	12,500
Other services				
iXBRL services	2,000	—	—	—
Parent company – share option scheme advice	—	—	—	15,000
Review of interim statement	—	—	5,000	7,000
Corporate finance – due diligence	—	—	—	25,000
Total fees	50,000	—	5,000	138,000

The Group has engaged Chantrey Vellacott DFK LLP to assist the Group with the proposed demerger of SiS (Science in Sport) Limited from the Provexis Group to a new company called Science in Sport plc. Science in Sport plc has engaged Chantrey Vellacott DFK to assist it with the proposed admission of its entire issued and to be issued ordinary share capital to trading on AIM on or around 9 August 2013, as further detailed in note 26.

Further information on the proposed demerger and admission of Science in Sport plc to AIM can be found in the Circular, and Admission to trading on AIM document, which were issued on 28 June 2013. Copies of the Circular and the Admission to trading on AIM document can be downloaded from Provexis plc's website www.provexis.com.

Notes to the consolidated financial statements continued

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 2013	Year ended 31 March 2012
Sales staff	8	5
Manufacturing staff	33	8
Administrative staff	6	12
Research and development staff	4	7
Directors	4	4
	55	36

Their aggregate emoluments were:

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Wages and salaries	1,983,247	1,736,465
Social security costs	197,930	191,772
Other pension and insurance benefits costs	27,361	69,205
Total cash settled emoluments	2,208,538	1,997,442
Accrued holiday pay	(5,066)	42,498
Share-based payment remuneration charge: equity settled	179,283	141,461
Total emoluments	2,382,755	2,181,401

6. Directors' remuneration

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Directors		
Aggregate emoluments	396,490	495,223
Compensation for loss of office	—	91,250
Company pension contributions	16,469	22,309
	412,959	608,782
Share based payment remuneration charge: equity settled	129,540	102,212
Total Directors' emoluments	542,499	710,994

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

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Aggregate emoluments	201,473	188,191
Company pension contributions	10,018	9,362
Share based payment remuneration charge: equity settled	88,087	69,504
Total of the highest paid Director's emoluments	299,578	267,057

During the year, two Directors (2012: four 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 17.

Notes to the consolidated financial statements continued

7. Finance income and costs

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Finance income		
Bank interest receivable	12,407	46,853
	12,407	46,853
Finance costs		
Interest payable on bank loans and overdrafts	190	—
Interest payable on asset loans	3,085	742
	3,275	742

8. Taxation

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Current tax income		
United Kingdom corporation tax – research and development credit	65,740	150,000
Adjustment in respect of prior period		
United Kingdom corporation tax – research and development credit	57,297	—
United Kingdom corporation tax – other adjustments	67,267	—
Total current tax income	190,304	150,000
Deferred tax		
Origination and reversal of temporary differences	65,682	178,538
Tax on loss for the year	255,986	328,538

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 2013 £	Year ended 31 March 2012 £
Loss before tax	4,647,692	4,284,026
Loss before tax multiplied by the standard rate of corporation tax in the UK of 24% (2012: 26%)	1,115,446	1,113,846
Effects of:		
Expenses not deductible for tax purposes	(48,095)	(343,565)
Difference between depreciation and capital allowances	(17,564)	19,432
Other short-term timing differences	(661,853)	(37,930)
Unutilised tax losses and other deductions arising in the year	(255,246)	(479,391)
Additional deduction for R&D expenditure	154,354	221,808
Surrender of tax losses for R&D tax credit refund	(77,692)	(150,000)
Share scheme deduction	35,676	—
Adjustments in respect of prior years	(3,842)	—
Effect of rate change on deferred tax balances	14,802	(15,662)
Total tax credit for the year	255,986	328,538

At 31 March 2013 the Group UK tax losses to be carried forward are estimated to be £17,622,991 (2012: £16,504,434).

The rate change from 24% to 23% had been substantively enacted by the balance sheet date, so deferred tax is provided for at a rate of 23%.

Notes to the consolidated financial statements continued

8. Taxation (continued)

The 2013 Budget confirmed that the main rate of UK corporation tax was to be reduced from 23% to 21% from 1 April 2014, and announced a further reduction to 20% from 1 April 2015.

The 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 further rate reductions, although they will further reduce the company's future current tax charges and reduce the deferred tax assets accordingly.

Income tax asset receivable within one year	31 March 2013 £	31 March 2012 £
Corporation tax recoverable	288,801	300,000
	288,801	300,000

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 90,071,648 share options in issue (2012: 94,071,648) 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 2013	Year ended 31 March 2012
Loss for the year attributable to owners of the parent – £	4,338,600	3,873,215
Weighted average number of shares	1,502,924,005	1,398,837,335
Basic and diluted loss per share – pence	0.29	0.28

Notes to the consolidated financial statements continued

10. 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 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. The assessment was completed in the period ended 24 June 2012 and accordingly the fair values presented are now final.

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. In this context the fair value of inventories acquired was decreased by £61,103 during the year, with a commensurate increase in goodwill.

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 £	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	(94,103)	616,907
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	1,757,326	2,922,610
Goodwill			4,437,991
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 net cost of acquisition			7,299,800

The Company now intends to separate SiS (Science in Sport) Limited from the Proxavis Group by way of a demerger, further details of which are provided in note 26.

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 2012	11,642,165	132,621	1,004,029	180,886	22,480	1,228,696	9,514	14,220,391
Additions	61,103	25,545	—	—	—	—	165,485	252,133
At 31 March 2013	11,703,268	158,166	1,004,029	180,886	22,480	1,228,696	174,999	14,472,524
Amortisation and impairment								
At 1 April 2012	4,603,398	38,546	81,027	20,696	5,745	99,158	2,218	4,850,788
Charge for year	—	—	105,687	26,995	7,493	129,337	17,223	286,735
Impairment	2,661,879	119,620	—	—	—	—	—	2,781,499
At 31 March 2013	7,265,277	158,166	186,714	47,691	13,238	228,495	19,441	7,919,022
Net book value								
At 31 March 2013	4,437,991	—	817,315	133,195	9,242	1,000,201	155,558	6,553,502
At 31 March 2012	7,038,767	94,075	923,002	160,190	16,735	1,129,538	7,296	9,369,603
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

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.

Notes to the consolidated financial statements continued

12. Goodwill and impairment

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. The consolidated balance sheet of the Group includes goodwill relating to two cash generating units (CGUs), Provexis, in respect of Fruitflow[®], and SiS.

The carrying amount of goodwill is allocated to the CGUs as follows:

	Goodwill carrying amount					
	Year ended 31 March 2013			Year ended 31 March 2012		
	£			£		
	Provexis	SiS	Total	Provexis	SiS	Total
At start of year	2,661,879	4,376,888	7,038,767	3,802,685	—	3,802,685
Additions	—	61,103	61,103	—	4,376,888	4,376,888
Impairment charge for year	(2,661,879)	—	(2,661,879)	(1,140,806)	—	(1,140,806)
At end of year	—	4,437,991	4,437,991	2,661,879	4,376,888	7,038,767

Under IAS 36, management must test this goodwill for impairment annually by comparing the carrying value of assets in each CGU with either the 'fair value less costs to sell' or the 'value in use' of the CGU.

The Group determines the recoverable amount of goodwill based on value in use calculations of the cash-generating units to which goodwill has been allocated. The major assumptions used in these calculations are as follows:

	2013		2012	
	Provexis	SiS	Provexis	SiS
	%	%	%	%
Pre-tax discount rate	15.8	13.0	15.8	13.0
Growth rate*	2.0	10.0	2.0	10.0
Growth rate in perpetuity	0.0	3.0	0.0	3.0
Year 1 to 5 growth rate	N/A	15.0	—	—
Gross profit margin	N/A	60.3 to 64.0	—	—

* 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 nine for Provexis (2012: year seven) and year six (2012: year three) for SiS.

Significant judgement is exercised in determining the underlying assumptions used in the impairment review; the assumptions include the discount rate, operating margin and growth rate.

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. 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.

Operating margins are based on past practices and expectations of future changes in the market.

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 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.

Notes to the consolidated financial statements continued

12. Goodwill and impairment (continued)

IAS 36 stipulates that future cash flows shall be estimated for assets in their current condition. Estimates of future cash flows should not include estimated future cash inflows or outflows that are expected to arise from a future restructuring, to which an entity is not yet committed at the balance sheet date.

On 28 June 2013 the Company announced its intention to separate SiS (Science in Sport) Limited from the Provexis Group by way of a demerger, as further detailed in note 26, with a consequent significant reduction in the annual central running costs of the Provexis Group. For the purposes of IAS 36 the proposed demerger amounts to a future restructuring to which an entity is not yet committed, hence the future estimated cash flows of the Provexis CGU do not include the significant annual central cost savings which are expected to result from the demerger.

Using the discount rate and growth rates shown in the table above, and without taking into account the significant annual central cost savings which are expected to result from the demerger, the carrying amount of the Provexis CGU exceeds its recoverable amount, hence a total non cash impairment loss of £2,781,499 has been recognised in the year, as further detailed in note 11. The impairment loss is made up of the existing £2,661,879 carrying value of the Provexis CGU, and the related £119,620 of intangible assets, in respect of previously capitalised intangible development costs.

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 results of the value in use calculations for the CGUs are as follows:

- Provexis exceeds its carrying amount by £NIL (2012: £971,516)
- SiS exceeds its carrying amount by £8,778,687 (2012: £442,581)

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

	Provexis	SiS*
2013	%	%
Pre-tax discount rate	—	increase from 13.0% to 20.9%
Growth rate in perpetuity	—	reduction from 3% to NIL
Year 1 to 5 growth rate	—	reduction from 15% to 9.6%
Gross profit margin	—	reduction from 64% to 53%
2012		
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%

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 2012	219,247	410,395	147,145	11,527	788,314
Additions	11,709	251,925	—	—	263,634
Disposals	—	(3,275)	—	—	(3,275)
At 31 March 2013	230,956	659,045	147,145	11,527	1,048,673
Depreciation					
At 1 April 2012	10,706	90,699	84,270	4,209	189,884
Charge for the year	48,000	109,548	24,999	5,165	187,712
Impairment – site closure	—	—	37,876	—	37,876
Disposals	—	(1,719)	—	—	(1,719)
At 31 March 2013	58,706	198,528	147,145	9,374	413,753
Net book value					
At 31 March 2013	172,250	460,517	—	2,153	634,920
At 31 March 2012	208,541	319,696	62,875	7,318	598,430
	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

The carrying amount of fixtures, fittings, plant and equipment includes an amount of £245,266 (2012: £Nil) in respect of assets held under an asset loan agreement.

Notes to the consolidated financial statements continued

14. Inventories

	31 March 2013	31 March 2012
	£	£
Raw materials	503,093	351,744
Finished goods	410,294	284,027
	913,387	635,771

There is £Nil (2012: £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 £1,746,504 (2012: £1,252,233) were recognised as an expense within cost of sales.

15. Trade and other receivables

	31 March 2013	31 March 2012
	£	£
Amounts receivable within one year:		
Trade receivables	755,106	600,649
Less: provision for impairment of trade receivables	(32,233)	(32,101)
Trade receivables – net	722,873	568,548
Other receivables	124,615	178,571
Total financial assets other than cash and cash equivalents classified as loans and receivables	847,488	747,119
Prepayments and accrued income	405,817	187,654
Total trade and other receivables	1,253,305	934,773

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 2013 of £1,253,305 is £318,532 greater than the prior year due predominantly to an increase in trade receivables and prepayments.

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 2013, £Nil (2012: £476,551) of trade receivables had been sold to a provider of invoice discounting and debt factoring services. The invoice discounting and debt factoring service was cancelled in September 2012.

The Group does not hold any collateral as security.

As at 31 March 2013 trade receivables of £125,319 (2012: £154,902) 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 2013	31 March 2012
	£	£
Up to 3 months	125,319	154,902
	125,319	154,902

As at 31 March 2013 trade receivables of £32,233 (2012: £32,101) were past due and impaired. The amount of the provision as at 31 March was £32,233 (2012: £32,101).

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 2013 £	31 March 2012 £
At beginning of the year	32,101	—
Provided during the year	5,750	32,101
Receivable written off during the year as uncollectible	—	—
Unused amounts reversed	(5,618)	—
	32,233	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 2013 £	31 March 2012 £
Cash at bank and in hand	616,612	1,447,405
	616,612	1,447,405

17. Trade and other payables

	31 March 2013 £	31 March 2012 £
Trade payables	929,939	894,535
Other payables	109,171	43,341
Accruals	680,805	513,377
Total financial liabilities measured at amortised cost	1,719,915	1,451,253
Other taxes and social security	67,654	90,586
Total trade and other payables	1,787,569	1,541,839

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

All amounts shown fall due within one year.

18. Borrowings

	31 March 2013 £	31 March 2012 £
Secured borrowings at amortised cost		
Asset loan agreement at fixed rate	226,645	—
	226,645	—
Amounts due for settlement within 12 months	64,774	—
Amounts due for settlement after 12 months	161,871	—
	226,645	—

The asset loan agreement was provided in September 2012 by HSBC Asset Finance (UK) Limited, and it is secured over plant and equipment acquired by SiS[®] at its Nelson factory. The asset loan agreement is for a four year term, expiring in September 2016, at a fixed interest rate of 3.96%.

Notes to the consolidated financial statements continued

19. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23% (2012: 24%).

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 2013 £	Liability 2013 £	Net 2013 £	(Charged) / credited to profit or loss 2013 £	(Charged) / credited to equity 2013 £
Business combinations	—	(450,789)	(450,789)	84,283	—
Available losses	110,348	—	110,348	(18,600)	—
Net tax assets / (liabilities)	110,348	(450,789)	(340,441)	65,683	—

	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	—

A deferred tax asset of £110,348 (2012: £128,948) 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 £4,030,256 (2012: £4,199,712) have not been recognised on the basis that their future economic benefit is not certain. Assuming a prevailing tax rate of 23% (2012: 24%) when the timing differences reverse, the unrecognised deferred tax asset comprises:

	Year ended 31 March 2013 £	Year ended 31 March 2012 £
Depreciation in excess of capital allowances	23,068	38,846
Other short term timing differences	1,540	7,314
Unutilised tax losses	3,922,672	3,832,116
Share-based payments	82,976	321,436
	4,030,256	4,199,712

Notes to the consolidated financial statements continued

20. 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 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).

Notes to the consolidated financial statements continued

20. 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 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 2012	1,469,832,215	401,724,366	1,871,556,581
Issued on exercise of share options	4,000,000	—	4,000,000
Issued on subscription – equity financing facility	44,818,764	—	44,818,764
At 31 March 2013	1,518,650,979	401,724,366	1,920,375,345

Allotted, called up and fully paid	Ordinary 0.1p shares £	Deferred 0.9p shares £	Total £
At 31 March 2012	1,469,833	3,615,519	5,085,352
Issued on exercise of share options	4,000	—	4,000
Issued on subscription – equity financing facility	44,818	—	44,818
At 31 March 2013	1,518,651	3,615,519	5,134,170

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

Allotted, called up and fully paid	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

Notes to the consolidated financial statements continued

20. Share capital (continued)

Share re-organisation (continued)

During the year ended 31 March 2013 the Company issued ordinary shares of 0.1p each as follows:

Date	Reason for issue	Shares issued	
		£	Number
27.04.12	Exercise of share options	4,000	4,000,000
23.05.12	Share subscription – equity financing facility	13,198	13,197,880
03.09.12	Share subscription – equity financing facility	31,620	31,620,884
		48,818	48,818,764

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

As part of the proposed demerger, detailed in note 26, the directors intend to cancel the deferred shares.

21. 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.

At 31 March 2013 the number of ordinary shares subject to options granted over the 2005 and prior option schemes were:

EMI options

	31 March 2013			31 March 2012	
	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	1.42	—	59,802,021	1.07	51,552,031
Granted during the year	—	—	—	2.80	27,949,990
Exercised during the year	0.90	2.00	(4,000,000)	0.90	(3,000,000)
Cancelled during the year	—	—	—	2.80	(16,700,000)
Outstanding at the end of the year	1.44	—	55,802,021	1.42	59,802,021

Notes to the consolidated financial statements continued

21. Share options (continued)

EMI options (continued)

The exercise price of EMI options outstanding at the end of the year ranged between 0.9p and 6.28p (2012: 0.9p and 6.28p) and their weighted average contractual life was 3.9 years (2012: 6.9 years).

Of the total number of EMI options outstanding at the end of the year, 44,552,031 (2012: 37,385,456) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.09 pence (2012: 1.16 pence).

Unapproved options

	31 March 2013		31 March 2012	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	2.28	34,269,627	1.18	10,919,617
Granted during the year	—	—	2.80	23,350,010
Outstanding at the end of the year	2.30	34,269,627	2.28	34,269,627

The exercise price of unapproved options outstanding at the end of the year ranged between 0.9p and 6.28p (2012: 0.9p and 6.28p) and their weighted average contractual life was 6.9 years (2012: 8 years).

Of the total number of unapproved options outstanding at the end of the year, 10,919,617 (2012: 10,919,617) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.23 pence (2012: 1.18 pence).

Grant of options

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

Tranche	Date of grant	Exercise price	Number of options	Share price at grant date	Expected volatility	Risk free rate	Expected life	Fair value per share under option
		pence		pence			years	pence
1	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 £179,283 (2012: £141,461) 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 20 to the consolidated financial statements.

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

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

Notes to the consolidated financial statements continued

22. 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 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
Loss for the year	—	—	—	(4,338,600)	(4,338,600)	(53,106)	(4,391,706)
Share-based charges	—	—	—	179,283	179,283	—	179,283
Issue of shares – exercise of share options	32,000	—	—	—	32,000	—	32,000
Issue of shares – equity financing facility 23 May 2012	230,504	—	—	—	230,504	—	230,504
Issue of shares – equity financing facility 3 September 2012	508,087	—	—	—	508,087	—	508,087
At 31 March 2013	20,769,423	60,000	6,599,174	(24,385,057)	3,043,540	(271,838)	2,771,702

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 20). 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.

23. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 March 2013 amounted to £24,903 (2012: £42,434). Pension contributions payable but not yet paid at 31 March 2013 totalled £9,057, in respect of pension contribution entitlements where employees had not yet provided details of the funds to which the contributions should be made (2012: £30,474).

Notes to the consolidated financial statements continued

24. Operating lease commitments

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

	31 March 2013	31 March 2012
	£	£
Due within 1 year	189,403	146,456
Due between 1 year and 2 years	151,342	152,500
Due between 2 years and 5 years	186,762	372,500
	527,507	671,456

Operating lease payments primarily 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.

25. 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.

Revenue recognised by the Group under agreements with DSM amounted to £34,351 (2012: £5,779). At 31 March 2013 the Group was owed £23,009 (2012: £5,779) by DSM.

Key management compensation

The Directors represent the key management personnel. Details of their compensation and share options are given in note 6 and within the Remuneration report on pages 14 to 17.

26. Post balance sheet events

On 28 June 2013 the Group announced its intention to separate SiS (Science in Sport) Limited from the Provexis Group. It is proposed that this separation will be effected by way of a demerger of SiS (Science in Sport) Limited to a new company called Science in Sport plc. Science in Sport plc will seek admission of its entire issued and to be issued ordinary share capital to trading on AIM on or around 9 August 2013.

In order to provide ongoing working capital for each of the demerged businesses and to pay the costs associated with the demerger, Science in Sport plc has announced that it has undertaken a conditional placing to raise £2.25 million (before commission and expenses).

The demerger and placing are conditional *inter alia* upon the approval of Provexis plc shareholders at a General Meeting proposed for 15 July 2013, and the subsequent confirmation of the Company's reduction of capital by the Court.

Further information on the proposed demerger and admission of Science in Sport plc to AIM can be found in the Circular, and Admission to trading on AIM document, which were issued on 28 June 2013. Copies of the Circular and the Admission to trading on AIM document can be downloaded from Provexis plc's website www.provexis.com.

Parent company balance sheet

Company number 05102907

	Notes	As at 31 March 2013 £	As at 31 March 2012 £
Fixed assets			
Investments	3	7,035,336	8,151,922
Current assets			
Debtors – due within one year	4	57,962	60,000
Debtors – due after one year	4	1,337,898	5,206,256
Total debtors		1,395,860	5,266,256
Cash and cash equivalents	5	450,591	1,151,476
Total current assets and net current assets		1,846,451	6,417,732
Total assets		8,881,787	14,569,654
Creditors: amounts falling due after more than one year	6	—	(239,896)
Net assets		8,881,787	14,329,758
Capital and reserves			
Share capital	8	5,134,170	5,085,352
Share premium reserve	9	20,769,423	19,998,832
Warrant reserve	9	60,000	60,000
Retained earnings	9	(17,081,806)	(10,814,426)
Equity shareholders' funds	10	8,881,787	14,329,758

These financial statements were approved and authorised for issue by the Board on 28 June 2013.

The notes on pages 54 to 57 form part of these parent company financial statements.

Stephen Moon
Director

Ian Ford
Director

On behalf of the Board of Provexis plc

Notes to the parent company financial statements

1. Accounting policies

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

Going concern

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

Share-based employee remuneration

The Company has no employees however the Company will issue shares to satisfy share awards made by its subsidiary companies. The Company records a management charge equivalent to the fair value of the share-based payment incurred by its subsidiaries as disclosed in note 9.

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.

Post balance sheet events

Details of post balance sheet events relevant to the parent company are included in note 26 to the consolidated financial statements.

2. Profit attributable to shareholders

As permitted by Section 408 of the Companies Act 2006 no separate Company profit and loss account has been included in these financial statements. The Group loss for the year includes a loss after tax of £6,446,663 (2012: £5,091,411) which is dealt with in the financial statements of the Company. The total fees of the Group's auditor, Chantrey Vellacott DFK LLP, for services provided are analysed in note 4 to the consolidated financial statements. Total fees for the year were £15,000 (2012: £28,000 payable to BDO LLP).

The parent company did not have any employees in the year and therefore there were no payroll costs or pension costs (2012: Nil).

Notes to the parent company financial statements continued

3. Investments

	31 March 2013 £	31 March 2012 £
Cost	8,418,255	8,418,255
Provision for impairment	(1,382,919)	(266,333)
Net book value	7,035,336	8,151,922

At 31 March 2013 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 2013 £	31 March 2012 £
Debtors falling due within one year		
Prepayments	57,962	60,000
Total debtors falling due within one year	57,962	60,000
Debtors falling due after one year		
Amounts owed by subsidiaries	1,337,898	5,206,256
Total debtors falling due after one year	1,337,898	5,206,256
Total debtors	1,395,860	5,266,256

5. Cash and cash equivalents

	31 March 2013 £	31 March 2012 £
Cash at bank and in hand	450,591	1,151,476
	450,591	1,151,476

Notes to the parent company financial statements continued

6. Creditors: amounts falling due after one year

	31 March 2013 £	31 March 2012 £
Creditors falling due after one year		
Amounts owed to subsidiaries	—	(239,896)
Total creditors falling due after one year	—	(239,896)

7. Deferred tax

Deferred tax assets amounting to £59,331 (2012: £257,959) 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 2012	1,469,832,215	401,724,366	1,871,556,581
Issued on exercise of share options	4,000,000	—	4,000,000
Issued on subscription – equity financing facility	44,818,764	—	44,818,764
At 31 March 2013	1,518,650,979	401,724,366	1,920,375,345

	Ordinary 0.1p shares £	Deferred 0.9p shares £	Total £
At 31 March 2012	1,469,833	3,615,519	5,085,352
Issued on exercise of share options	4,000	—	4,000
Issued on subscription – equity financing facility	44,818	—	44,818
At 31 March 2013	1,518,651	3,615,519	5,134,170

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

Details of the share subscriptions, share placings, and the shares issued by the Company during the two years ended 31 March 2013 are given in note 20 to the consolidated financial statements.

Details on the share option scheme and share based payment charge for the year are given in note 21 to the consolidated financial statements.

Notes to the parent company financial statements continued

9. Reserves

	Share premium reserve £	Warrant reserve £	Retained earnings £
At 1 April 2012	19,998,832	60,000	(10,814,426)
Retained loss for the year	—	—	(6,446,663)
Share-based charges	—	—	179,283
Issue of shares equity financing facility 23 May 2012	230,504	—	—
Issue of shares equity financing facility 3 September 2012	508,087	—	—
Issue of shares – exercise of share options	32,000	—	—
At 31 March 2013	20,769,423	60,000	(17,081,806)

10. Shareholders' funds

Reconciliation of movement in shareholders' funds.

	31 March 2013 £	31 March 2012 £
Loss for year	(6,446,663)	(5,091,411)
Share-based payment charge (note 21)	179,283	141,461
Shares issued during the year	48,818	273,316
Premium on shares issued	770,591	3,076,795
Reduction of premium on share issue	—	—
Warrants cancelled on renewal of EFF 8 November 2011	—	(103,593)
Warrants issued on renewal of EFF 8 November 2011	—	60,000
Net decrease in shareholders' funds	(5,447,971)	(1,643,432)
Opening shareholders' funds	14,329,758	15,973,190
Closing shareholders' funds	8,881,787	14,329,758

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 Provoxis plc on the grounds that 100% of the voting rights of the Company are controlled within that Group.

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

Provoxis plc wholly owns Provoxis Nutrition Limited, SiS (Science in Sport) Limited and Provoxis Natural Products Limited. Provoxis Nutrition Limited, Provoxis Natural Products Limited, SiS (Science in Sport) Limited and Provoxis (IBD) Limited are under the common control of Provoxis plc.

The Company did not trade with Provoxis (IBD) Limited during the year ended 31 March 2013 (2012: Nil). At 31 March 2013 the Company was owed £5,509 by Provoxis (IBD) Limited (31 March 2012: owed £5,509).

Provoxis (IBD) Limited does not have a bank account, and all its cash accounting transactions during the year were processed by Provoxis plc and Provoxis Natural Products Limited ("Provoxis group companies"). Amounts transacted by Provoxis (IBD) Limited with Provoxis group companies are charged through inter company accounts and the net amount transacted during the year was £212,426 (2012: £329,091). Provoxis (IBD) Limited owed Provoxis group companies and Provoxis Nutrition limited a total of £1,968,110 at 31 March 2013 (31 March 2012: owed £1,755,684). Provisions of £1,968,110 (2012: £1,755,684) have been recognised in the accounts of Provoxis group companies and Provoxis Nutrition Limited.

Details of a related party transaction with DSM are given in note 25 to the consolidated financial statements.

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 K Rietveld
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	Chantrey Vellacott DFK LLP Prospect House Queens Road Reading Berkshire RG1 4RP