Provexis plc

Annual report and accounts 2017

Company number 05102907

Contents

About Provexis

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

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

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

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

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

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

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

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

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

Key highlights

Key highlights

- Total revenue for the year £228k, a 148% year on year increase (2016: £92k).

- The Company and its commercial partner DSM have seen an encouraging increase in brand awareness and customer interest in Fruitflow® in recent months; the total projected annual sales value of the prospective sales pipeline for Fruitflow now stands at a new all-time high level.

- Strategic collaboration agreement announced in November 2016 for Fruitflow® between DSM and BY-HEALTH, a £2bn listed Chinese dietary supplement business.

- MOU for a research and collaboration agreement announced in April 2017 for Fruitflow® between the Company and BY-HEALTH, focusing on BY-HEALTH's research programme into the development of new products that contribute to cardiovascular health; BY-HEALTH plans to launch a number of Fruitflow® based products in the Chinese market, first launch envisaged in the second half of 2017.

- Launch and encouraging initial progress of the Company's Fruitflow® + Omega-3 dietary supplement product, which is expected to provide the Company with an additional long term income and profit stream. Listing with Amazon.co.uk secured in June 2017, further UK sales channel opportunities are currently being progressed to include listings with some major UK retailers; international sales channel opportunities in North America and elsewhere are being explored.

- Planned formulation and launch of a Fruitflow® + nitrates dietary supplement product which will be supported by the Company's strong patent position in this area.

- Second stage of the Company's blood pressure pilot study for Fruitflow® announced, indicating that Fruitflow® significantly lowered blood pressure in waking subjects; encouraging blood pressure results will be published in a scientific study which is expected to have a positive effect on current and future commercial negotiations for Fruitflow®.

- Fruitflow® comparison study with aspirin published in the European Journal of Clinical Nutrition, providing strong support for the use of Fruitflow® in the primary prevention of cardiovascular disease.

- Further detailed scientific study for Fruitflow® published in the European Journal of Nutrition, further study publications are envisaged.

- Company raised £249k through two placings in August and September 2016, and it raised a further £672k through two placings in May and August 2017.

Key financial results

- Total revenue for the year £228k, a 148% increase relative to the prior year (2016: £92k);

- Underlying operating loss* reduced to £382k (2016: £385k), a record low for the Group, reflecting increasing revenues set against the Group's low overhead licensing business model.

- Statutory operating loss from operations £426k (2016: £455k); statutory loss attributable to owners of the parent £380k (2016: £410k). These results are after charging a £44k (2016: £70k) non-cash share based payment charge.

- Cash balance at 31 March 2017 £12k (2016: £190k), cash of £672k raised in May and August 2017, after the year end, via a two stage placing.

- Basic loss per share from continuing operations 0.02p (2016: 0.03p).

*before share based payments of £44k (2016: £70k), as set out on the face of the Consolidated Statement of Comprehensive Income

Chairman's statement

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

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

The Company and DSM have seen an encouraging increase in brand awareness and customer interest in Fruitflow® in recent months, and the total projected annual sales value of the prospective sales pipeline for Fruitflow® has continued to increase, now standing at a new all-time high level.

Revenues for the year were £228k (2016: £92k), a 148% increase relative to the prior year.

Revenues accruing to the Company for the year from its profit sharing Alliance for Fruitflow® were £153k, a 66% year on year increase (2016: £92k).

The Company launched its Fruitflow® + Omega-3 dietary supplement product in late June 2016 and in its nine months on sale the product achieved sales of £29k for the financial year to 31 March 2017 through the new e-commerce website www.fruitflowplus.com.

The balance of revenue recognised in the period reflects amounts of £46k (2016: £Nil) received for marketing support; the related marketing expenditure is included as part of administrative costs.

The underlying operating loss for the year was reduced to £382k (2016: £385k), a record low for the Group, reflecting increasing revenues set against the Group's low overhead licensing business model.

Fruitflow®

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

- An increase in DSM's underlying revenues for Fruitflow®, which are primarily denominated in Euros. DSM's total revenues for Fruitflow® for the year ended 31 March 2017 grew by 26% year on year, reflecting strong interest in Fruitflow® and the success of the powder format which is being used in an increasing number of new product launches;
- An improvement in underlying trading margins, supported by continuing efforts to reduce the production costs of Fruitflow® powder as manufacturing volumes increase.

Further year on year sales growth has been realised in the quarter to June 2017.

MOU for a research and development collaboration with By-Health Co., Ltd for Fruitflow®

In April 2017 the Company announced that it had entered into a memorandum of understanding with BY-HEALTH Co., Ltd, a £2bn listed Chinese dietary supplement business, which is intended to result in a research and collaboration agreement with BY-HEALTH for Fruitflow®.

The Company also confirmed separately that Provexis and DSM were working with BY-HEALTH to support the planned launch of some Fruitflow® based products in the Chinese market, with the first launch envisaged in the second half of 2017.

The proposed research and collaboration agreement between the Company and BY-HEALTH is intended to focus on BY-HEALTH's research programme into the development of new products that contribute to cardiovascular health, particularly in the field of blood pressure regulation, and it is intended to include a clinical trial which will be conducted in China. It is envisaged that the Company, BY-HEALTH and a third party Chinese research organisation will sign the research and collaboration agreement later this year, with the bulk of the research programme to be completed in 2018.

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

Chairman's statement

In November 2016 the Company announced that its Alliance partner for Fruitflow®, DSM, had entered into a strategic collaboration agreement for Fruitflow® with BY-HEALTH focussing on the development of new products that contribute to cardiovascular health, to include evaluation and testing procedures to accord with Chinese technical and regulatory standards.. The MOU announced by the Company in April 2017 is in support of this existing collaboration, whilst ensuring that the Company retains and strengthens its intellectual property holdings.

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

Fruitflow® + Omega-3 dietary supplement product

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

Fruitflow® + Omega-3 is a two-in-one supplement in an easy to take capsule, supporting healthy blood flow and normal heart function, and it achieved sales of £29k in the nine month period from its launch to the end of the Company's financial year on 31 March 2017.

In June 2017 the Company secured a listing for the product with Amazon.co.uk. Further UK sales channel opportunities are currently being progressed to include listings with some major UK retailers, and the Company is seeking to launch the product online into wider international markets to include North America.

The rate of sales for the product has increased since the Company's 31 March 2017 year end, aided recently by the Amazon listing, and the Company is seeking to achieve further revenue growth in the 2017/18 financial year, supported by some limited and carefully targeted marketing and with continuing support from DSM.

In May 2014 US Food and Drug Administration issued some guidance concerning the use of low dose Aspirin, stating that after carefully examining scientific data from major studies it has concluded 'the data do not support the use of aspirin as a preventive medication by people who have not had a heart attack, stroke or cardiovascular problems, a use that is called 'primary prevention.' In such people, the benefit has not been established but risks - such as dangerous bleeding into the brain or stomach - are still present.' The Company believes that this guidance remains a particularly strong opportunity for Fruitflow® in North America.

Fruitflow® + nitrates dietary supplement product

In December 2013 British and international patent applications were filed for the use of Fruitflow® in mitigating exercise-induced inflammation and for promoting recovery from intense exercise, seeking to enhance further the potential of the technology in the sports nutrition sector. The patent was granted by the UK IPO on 3 May 2017, and patents are being sought in Europe, the US, China and ten other territories. The patent application has now entered the national phase, with potential patent protection out to December 2033.

The Company is keen to progress the formulation and launch of a Fruitflow® + nitrates dietary supplement product which would be supported by the Company's strong patent position in this area. The product would have anti-inflammatory and circulation benefits for athletes seeking to recover after exercise, properties which would also be potentially beneficial to a wide range of other consumers to include people suffering from the symptoms of basic ageing.

Fruitflow® and Fruitflow® + Omega-3 marketing initiatives

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

Scientific studies

On 23 November 2016 the Company announced the publication of an important study for Fruitflow® in the European Journal of Clinical Nutrition.

Chairman's statement

The study, titled 'A randomised controlled trial comparing a dietary antiplatelet, the water-soluble tomato extract Fruitflow®, with 75mg aspirin in healthy subjects' was undertaken by Provexis with independent statistical analysis by BIOSS, and it compared the effects of Fruitflow® and 75mg aspirin. Interactions between Fruitflow® and aspirin when consumed together were also studied. A total of 47 healthy subjects completed the trial over a 7-month period.

The study, which is available to view on the Company's website at www.provexis.org/wp-content/uploads/2016/12/EJCN-Aspirin-Fruitflow-study-23-Nov-16.pdf demonstrates that Fruitflow® showed up to 30% reduction from baseline platelet aggregation in each of three different biological pathways, while a single dose of aspirin caused up to 60% reduction in a single pathway, with lesser effects on the other two. The study showed no negative interactions between Fruitflow® and aspirin when consumed together. The study findings are statistically significant and serve to demonstrate the potential effectiveness of Fruitflow® as a dietary supplement with a significant effect on blood flow, suitable for daily use in primary prevention of CVD, and with no adverse side effects.

The World Health Organization reports that more people die annually from CVDs than from any other cause.

On 12 July 2016 the Company announced the publication of another important study for Fruitflow® in the European Journal of Nutrition. The study, titled 'Fruitflow®: the first European Food Safety Authority-approved natural cardio-protective functional ingredient' includes a scientific summary of the entire Fruitflow® project from its inception and it is expected to be a significant opportunity to promote Fruitflow® further across scientific, trade customer and consumer channels. The study is available to view on the Company's website at www.provexis.org/wp-content/uploads/2017/03/Fruitflow-the-first-European-Food-Safety-Authority-approved-natural-cardio-protective-functional-ingredient-07-Jul-16.pdf.

It is envisaged that further study publications for Fruitflow® will be submitted to appropriate scientific journals in due course, to include a study concerning the Company's successful pilot blood pressure study for Fruitflow® which indicated that Fruitflow® significantly lowered blood pressure in waking subjects.

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

The roundtable was focussed on raising awareness of the importance of blood flow in cardiovascular health, and the effectiveness of dietary antiplatelets, and it was attended by key scientists from Provexis and DSM, along with a number of interested health care professionals with close links to the national media. The event was recorded and a video for Fruitflow® + Omega-3 capsules targeting prospective consumers can be seen here www.youtube.com/watch?v=P3HCSdyupEY&t=71s.

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

Digital marketing strategy
A digital marketing strategy, strongly supported by DSM, has also been implemented, seeking to drive and optimise online leads and sales for the Company's Fruitflow® + Omega-3 capsules. The capsules have been promoted across key social media and other search platforms to include DSM's key digital communities and channels.

World Thrombosis Day - 13 October 2017
The Company has recently partnered with World Thrombosis Day (WTD) www.worldthrombosisday.org , a collaborative event which takes place every year on 13 October seeking to increase global awareness of thrombosis, including its causes, risk factors, signs/symptoms and evidence-based prevention and treatment. WTD strives to reduce death and disability caused by the condition, an objective which is shared by the Company and well supported by its Fruitflow® business.

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

Chairman's statement

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

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

The Company and the University completed the second stage of the collaboration work in December 2016, which had seen the parties conduct a small clinical trial in Oslo by way of a proof of principle study. The study examined the acute effects of different amounts of Fruitflow® in powder format on parameters relating to blood pressure, such as systolic and diastolic blood pressure, mean arterial pressure, pulse pressure and heart rate. The trial subjects, who were healthy with no underlying cardiovascular disease or other conditions likely to affect blood pressure, received both placebo and Fruitflow® supplements in a blinded crossover design.

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

The encouraging results from the pilot study will be published in a scientific paper which is expected to have a positive effect on current and future commercial negotiations for Fruitflow®.

Raised blood pressure is estimated to cause more than 7 million premature deaths throughout the world each year, and 4.5% of the disease burden. Treating raised blood pressure by way of achieving systolic blood pressure < 140 and diastolic blood pressure < 80 has been associated with a 35-40% reduction in the risk of stroke and at least a 16% reduction in the risk of heart attack (WHO 2007). The pilot study results therefore show that Fruitflow® may have clinically relevant effects in blood pressure control.

The University of Oslo's research team was led by Professor Asim Duttaroy, Group Leader of Chronic Disease at the Faculty of Medicine, who was the original inventor of Fruitflow®. Provexis' work under the collaboration was led by Dr Niamh O'Kennedy, a research chemist specialising in the field of natural products chemistry who played a key role in the development of Fruitflow®, and the health claim for Fruitflow® which was adopted by the European Food Safety Authority ('EFSA').

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

In December 2013 British and international patent applications were filed for the use of Fruitflow® in mitigating exercise-induced inflammation and for promoting recovery from intense exercise, and as indicated above the patent was granted by the UK IPO on 3 May 2017. Patents are being sought in Europe, the US, China and ten other territories, with the patent application now having entered the national phase, with potential patent protection out to December 2033.

The Company's patent application for Fruit Extracts, relating to part of the production process for Fruitflow®, was granted by the European Patent Office on 11 January 2017, with the patent application also now having entered the national phase across larger global territories, with potential patent protection out to November 2029.

Chairman's statement

Crohn's disease intellectual property
The Group continues to maintain the Crohn's disease intellectual property registered in Provexis (IBD) Limited, a company which is 75% owned by Provexis plc and 25% owned by The University of Liverpool. The Group continues to investigate further options for the Crohn's disease project, seeking to maximise its value.

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

The Company raised £249k through a two stage placing in August and September 2016, and it raised a further £672k through a two stage placing in May and August 2017.

The Company highly values its private investor base and it was pleased to be able to provide private investors with an opportunity to participate in the August 2017 placing at 0.50 pence per share through the PrimaryBid.com platform; the placing received a strong response from investors via the platform.

The funds raised from these placings will be used to provide the Company with additional working capital to support its revenue growth plans over the coming years, they have also considerably strengthened the Group's balance sheet.

The Company intends to hold its Annual General Meeting at TLT LLP, 20 Gresham Street, London EC2V 7JE at 2:00pm on 3 October 2017.

Outlook
We are pleased to be able to report a 148% year on year increase in revenue for the year ended 31 March 2017, along with other significant progress for the Company to include:

- The encouraging increase in brand awareness and customer interest in Fruitflow® which the Company and DSM have seen in recent months, with the total projected annual sales value of the prospective sales pipeline for Fruitflow® now standing at a new all-time high level;
- The strategic collaboration agreement for Fruitflow® between DSM and Chinese listed BY-HEALTH, and the related announcement by the Company confirming that it had entered into an MOU with BY-HEALTH for a research and collaboration agreement for Fruitflow®;
- The planned launch by BY-HEALTH of some Fruitflow® based products in the Chinese market, with the first launch envisaged in the second half of 2017;
- The launch and encouraging initial progress of the Company's Fruitflow® + Omega-3 dietary supplement product, which is expected to provide the Company with an additional long term income and profit stream;
- The planned formulation and launch of a Fruitflow® + nitrates dietary supplement product which will be supported by the Company's strong patent position in this area;
- The second stage of the Company's blood pressure pilot study for Fruitflow® which indicated that Fruitflow® significantly lowered blood pressure in waking subjects;
- The Fruitflow® comparison study with aspirin published in the European Journal of Clinical Nutrition, providing strong support for the use of Fruitflow® in the primary prevention of cardiovascular disease, and the detailed scientific study for Fruitflow® which was published in the European Journal of Nutrition in July 2016;
- The strong support which the company has received from investors in relation to subscriptions to raise further working capital for the Company, to include a PrimaryBid.com element.

The Company expects that these strongly positive announcements and initiatives will have a beneficial effect on the current and future commercial prospects for Fruitflow®. The Company is well placed to maximise the commercial opportunities arising from these developments for Fruitflow® and the Provexis business, and remains positive about the outlook for the business for the coming year and beyond.

Dawson Buck
Chairman
7 September 2017

Strategic report

The strategic report should be read in conjunction with the Chairman's statement on pages 3 to 7, the Group's financial statements and the Notes to the Group's financial statements set out on pages 25 to 48.

Group strategy

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

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

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

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

The Group's strategic priority is to focus on developing revenues from the Fruitflow® business together with the Group's Alliance partner DSM, whilst also managing the relationship with DSM.

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

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

Market opportunity

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

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

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

Strategic report

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

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

On 29 June 2016 the Company announced the launch of its Fruitflow® + Omega-3 dietary supplement product, which was sold initially from a separate, dedicated website www.fruitflowplus.com on a mail order basis. The product also has a Facebook page at www.facebook.com/FruitflowPlus

Fruitflow® + Omega-3 is a two-in-one supplement in an easy to take capsule, supporting healthy blood flow and normal heart function, and it achieved sales of £29k in its initial nine month launch period from 29 June 2016 to 31 March 2017.

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

In July 2017 the Company announced that it had secured a listing with Amazon.co.uk for the Company's Fruitflow® + Omega-3 dietary supplement product; further sales channel opportunities for the product are currently being explored.

The Group's total revenue for the year ended 31 March 2017 was £228k, an increase of 148% relative to the prior year (2016: £92k).

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

- An increase in DSM's underlying revenues for Fruitflow®. DSM's total revenues for Fruitflow® for the year ended 31 March 2017, which are denominated in Euros, grew by 26% year on year;
- An improvement in underlying trading margins, aided by continuing efforts to reduce the production costs of Fruitflow® in liquid and powder form as manufacturing volumes increase;
- Amounts in excess of £45k (2016: £Nil) received for marketing support; the related marketing expenditure is included as part of administrative costs, and it forms the largest element of the increase in administrative costs for the year.
- Revenue from the Company's Fruitflow® + Omega-3 product, which achieved sales of £29k in its initial nine month launch period from 29 June 2016 to 31 March 2017.

Underlying operating loss
Underlying operating loss has reduced by 0.8% to £382k (2016: £385k), reflecting continued progress with Fruitflow® and the Group's ongoing low overhead strategy.

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

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

Research and development costs
Research and development costs have reduced by 2.6% to £187k (2016: £192k), reflecting reduced expenditure on the Company's two stage collaboration agreement with the University of Oslo into the relationship between Fruitflow® and blood pressure regulation.

Strategic report

Taxation
A current tax credit of £14,445 (2016: £11,980), primarily in respect of research and development tax credits has been recognised in the financial statements. The tax credit claim for the year ended 31 March 2015 totalling £5,408 was paid to the Group in April 2016, and the tax credit claim for the year ended 31 March 2016 totalling £13,105 was paid to the Group in April 2017.

Results and dividends
The loss attributable to equity holders of the parent for the year ended 31 March 2017 was £380,087 (2016: £409,569) and the basic loss per share was 0.02p (2016: 0.03p).

The directors are unable to recommend the payment of a dividend (2016: £Nil).

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

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

A resolution was not put to the 2014 Annual General Meeting in connection with section 656 and it was noted that the Directors' view in August 2014 was that the most appropriate course of action was to continue to maintain tight control over the running costs of the Company and to wait for revenues from its core Fruitflow® product to increase.

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

The annual financial statements of the Company for the year ended 31 March 2017 and the report of the Directors thereon include a going concern statement which concludes that based on the level of existing cash, projected income and expenditure, and excluding the potential additional sources of funding, the directors are satisfied that the Company and the Group have adequate resources to continue in business for a period of more than twelve months from the date of approval of the financial statements. If the potential additional sources of funding are taken into account, the directors are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. Accordingly the going concern basis has been used in preparing the financial statements

It remains the Directors' view on 7 September 2017 that the most appropriate course of action in respect of section 656 is to continue to seek to maximise the commercial returns that can be achieved from the Company's Fruitflow® technology, and continue to maintain very tight control over the running costs of the Company.

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

In June 2015 the Company joined PrimaryBid.com (www.primarybid.com), an online platform dedicated to equity crowdfunding for AIM-listed companies which is further detailed in note 16; as a result of the Company joining PrimaryBid.com the Company's existing 10 September 2013 Equity Financing Facility with Darwin Strategic Limited was cancelled.

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

Capital structure and funding (continued)
On 2 August 2016 the Group announced it had raised proceeds of £224,000 via the placing of 93,333,340 new ordinary shares of 0.1p each at a gross 0.24p per share with investors, with no commissions or expenses payable. The placing shares were admitted to AIM on 8 August 2016.

On 2 August 2016 as part of the placing announcement the Group also announced that the Company's Chairman Dawson Buck had given a stated intention to subscribe to 10,416,667 shares at a subscription price of 0.24p totalling £25,000, with his formal commitment to and payment for the subscription to take effect in September 2016 immediately after publication of the Company's annual report and accounts. On 15 September 2016, after the publication of the Company's 2016 annual report and accounts, the Company duly announced it had raised £25,000 via a placing of 10,416,667 new ordinary shares of 0.1p each at 0.24p per share with the Company's Chairman Dawson Buck with no commissions or expenses payable. The shares were admitted to AIM on 22 September 2016.

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

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

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

The Group made a loss for the year of £411,086 (2016: £440,731) and expects to make a further loss during the year ending 31 March 2018. The total cash outflow from continuing operations in the year was £430,302 (2016: £366,099). At 31 March 2017 the Group had cash balances of £12,349 (2016: £189,636).

On 4 June 2015 the Group announced it had joined PrimaryBid.com (www.primarybid.com), an online platform dedicated to equity crowdfunding for AIM-listed companies which is further detailed in note 16.

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

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

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

The Group has access to future equity financings, either through the Group's existing PrimaryBid.com platform or through a separate equity fundraising with the Company's shareholders, as potential additional sources of funding.

Based on the level of existing cash, projected income and expenditure, and excluding the potential additional sources of funding, the directors are satisfied that the Company and the Group have adequate resources to continue in business for a period of more than twelve months from the date of approval of the financial statements. If the potential additional sources of funding are taken into account, the directors are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future.

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

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

The table below shows the Group's underlying operating loss from continuing operations for the two years ended 31 March 2017:

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Underlying operating loss	**382,287**	385,210

The trading results are further detailed in this strategic report on pages 8 to 15.

The table below shows the Group's cash position at 31 March 2017 and 31 March 2016:

	31 March 2017	31 March 2016
	£	£
Cash and cash equivalents	**12,349**	189,636

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 £177,287 reduction in cash and cash equivalents during the financial year is primarily the result of the operating cash outflows arising during the year, as further detailed in the consolidated statement of cash flows on page 27.

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

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

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

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

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

Principal risks and uncertainties (continued)

Early stage of operations

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

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

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

Commercialisation

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

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

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

Profitability depends on the success and market acceptance of Fruitflow®

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

Limited product offering

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

Intellectual property protection

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

Principal risks and uncertainties (continued)

Intellectual property protection (continued)

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

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

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

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

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

Future development

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

Other statutory disclosures

Directors

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

Employees

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

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

Strategic report

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

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

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

Ian Ford
Secretary
7 September 2017

Directors' report

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

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

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

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

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

Executive Directors
C D Buck
I Ford

Non-executive Directors
K Rietveld

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

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

The Group has access to future equity financings, either through the Group's existing PrimaryBid.com platform or through a separate equity fundraising with the Company's shareholders, as potential additional sources of funding.

Based on the level of existing cash, projected income and expenditure, and excluding the potential additional sources of funding, the directors are satisfied that the Company and the Group have adequate resources to continue in business for a period of more than twelve months from the date of approval of the financial statements. If the potential additional sources of funding are taken into account, the directors are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future.

Accordingly the going concern basis has been used in preparing the financial statements. Further detail with regards to the consideration of going concern can be found in the strategic report on pages 8 to 15.

Directors' report

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

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

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

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

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

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

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

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

Directors' report

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

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

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

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

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

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

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

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

The independence of the auditors is considered by the Audit Committee. The Audit Committee meets at least once per calendar year with the auditors to discuss their objectivity and independence, the Annual Report, any audit issues arising, internal control processes and any other appropriate matters. As well as providing audit related services, the auditors provide taxation compliance and advisory services and iXBRL compliance services and undertake work in relation to the interim report. The fees in respect of the non-audit services provided are £7,000 for the year ended 31 March 2017 (2016: £7,000).

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

Directors' report

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

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

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

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

By order of the Board

Ian Ford
Secretary
7 September 2017

Remuneration report

Remuneration Committee: composition and terms of reference

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

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

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

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

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

Policy on Executive Directors' remuneration

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

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

Service contracts

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

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

Gains made on exercise of directors' share options

No directors' share options were exercised during the year (2016: Nil).

Remuneration report

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

	Salary and directors' fees	Benefits in kind	Pension	Total	Total
	Year ended 31 March 2017				Year ended 31 March 2016
	£	**£**	**£**	**£**	£
Executive Directors					
C D Buck	76,008	-	-	76,008	76,008
I Ford	96,000	-	-	96,000	88,002
Non-executive Directors					
K Rietveld	-	-	-	-	-
	172,008	-	-	172,008	164,010

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

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

	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Executive Directors		
C D Buck	**-**	23,262
I Ford	**-**	23,262
Non-executive Directors		
K Rietveld	**-**	-
	-	46,524

Directors' interests in shares	**Ordinary shares of 0.1 pence each**	Ordinary shares of 0.1 pence each
	Beneficial interests	
	31 March 2017	1 April 2016
C D Buck	**25,416,667**	15,000,000
I Ford	**5,000,000**	5,000,000
	30,416,667	20,000,000

Other than as shown in the table and as further disclosed in respect of share options in note 17, no director had any interest in the shares of the Company or its subsidiary companies at 31 March 2017.

Remuneration report

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

The share options held by the directors and not exercised at 31 March 2017 are summarised below.

	31 March 2017	31 March 2016
C D Buck	**7,000,000**	7,000,000
I Ford	**25,000,000**	25,000,000
	32,000,000	32,000,000

The unapproved share options at 31 March 2017 of the directors who served during the year are set out below:

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

The EMI share options at 31 March 2017 of the directors who served during the year are set out below:

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

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

Independent auditor's report to the members of Provexis plc

TO THE MEMBERS OF PROVEXIS PLC

We have audited the financial statements of Provexis plc for the year ended 31 March 2017 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 statement of financial position, the parent company statement of changes in equity and related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the parent company 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 parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2017 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Neil Tustian *(Senior Statutory Auditor)*
For and on behalf of Moore Stephens LLP, Statutory Auditor
58 Queens Road
Reading
Berkshire
RG1 4RP

7 September 2017

Consolidated statement of comprehensive income

	Notes	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Revenue	1,3	**227,618**	91,649
Cost of goods		**(9,533)**	-
Gross profit		**218,085**	91,649
Selling and distribution costs		**(11,333)**	-
Research and development costs	4	**(187,163)**	(192,236)
Administrative costs		**(446,010)**	(354,892)
Underlying operating loss		**(382,287)**	(385,210)
Share based payment charges	17	**(44,134)**	(70,269)
Loss from operations	4	**(426,421)**	(455,479)
Finance income	7	**890**	2,768
Loss before taxation		**(425,531)**	(452,711)
Taxation	8	**14,445**	11,980
Loss and total comprehensive expense for the year		**(411,086)**	(440,731)
Attributable to:			
Owners of the parent		**(380,087)**	(409,569)
Non-controlling interest		**(30,999)**	(31,162)
Loss and total comprehensive expense for the year		**(411,086)**	(440,731)
Loss per share to owners of the parent			
Basic - pence	9	**(0.02)**	(0.03)
Diluted - pence	9	**(0.02)**	(0.03)

Consolidated statement of financial position

Company number 05102907	Notes	**As at 31 March 2017 £**	As at 31 March 2016 £
Assets			
Current assets			
Inventories	12	**32,450**	-
Trade and other receivables	13	**86,976**	49,561
Corporation tax asset	8	**26,425**	17,388
Cash and cash equivalents		**12,349**	189,636
Total current assets		**158,200**	256,585
Total assets		**158,200**	256,585
Liabilities			
Current liabilities			
Trade and other payables	14	**(133,314)**	(113,747)
Total current liabilities		**(133,314)**	(113,747)
Net current assets		**24,886**	142,838
Total liabilities		**(133,314)**	(113,747)
Total net assets		**24,886**	142,838
Capital and reserves attributable to owners of the parent company			
Share capital	16	**1,750,818**	1,647,068
Share premium reserve	18	**16,648,471**	16,503,221
Warrant reserve	18	**26,200**	26,200
Merger reserve	18	**6,599,174**	6,599,174
Retained earnings	18	**(24,561,989)**	(24,226,036)
		462,674	549,627
Non-controlling interest	18	**(437,788)**	(406,789)
Total equity		**24,886**	142,838

These consolidated financial statements were approved and authorised for issue by the Board on 7 September 2017. The notes on pages 29 to 48 form part of these consolidated financial statements.

Ian Ford
Director - On behalf of the Board of Provexis plc

Consolidated statement of cash flows

	Notes	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Cash flows from operating activities			
Loss after tax		**(411,086)**	(440,731)
Adjustments for:			
Profit on sale of fixed assets	4	**(3,000)**	-
Finance income		**(890)**	(2,768)
Taxation	8	**(14,445)**	(11,980)
Share-based payment charge		**44,134**	70,269
Changes in inventories		**(32,450)**	-
Changes in trade and other receivables		**(37,540)**	3,623
Changes in trade and other payables		**19,567**	(334)
Net cash flow from operations		**(435,710)**	(381,921)
Tax credits received		**5,408**	15,822
Total cash flow from operating activities		**(430,302)**	(366,099)
Cash flow from investing activities			
Proceeds from sale of fixed assets		**3,000**	-
Interest received		**1,015**	2,932
Total cash flow from investing activities		**4,015**	2,932
Cash flow from financing activities			
Proceeds from issue of share capital	16	**249,000**	267,400
Total cash flow from financing activities		**249,000**	267,400
Net decrease in cash and cash equivalents		**(177,287)**	(95,767)
Opening cash and cash equivalents		**189,636**	285,403
Closing cash and cash equivalents		**12,349**	189,636

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 2015	**1,584,846**	**16,298,043**	**26,200**	**6,599,174**	**(23,886,736)**	**621,527**	**(375,627)**	**245,900**
Share-based charges	-	-	-	-	70,269	70,269	-	70,269
Issue of shares - PrimaryBid placing 9 July 2015	62,222	205,178	-	-	-	267,400	-	267,400
Total comprehensive expense for the year	-	-	-	-	(409,569)	(409,569)	(31,162)	(440,731)
At 31 March 2016	**1,647,068**	**16,503,221**	**26,200**	**6,599,174**	**(24,226,036)**	**549,627**	**(406,789)**	**142,838**
Share-based charges	-	-	-	-	44,134	44,134	-	44,134
Issue of shares - placing 8 August 2016	93,333	130,667	-	-	-	224,000	-	224,000
Issue of shares - placing 22 September 2016	10,417	14,583	-	-	-	25,000	-	25,000
Total comprehensive expense for the year	-	-	-	-	(380,087)	(380,087)	(30,999)	(411,086)
At 31 March 2017	**1,750,818**	**16,648,471**	**26,200**	**6,599,174**	**(24,561,989)**	**462,674**	**(437,788)**	**24,886**

Notes to the consolidated financial statements

1. Accounting policies

General information

Provexis plc is a public limited company incorporated and domiciled in the United Kingdom (registration number 05102907). The address of the registered office is Prospect House, Queens Road, Reading, Berkshire RG1 4RP, UK. The functional and presentational currency is pounds sterling and the financial statements are rounded to the nearest £1.

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

Basis of preparation

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

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

The accounting policies set out below have been applied to all periods presented in these Group financial statements and are in accordance with IFRS, as adopted by the European Union, and International Financial Reporting Interpretations Committee ('IFRIC') interpretations that were applicable for the year ended 31 March 2017.

These accounting policies are consistent with those applied in the year ended 31 March 2016, as amended to reflect any new Standards, amendments to Standards and interpretations which are mandatory for the year ended 31 March 2017.

The Group has adopted the appropriate new interpretations and revised Standards effective for the year ended 31 March 2017, which have not had a material impact on the disclosures and presentation of the financial statements.

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

- Amendments to IAS 7, Statement of cash flows on disclosure initiative (effective for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017)
- Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions (effective for annual periods beginning on or after 1 January 2018)
- IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018)
- IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018)
- Annual improvements 2014-2016 (effective for annual periods beginning on or after 1 January 2018)
- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018)

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

Notes to the consolidated financial statements continued

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

The Group made a loss for the year of £411,086 (2016: £440,731) and expects to make a further loss during the year ending 31 March 2018. The total cash outflow from continuing operations in the year was £430,302 (2016: £366,099). At 31 March 2017 the Group had cash balances of £12,349 (2016: £189,636).

On 4 June 2015 the Group announced it had joined PrimaryBid.com (www.primarybid.com), an online platform dedicated to equity crowdfunding for AIM-listed companies which is further detailed in note 16.

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

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

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

The Group has access to future equity financings, either through the Group's existing PrimaryBid.com platform or through a separate equity fundraising with the Company's shareholders, as potential additional sources of funding.

Based on the level of existing cash, projected income and expenditure, and excluding the potential additional sources of funding, the directors are satisfied that the Company and the Group have adequate resources to continue in business for a period of more than twelve months from the date of approval of the financial statements. If the potential additional sources of funding are taken into account, the directors are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future.

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

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

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

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Non-controlling interest

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

Revenue

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

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

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

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

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

Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Chairman, who is the Group's 'chief operating decision maker' ('CODM').

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

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

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

Use of non-GAAP profit measure - underlying operating profit

The directors believe that the operating loss before share based payments 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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Intangible assets

Research and development

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

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

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

Patents and trade marks

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

Impairment of assets

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

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

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 reporting date.

Notes to the consolidated financial statements continued

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

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

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

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

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

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

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

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

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

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

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

1. Accounting policies (continued)

Foreign currency translation

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

Benefits for Directors and consultants

(i) Share-based payment transactions

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

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

National insurance on share options

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

Interest income

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

Warrants

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

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

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The directors believe the following to be the key areas of estimation and judgement:

(i) Research and development

Under IAS 38 Intangible Assets, development expenditure which meets the recognition criteria of the standard must be capitalised and amortised over the useful economic lives of intangible assets from product launch.

(ii) Share-based payments

The Group operates an equity-settled, share-based compensation plan. The charge for share-based payments is determined based on the fair value of awards at the date of grant partly by use of the Black-Scholes pricing model which require judgements to be made regarding expected volatility, dividend yield, risk free rates of return and expected option lives. The inputs used in these pricing models to calculate the fair values are set out in note 17. 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.

2. Financial risk management

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

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

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

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

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

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

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

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

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

The Group had trade and other payables at the statement of financial position date of £133,314 (2016: £113,747) as disclosed in note 14.

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

The Group remains funded 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.

Notes to the consolidated financial statements continued

3. Segmental reporting

The directors have determined that only one operating segment exists under the terms of International Financial Reporting Standard 8 ‘Operating Segments’, as the Group is organised and operates as a single business unit and all activities are based in the UK. The Group’s reporting segment is determined based on the Group’s internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Chairman of the Board of Directors as he is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The CODM uses underlying operating profit/(loss) as the key measure of the segments’ results as it reflects the segments’ underlying trading performance for the financial period under evaluation.

Underlying operating profit/(loss) is a consistent measure within the Group which measures the performance of the segment before share based payment charges and exceptional items.

4. Loss from continuing operations

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Loss from continuing operations is stated after charging:		
Research and development costs	**187,163**	192,236
Foreign exchange gains	**377**	8,865
Profit on disposal of fixed assets - plant and equipment	**3,000**	-
Equity-settled share based payment expense	**44,134**	70,269

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

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Audit services		
Parent company	**10,500**	10,000
Subsidiaries	**8,750**	8,000
Tax services - compliance		
Parent company	**2,000**	2,000
Subsidiaries	**3,000**	3,000
Other services		
iXBRL services	**2,000**	2,000
Total fees	**26,250**	25,000

Notes to the consolidated financial statements continued

5. Wages and salaries

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

	Year ended 31 March 2017	Year ended 31 March 2016
Research and development consultants	**1**	1
Directors	**3**	3
	4	4

Their aggregate emoluments were:

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Fees	**220,008**	212,510
Total cash settled emoluments	**220,008**	212,510
Share-based payment remuneration charge: equity settled	**44,134**	70,269
Total emoluments	**264,142**	282,779

6. Directors' remuneration

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Directors		
Aggregate emoluments	**172,008**	164,010
Company pension contributions	**-**	-
	172,008	164,010
Share based payment remuneration charge: equity settled	**-**	46,524
Total Directors' emoluments	**172,008**	210,534

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

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Aggregate emoluments	**96,000**	88,002
Share based payment remuneration charge: equity settled	**-**	23,262
Total of the highest paid director's emoluments	**96,000**	111,264

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

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

Notes to the consolidated financial statements continued

7. Finance income

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Finance income		
Bank interest receivable	**890**	2,768
	890	2,768

8. Taxation

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
Current tax income - United Kingdom corporation tax		
Research and development credit - current year	**13,320**	11,980
Research and development credit - in respect of prior periods	**1,125**	-
Taxation credit	**14,445**	11,980

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 2017	Year ended 31 March 2016
	£	£
Loss before tax	**425,531**	452,711
Loss before tax multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	**85,106**	90,542
Effects of:		
Expenses not deductible for tax purposes	**(8,827)**	(14,054)
Difference between depreciation and capital allowances	**-**	283
Unutilised tax losses and other deductions arising in the year	**(68,934)**	(69,329)
Additional deduction for R&D expenditure	**10,622**	9,185
Surrender of tax losses for R&D tax credit refund	**(4,647)**	(4,647)
Adjustments in respect of prior years	**1,125**	-
Total tax credit for the year	**14,445**	11,980

At 31 March 2017 the Group UK tax losses to be carried forward are estimated to be £18,893,000 (2016: £18,640,000).

Income tax asset receivable within one year	**31 March 2017**	31 March 2016
	£	£
Corporation tax recoverable	**26,425**	17,388
	26,425	17,388

9. Earnings per share and diluted earnings per share

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

The loss attributable to equity holders of the Company for the purpose of calculating the fully diluted loss per share is identical to that used for calculating the basic loss per share. The exercise of share options, disclosed in note 17, would have the effect of reducing the loss per share and is therefore anti-dilutive under the terms of IAS 33 'Earnings per Share'.

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

	Year ended 31 March 2017	Year ended 31 March 2016
Loss and total comprehensive expense for the year attributable to owners of the parent - £	**380,087**	409,569
Weighted average number of shares	**1,712,581,870**	1,630,067,560
Basic and diluted loss per share - pence	**0.02**	0.03

The Group raised £672,100 via the placing of 134,420,000 new shares across two placings in May and August 2017, as further detailed in note 21. The new shares issued would change the weighted average number of shares in issue as shown above for the year ended 31 March 2017, but they would not significantly change the resulting loss per share calculations.

10. Intangible assets

	Goodwill £	**Development costs £**	**Total £**
Cost			
At 1 April 2016	7,265,277	158,166	7,423,443
At 31 March 2017	**7,265,277**	**158,166**	**7,423,443**
Amortisation and Impairment			
At 1 April 2016	7,265,277	158,166	7,423,443
At 31 March 2017	**7,265,277**	**158,166**	**7,423,443**
Net book value			
At 31 March 2017	**-**	**-**	**-**
At 31 March 2016	-	-	-
Cost			
At 1 April 2015	7,265,277	158,166	7,423,443
At 31 March 2016	**7,265,277**	**158,166**	**7,423,443**
Amortisation and Impairment			
At 1 April 2015	7,265,277	158,166	7,423,443
At 31 March 2016	**7,265,277**	**158,166**	**7,423,443**
Net book value			
At 31 March 2016	**-**	**-**	**-**
At 31 March 2015	-	-	-

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

Notes to the consolidated financial statements continued

11. Plant and equipment

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

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

12. Inventories

	31 March 2017 £	31 March 2016 £
Finished goods	**32,450**	-
	32,450	-

There are no provisions included within inventories in relation to the impairment of inventories (2016: £Nil).

During the year inventories of £9,533 (2016: £Nil) were recognised as an expense within cost of goods.

13. Trade and other receivables

	31 March 2017 £	31 March 2016 £
Amounts receivable within one year:		
Trade receivables	**1,251**	-
Less: provision for impairment of trade receivables	**-**	-
Trade receivables - net	**1,251**	-
Other receivables	**16,287**	17,423
Total financial assets other than cash and cash equivalents classified as loans and receivables	**17,538**	17,423
Prepayments and accrued income	**69,438**	32,138
Total trade and other receivables	**86,976**	49,561

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

14. Trade and other payables

	31 March 2017 £	31 March 2016 £
Trade payables	**67,932**	29,550
Accruals	**60,157**	80,326
Total financial liabilities measured at amortised cost	**128,089**	109,876
Other taxes and social security	**5,225**	3,871
Total trade and other payables	**133,314**	113,747

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

All amounts shown fall due within one year.

15. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2016: 18%).

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

Deferred tax assets amounting to £3,211,838 (2016: £3,356,723) have not been recognised on the basis that their future economic benefit is not certain. Assuming a prevailing tax rate of 17% (2016: 18%) when the timing differences reverse, the unrecognised deferred tax asset comprises:

	31 March 2017 £	31 March 2016 £
Depreciation in excess of capital allowances	**1,334**	1,158
Unutilised tax losses	**3,210,504**	3,355,565
	3,211,838	3,356,723

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

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

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

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

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

EFF fee and warrant reserve
In consideration of Darwin agreeing to provide the EFF in September 2013 the Company agreed to:

(i) Pay a fee to Darwin amounting to approximately £35,000 by way of an issue of 3,414,635 fully paid Ordinary Shares, at a gross 1.025p per share. The contingent fee amounting to a maximum of £125,000 payable under the 7 November 2011 Equity Financing Facility was cancelled.

(ii) Enter into a new warrant agreement dated 10 September 2013 for the grant to Darwin of warrants to subscribe for up to ten million Ordinary Shares, such warrants to be exercisable at a price of 4.44 pence per share and to be exercisable at any time prior to the expiry of five years following the date of the new warrant agreement.

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

16. Share capital (continued)

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

On 2 August 2016 the Group announced it had raised proceeds of £224,000 via the placing of 93,333,340 new ordinary shares of 0.1p each at a gross 0.24p per share with investors, with no commissions or expenses payable. The placing shares were admitted to AIM on 8 August 2016.

On 2 August 2016 as part of the placing announcement the Group also announced that the Company's Chairman Dawson Buck had given a stated intention to subscribe to 10,416,667 shares at a subscription price of 0.24p totalling £25,000, with his formal commitment to and payment for the subscription to take effect in September 2016 immediately after publication of the Company's annual report and accounts. On 15 September 2016, after the publication of the Company's 2016 annual report and accounts, the Company duly announced it had raised £25,000 via a placing of 10,416,667 new ordinary shares of 0.1p each at 0.24p per share with the Company's Chairman Dawson Buck with no commissions or expenses payable. The shares were admitted to AIM on 22 September 2016.

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

During the year ended 31 March 2017 the Company issued ordinary shares of 0.1p each as follows:

Date	Reason for issue	Shares issued £	Number
08.08.16	Placing	93,333	93,333,340
22.09.16	Placing	10,417	10,416,667
		103,750	**103,750,007**

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

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

Notes to the consolidated financial statements continued

17. Share options

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

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

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

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

On 31 July 2017 the Company granted a total of 13,000,000 new share options to certain scientific, sales and marketing consultants to the Company. The options have an exercise price of 0.52 pence, being the closing mid-market price on 28 July 2017. The options are exercisable between 3 and 10 years from date of grant and are subject to performance criteria, including share price appreciation. The Company believes the grant of these new options will closely align the interests of the scientific, sales and marketing consultants to the Company with those of shareholders.

Following the issue of the new Options on 31 July 2017 the total number of Ordinary Shares under option which could be issued if all of the performance criteria are met is 151,617,620 Ordinary Shares.

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

At 31 March 2017 the number of ordinary shares subject to options granted over the 2005 and prior option schemes were:

EMI options

	31 March 2017			31 March 2016		
	Weighted average exercise price (pence)	**Weighted average share price at date of exercise (pence)**	**Number**	Weighted average exercise price (pence)	Weighted average share price at date of exercise (pence)	Number
Outstanding at the beginning of the year	**0.77**	**-**	**56,078,090**	0.77	-	56,078,090
Outstanding at the end of the year	**0.77**	**-**	**56,078,090**	0.77	-	56,078,090

Notes to the consolidated financial statements continued

17. Share options (continued)

EMI options (continued)

The exercise price of EMI options outstanding at the end of the year ranged between 0.59p and 1.85p (2016: 0.59p and 1.85p) and their weighted average contractual life was 3.3 years (2016: 4.3 years).

Of the total number of EMI options outstanding at the end of the year, 56,078,090 (2016: 49,078,090) had vested and were exercisable at the end of the year. Their weighted average exercise price was 0.77 pence (2016: 0.74 pence).

Unapproved options

	31 March 2017		31 March 2016	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**1.19**	**62,539,530**	1.20	62,145,845
Granted during the year	**0.92**	**20,000,000**	0.49	2,500,000
Cancelled during the year	**-**	**-**	0.66	(2,106,315)
Outstanding at the end of the year	**1.12**	**82,539,530**	1.19	62,539,530

The exercise price of unapproved options outstanding at the end of the year ranged between 0.49p and 1.85p (2016: 0.49p and 1.85p) and their weighted average contractual life was 6.3 years (2016: 6.2 years).

Of the total number of unapproved options outstanding at the end of the year, 50,039,530 (2016: 43,039,530) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.32 pence (2016: 1.38 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:

Date of grant	**Exercise price**	**Number of options**	**Share price at grant date**	**Expected volatility**	**Risk free rate**	**Expected life**	**Fair value per share under option**
	pence		**pence**			**years**	**pence**
03-Sep-15	0.49	2,500,000	0.49	66%	0.80%	10	0.350
30-Dec-16	0.92	20,000,000	0.92	151%	0.53%	10	0.857

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

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

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

The total share based payment charge for the year relating to employee share based payment plans was £44,134 (2016: £70,269) all of which related to equity settled share-based payment transactions.

18. 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 2017	**16,648,471**	**26,200**	**6,599,174**	**(24,561,989)**	**(1,288,144)**	**(437,788)**	**(1,725,932)**
At 31 March 2016	16,503,221	26,200	6,599,174	(24,226,036)	(1,097,441)	(406,789)	(1,504,230)

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

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

Share premium	Amount subscribed for share capital in excess of nominal value, less the related costs of share issues.
Warrant reserve	The warrant reserve represents warrants issued as part of the Equity Financing Facility (see note 16).
Merger reserve	The merger reserve arose on the reverse takeover in 2005 of Provexis Natural Products Limited (formerly Provexis Limited) by Provexis plc through a share for share exchange and on the issue of shares for the acquisition of SiS (Science in Sport) Limited in 2011. SiS (Science in Sport) Limited was demerged from Provexis with effect from 9 August 2013 by way of a capital reduction demerger and transferred to a newly incorporated parent company, Science in Sport plc.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

19. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which for continuing operations during the year ended 31 March 2017 amounted to £Nil (2016: £Nil). Pension contributions payable but not yet paid at 31 March 2017 totalled £3,871, in respect of pension contribution entitlements where employees had not yet provided details of the funds to which the contributions should be made (2016: £3,871).

Notes to the consolidated financial statements continued

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

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

DSM is classified as a related party of the Group in accordance with IAS 24 as it holds shares in the Group. Further, K Rietveld is a director of the Company, and a senior employee of DSM.

Revenue recognised by the Group under agreements with DSM amounted to £198,228 (2016: £90,549). At 31 March 2017 the Group was owed £Nil (2016: £Nil) by DSM.

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

On 15 September 2016, after the publication of the Company's 2016 annual report and accounts, the Company duly announced it had raised £25,000 via a placing of 10,416,667 new ordinary shares of 0.1p each at 0.24p per share with the Company's Chairman Dawson Buck. The shares were admitted to AIM on 22 September 2016.

Key management compensation
The directors represent the key management personnel. Details of their compensation and share options are given in note 6 and within the Remuneration report on pages 20 to 22. At 31 March 2017 the Company's Chairman Dawson Buck was owed £7,698, and the Company's Finance Director Ian Ford was owed £8,559. The Company settled its liabilities to Dawson Buck and Ian Ford in April 2017.

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

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

Parent company statement of financial position

Company number 05102907	Notes	**As at 31 March 2017 £**	As at 31 March 2016 £
Assets			
Non-current assets			
Investments	3	**-**	-
Total non-current assets		**-**	-
Current assets			
Cash and cash equivalents		**67**	90,100
Total current assets		**67**	90,100
Total assets		**67**	90,100
Liabilities			
Total liabilities		**-**	-
Net current assets		**67**	90,100
Total net assets		**67**	90,100
Capital and reserves attributable to owners of the parent company			
Share capital	5	**1,750,818**	1,647,068
Share premium reserve		**16,648,471**	16,503,221
Warrant reserve		**26,200**	26,200
Retained earnings		**(18,425,422)**	(18,086,389)
Total equity		**67**	90,100

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 £383,167 (2016: £468,306) which is dealt with in the financial statements of the Company.

These financial statements were approved and authorised for issue by the Board on 7 September 2017.
The notes on pages 51 to 53 form part of these parent company financial statements.

Ian Ford
Director

On behalf of the Board of Provexis plc

Parent company statement of changes in equity

	Share capital £	Share premium £	Warrant reserve £	Retained earnings £	Total equity £
At 31 March 2015	**1,584,846**	**16,298,043**	**26,200**	**(17,688,352)**	**220,737**
Share-based charges	-	-	-	70,269	70,269
Issue of shares - PrimaryBid placing 9 July 2015	62,222	205,178	-	-	267,400
Total comprehensive expense for the year	-	-	-	(468,306)	(468,306)
At 31 March 2016	**1,647,068**	**16,503,221**	**26,200**	**(18,086,389)**	**90,100**
Share-based charges	-	-	-	44,134	44,134
Issue of shares - placing 8 August 2016	93,333	130,667	-	-	224,000
Issue of shares - placing 22 September 2016	10,417	14,583	-	-	25,000
Total comprehensive expense for the year	-	-	-	(383,167)	(383,167)
At 31 March 2017	**1,750,818**	**16,648,471**	**26,200**	**(18,425,422)**	**67**

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

The warrant reserve represents warrants issued as part of the Equity Financing Facility, see note 16 to the consolidated financial statements.

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

Notes to the parent company financial statements

1. Accounting policies

General information

Provexis plc is a public limited company incorporated and domiciled in the United Kingdom (registration number 05102907). The address of the registered office is Prospect House, Queens Road, Reading, Berkshire RG1 4RP, UK.

Basis of preparation

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

The company has taken advantage of disclosure exemptions and does prepare a statement of cash flows.

Going concern

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

Share-based employee remuneration

The Company has no employees however the Company will issue shares to satisfy share awards made by its subsidiary companies. The Company records a management charge equivalent to the fair value of the share-based payment incurred by its subsidiaries as disclosed in note 4 to the consolidated financial statements.

Taxation

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

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

Valuation of investments

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

Warrants

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

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

Events after the reporting period

Details of events after the reporting period relevant to the parent company are included in note 21 to the consolidated financial statements.

2. Profit attributable to shareholders

As permitted by Section 408 of the Companies Act 2006 no separate Company profit and loss account has been included in these financial statements. The total fees of the Group's auditor, Moore Stephens LLP, for services provided are analysed in note 4 to the consolidated financial statements. Total audit fees for the year were £10,000 (2016: £10,000).

The parent company did not have any employees in the year and therefore there were no payroll costs or pension costs (2016: Nil).

Notes to the parent company financial statements continued

3. Investments
At 31 March 2017 the Company owned the following subsidiary undertakings:

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

The registered office of each of the three subsidiary undertakings above is Prospect House, Queens Road, Reading, Berkshire RG1 4RP, UK.

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

4. Deferred tax
Deferred tax assets amounting to £43,853 (2016: £46,433) have not been recognised on the basis that their future economic benefit is not certain.

5. Share capital

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

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

Details of the share subscriptions, share placings, and the shares issued by the Company during the two years ended 31 March 2017 are given in note 16 to the consolidated financial statements.

Details on the share option scheme and share based payment charge for the year are given in note 17 to the consolidated financial statements.

Notes to the parent company financial statements continued

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

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

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

The Company did not trade with Provexis (IBD) Limited during the year ended 31 March 2017 (2016: Nil). At 31 March 2017 the Company was owed £5,509 by Provexis (IBD) Limited (31 March 2016: owed £5,509).

Provexis (IBD) Limited does not have a bank account, and all its cash accounting transactions during the year were processed by Provexis plc and Provexis Natural Products Limited ('Provexis group companies'). Amounts transacted by Provexis (IBD) Limited with Provexis group companies are charged through inter company accounts and the net amount transacted during the year was £123,995 (2016: £124,650). Provexis (IBD) Limited owed Provexis group companies and Provexis Nutrition limited a total of £2,631,908 at 31 March 2017 (31 March 2016: owed £2,507,914). Provisions of £2,631,908 (2016: £2,507,914) have been recognised in the accounts of Provexis group companies and Provexis Nutrition Limited.

Details of a related party transaction with DSM, and a related party transaction with the Company's Chairman Dawson Buck, are given in note 20 to the consolidated financial statements.

Company information

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