Provexis plc

Annual report and accounts 2019

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. In 2005 Provexis plc was listed on AIM, the London Stock Exchange's international market for smaller growing companies, with the stock symbol PXS.

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

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

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

Fruitflow was launched in Europe in November 2010 at the Health Ingredients Europe Conference in Madrid, where it was awarded the overall award for 'Most Innovative Health Ingredient' and won the best innovation in the 'Heart Health' category. Fruitflow in powder format was officially launched by DSM at the Vitafoods exhibition in Geneva in May 2013. The powder version is suitable for use in a wide range of products including soft gels, capsules, tablets and stick packs, enabling manufacturers to target a broader consumer base.

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

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

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

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

In August 2019 the Company announced it had entered into an open-ended collaboration agreement with By-Health Co., Ltd., a substantial listed Chinese dietary supplement business, to support the planned launch by By-Health of a number of Fruitflow based products in the Chinese market. A significant investment in seven separate studies, in support of the Fruitflow based products which By-Health plans to launch in China, is already being undertaken at By-Health's expense.

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 £322k, a 37% year on year increase (2018: £236k).

- Planned launch by By-Health of a number of Fruitflow based products in the Chinese market, with potential volumes at a significant multiple of existing Fruitflow sales, is progressing well.

  By-Health has made a significant investment in seven separate studies in China, at its sole expense, in support of the Fruitflow based products which it plans to launch in China. Studies conducted in China are needed to obtain 'blue cap' health claim status for dietary supplements, as required by the Chinese State Administration for Market Regulation (SAMR).

- The three studies which have been completed by By-Health showed excellent results in use for Fruitflow, and provide strong evidence for By-Health in its regulatory submissions for Fruitflow. If a successful blue cap health claim is achieved it would be expected to result in some significant orders for Fruitflow, potentially at a multiple of Fruitflow's existing annual sales.

- Open-ended collaboration agreement secured with By-Health in August 2019, with project work to be managed and conducted by Provexis primarily in the UK; initial project agreed which will concentrate on the use of Fruitflow with nitrates in exercise, an area of considerable commercial interest to By-Health in China. The agreement further strengthens the close relationship between By-Health and Provexis.

- The Company and its commercial partner DSM have seen an encouraging and sustained increase in brand awareness and customer interest in Fruitflow over the last three years, with the total projected annual sales value of the prospective sales pipeline for Fruitflow standing at a substantial multiple of existing annual sales.

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

- Total sales of the Company's Fruitflow+ Omega-3 dietary supplement business grew by 34% in the year to £98k, net of sales rebates, across Holland & Barrett, the Company's website www.fruitflowplus.com and Amazon UK. Strong start to the 2019/20 financial year for this business, with first quarter Fruitflow+ Omega-3 revenues substantially ahead of the comparative quarter in 2018/19.

- Dr Niamh O'Kennedy appointed as an Executive Director and as Chief Scientific Officer in April 2019.

- Ian Ford's role expanded to CEO and CFO in September 2019.

- The Company raised £395k from a placing in October 2018 with new and existing investors at 0.40p per new ordinary share.

- Underlying operating loss* £385k (2018: £362k), reflecting a £48k year on year increase in research and development costs, primarily due to Fruitflow blood pressure lowering patents entering the national phase.

- Cash £326k at 31 March 2019 (2018: £315k). Based on its current level of cash the Company will be seeking to raise further funds in the coming months.

  *before share-based payments of £149k (2018: £106k), as set out on the face of the Consolidated Statement of Comprehensive Income

Chairman’s statement

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

The Company’s Alliance partner DSM Nutritional Products (‘DSM’) has continued to develop the market actively for Fruitflow in all global markets. More than 90 regional consumer healthcare brands have now been launched by direct customers of DSM, and a number of further regional brands have been launched through DSM’s distributor channels.

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

The Company continues to work closely with DSM, seeking to support various prospective customers globally with their commercialisation plans for Fruitflow, and the total projected annual sales value of the prospective sales pipeline for Fruitflow continues to stand at a substantial multiple of existing annual sales.

Revenues for the year were £322k, a 37% year on year increase (2018: £236k), reflecting:

- An increase in the net income received from the Company’s Alliance Agreement with DSM, which grew by 22% to £198k in the year (2018: £162k);
- An increase in revenue net of sales rebates from the Company’s Fruitflow+ Omega-3 business, including Holland & Barrett, the Company’s website www.fruitflowplus.com and Amazon UK. This business grew by 34% to £98k, net of sales rebates, in the year (2018: £73k).
- Amounts in excess of £26k which were received in the year for marketing support, compared to amounts of £Nil which were received in the prior year.

Underlying operating loss for the year was £385k (2018: £362k), reflecting a £48k year on year increase in research and development costs which was primarily due to Fruitflow blood pressure lowering patents entering the national phase of the patent application process, a one-off event in the process which represents the most significant pre-patent grant costs.

By-Health Co., Ltd.
The Company has previously announced it was working with DSM and BY-HEALTH Co., Ltd (‘By-Health’), a listed Chinese dietary supplement business valued in excess of £3bn, to support the planned launch of a number of Fruitflow based products in the Chinese market.

The planned launch of a number of Fruitflow based products in the Chinese market, with potential volumes at a significant multiple of existing Fruitflow sales, is progressing well, with activities driven at present by the need to obtain ‘blue cap’ health claim status for Fruitflow as a dietary supplement with the State Administration for Market Regulation (SAMR), a new Chinese market regulator which has taken over the responsibilities of the former China Food and Drug Administration (CFDA).

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

Three studies have been successfully completed in China, three studies are currently ongoing at Chinese clinical sites and a further planned human study in 2019 has been confirmed by By-Health.

The three completed studies (a human study and two animal studies) showed excellent results in use for Fruitflow, and they provide strong evidence for By-Health in its blue cap and other regulatory submissions to the SAMR for Fruitflow, supported by the Company’s existing European Food Safety Authority (‘EFSA’) health claim for Fruitflow.

If a successful blue cap health claim is achieved for Fruitflow it would currently be expected to result in some significant orders for the product, potentially at a multiple of current total sales values. The Company will provide shareholders with as much information as it can on the timing of this highly commercially sensitive and potentially transformative process, subject to the multi-party confidentiality arrangements which inevitably surround the process.

Chairman's statement

In August 2019 the Company confirmed it had entered into a new collaboration agreement with By-Health to support the planned launch by By-Health of a number of Fruitflow based products in the Chinese market. The new collaboration agreement has been structured on an open-ended framework basis, enabling the parties to conduct a number of different projects over an unspecified period of time under the one overriding agreement, with all projects envisaged to be at By-Health's sole expense.

Projects conducted under the agreement will be focussed on specific areas of commercial focus for By-Health, and the first project which has been agreed will concentrate on the use of Fruitflow with nitrates in exercise, an area of considerable commercial interest to By-Health in China. Project work will be managed and conducted by Provexis primarily in the UK, led by Provexis' Chief Scientific Officer Dr Niamh O'Kennedy and supported by outsourced research partners which will be appointed and managed by Provexis.

The Fruitflow with nitrates in exercise project will provide gross income to Provexis in excess of £55k in the current financial year, to include an element of overhead recovery. The project will not affect the ownership of Provexis' existing, substantial intellectual property for the Fruitflow with nitrates formulation, which already has patents granted in the UK and Australia. Further patents for this formulation are being sought in Europe, the US, China and eleven other territories, with potential patent protection out to December 2033.

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 www.wpro.who.int/china/mediacentre/factsheets/cvd/en). China is now the world's second-largest pharmaceuticals market, measured by how much patients and the state spend on drugs (source: health-care information company IQVIA www.iqvia.com/blogs/2019/04/growth-perspectives-for-the-pharma-market). The Company believes that Fruitflow has the potential to play an important role in the Chinese cardiovascular health market.

Fruitflow+ dietary supplement products
In August 2018 Fruitflow+ Omega-3 was launched in more than 660 Holland & Barrett stores across the UK and Ireland, giving Fruitflow+ Omega-3 widespread consumer exposure.

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

Fruitflow+ Omega-3 is available to purchase from Amazon UK and from the Company's e-commerce website www.fruitflowplus.com which is particularly focussed on subscription orders. The product has a Facebook page at www.facebook.com/FruitflowPlus and a newly developed Instagram page at www.instagram.com/fruitflowplus.

The Company believes that Fruitflow has an important role to play in women's cardiovascular health, and it has recently launched a dedicated new section of its consumer website at www.fruitflowplus.com/womens-health. The Company sponsored the annual MegsMenopause conference in May 2019, and delivered a high-profile presentation at the conference.

A dedicated product video for Fruitflow+ Omega-3 was launched in March 2019, and a Fruitflow App is also being developed, primarily for use on mobile device platforms.

Further interest in the role of Fruitflow in exercise was generated by Team Sunweb Pro Cycling's use of Fruitflow in the 2018 Tour de France, and the Company is progressing the formulation and launch of a Fruitflow+ nitrates dietary supplement product which was used by Team Sunweb in the 2019 Tour de France www.fruitflowplus.com/sportrecovery.

The Company's Fruitflow+ Omega-3 business has seen a strong start to the 2019/20 financial year, with first quarter Fruitflow+ Omega-3 revenues substantially ahead of the comparative quarter in 2018/19. Subscriber numbers on the www.fruitflowplus.com website have been growing steadily, rising in recent weeks to an all-time high level.

Chairman's statement

The Company's Fruitflow+ Omega-3 dietary supplement business is complementary to its Alliance Agreement with DSM and it is supported by DSM, reflecting the continued strength of the long-term relationship between Provexis and DSM. The Company is seeking to expand further its commercial activities with Fruitflow+ Omega-3 and other Fruitflow+ combination products, and it is currently in dialogue with some potential direct brand owner customers.

Intellectual property

The Company is responsible for filing and maintaining patents and trade marks for Fruitflow as part of the Alliance Agreement with DSM, and patent coverage for Fruitflow now includes the following patent families:

- Improved Fruitflow / Fruit Extracts, which was granted by the European Patent Office in January 2017. The patent has been granted in seven other major territories to include China, and patent applications are at a late stage of progression in a further seven global territories, with potential patent protection out to November 2029.
- Antihypertensive (blood pressure lowering) effects in collaboration with the University of Oslo, which have now been granted for Fruitflow in Europe and three other major territories. Patent applications are being progressed in a further five major territories to include the US and China, with potential patent protection out to April 2033.
- The use of Fruitflow with nitrates in mitigating exercise-induced inflammation and for promoting recovery from intense exercise. The patent was first granted by the UK IPO (Intellectual Property Office) in May 2017, and a further patent was granted in Australia in December 2018. Patents are being sought in Europe, the US, China and eleven other territories, with potential patent protection out to December 2033.
- The use of Fruitflow in protecting against the adverse effects of air pollution on the body's cardiovascular system, which extends potential patent protection for Fruitflow out to November 2037. Recent laboratory work has shown that Fruitflow can reduce the platelet activation caused by airborne particulate matter, such as that from diesel emissions, by approximately one third.

Capital structure and funding

On 27 September 2018 the Company announced it had raised proceeds of £395,000 via the placing of 98,750,000 new ordinary shares of 0.1p each at a gross 0.40p per share with investors, with no commissions payable. The placing shares were admitted to trading on AIM on 5 October 2018.

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 funds to support working capital on occasions. Based on its current level of cash it is expected that the Group will need to raise further equity finance in the coming six months, a situation which is deemed to represent a material uncertainty related to going concern. Considering the success of previous fundraisings and the current performance of the business, the Directors have a reasonable expectation of raising sufficient additional capital to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the Group's and Parent Company's financial statements.

The Company intends to hold its Annual General Meeting at the offices of Allenby Capital Limited, 5th Floor, 5 St Helen's Place, London EC3A 6AB at 12:30pm on 4 October 2019.

Crohn's disease intellectual property

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

People

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

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

Chairman’s statement

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

In April 2019 the Company announced the appointment of Dr Niamh O’Kennedy as an Executive Director of the Company, and as Chief Scientific Officer.

Niamh is a research chemist, specialising in the field of natural products chemistry, who has been working with Provexis since 2000. Niamh’s experience in isolating and characterising plant-derived compounds and understanding the roles these play in complex biological systems has been pivotal in the development of Provexis’ lead product, Fruitflow, and the health claim for Fruitflow which was adopted by the European Food Safety Authority (‘EFSA’).

In conjunction with Niamh’s appointment, Ian Ford’s role was expanded to Chief Financial Officer and Chief Operating Officer and Dawson Buck’s role changed from Executive Chairman to Non-executive Chairman. In September 2019 Ian Ford’s role was further expanded to CEO (now, CEO and CFO).

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

Outlook
The Company is pleased to report on another strong year of progress, to include a 37% year on year increase in revenues, to £322k.

The Company has developed a strong, long lasting and wide-ranging patent portfolio for Fruitflow, a natural cardiovascular health product which is backed by numerous published human studies, and the Company is well placed to maximise the numerous commercial opportunities which the Company and DSM have been pursuing for Fruitflow.

The clinical studies which By-Health has been conducting in China, seeking to obtain blue cap health claim status for Fruitflow in China, have been progressing well and the completed studies have shown excellent results in use for Fruitflow, providing strong evidence for By-Health in its blue cap and other regulatory submissions to the Chinese SAMR.

If a successful blue cap health claim is achieved for Fruitflow in China it would currently be expected to result in some significant orders for Fruitflow, potentially at a multiple of current total sales values. The Company will provide shareholders with as much information as it can with regard to the timing of this commercially sensitive and potentially transformative process.

In August 2019 the Company was delighted to announce it had signed an open-ended collaboration agreement with By-Health, in support of By-Health’s planned launch of Fruitflow based products in the Chinese market. Project work will be managed and conducted by Provexis primarily in the UK, with the first project agreed concentrating on the use of Fruitflow with nitrates in exercise, an area of considerable commercial interest to By-Health. The agreement further strengthens the close relationship between By-Health and Provexis.

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

Dawson Buck
Chairman
9 September 2019

Strategic report

The strategic report should be read in conjunction with the Chairman's statement on pages 3 to 6, the Group's financial statements and the Notes to the Group's financial statements set out on pages 28 to 47.

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

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

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

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

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

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

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

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

The Company announced in June 2018 that it had secured a retail listing with Holland & Barrett for Fruitflow+ Omega-3, with all of the revenue and costs attributable to this listing to accrue to the Company. The Company is seeking to expand further its commercial activities with Fruitflow+ Omega-3, and it is seeking to develop and sell further Fruitflow+ combination products.

The Company is working with DSM and By-Health Co., Ltd, a £3bn listed Chinese dietary supplement business, to support the planned launch of a number of Fruitflow based products in the Chinese market. In August 2019 Provexis entered into an open-ended collaboration agreement with By-Health, which further strengthens the already close relationship between By-Health and Provexis. The Company will seek to undertake further projects for By-Health under this flexible framework agreement.

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.

Market opportunity (continued)

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

The global functional food market is estimated to be in excess of US$170 billion per year, and it is forecast to reach US$276 billion by 2025, with products addressing cardiovascular disease forming the largest segment of the market (source: www.researchandmarkets.com). Global awareness of heart health is increasing and a rising number of people are taking a proactive approach to improving heart health. The Directors believe that products addressing blood flow and circulation issues continue to represent a long-term opportunity in the expanding cardiovascular sector.

Financial review

The financial review has been prepared on the basis of Group's continuing operations, as further detailed in the consolidated statement of comprehensive income on page 28.

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.

In 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, particularly focussed on subscription orders.

In August 2018 Fruitflow+ Omega-3 was launched in more than 660 Holland & Barrett stores across the UK and Ireland, giving Fruitflow+ Omega-3 widespread consumer exposure, with all of the revenue and costs attributable to this listing to accrue to the Company.

Fruitflow+ Omega-3 is also available to purchase from Amazon UK, and the product has a Facebook page at www.facebook.com/FruitflowPlus and an Instagram page at www.instagram.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 £98k in the year to 31 March 2019, compared to £73k in the prior year.

Fruitflow+ Omega-3 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. Further sales channel opportunities for the product are currently being explored.

The Group's total revenue for the year ended 31 March 2019 was £322k, a 37% increase relative to the prior year (2018: £236k).

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

- An increase in the net income received from the Company's Alliance Agreement with DSM, which grew by 22% to £198k in the year (2018: £162k);
- An increase in revenue net of sales rebates from the Company's Fruitflow+ Omega-3 business, including Holland & Barrett, the Company's website www.fruitflowplus.com and Amazon UK. This business grew by 34% to £98k, net of sales rebates, in the year (2018: £73k).
- Amounts in excess of £26k which were received in the year for marketing support, compared to amounts of £Nil which were received in the prior year.

Strategic report

Underlying operating loss
Underlying operating loss for the year was £385k (2018: £362k), reflecting a £48k year on year increase in research and development costs which was primarily due to Fruitflow blood pressure lowering patents entering the national phase of the patent application process, a one-off event in the process which represents the most significant pre-patent grant costs.

The Group has chosen to report underlying operating loss as the Directors believe that the operating loss before share-based payments provides additional useful information for shareholders on underlying trends and performance. A reconciliation of underlying operating loss to statutory operating loss is presented on the face of the consolidated statement of comprehensive income. This measure is used for internal performance analysis. The Group's cost base and its resources have been and will continue to be tightly managed within budgets approved and monitored by the Board.

Research and development costs
Research and development costs are primarily composed of patent, trade mark and other research agreement costs, with the Group seeking to maintain and strengthen the breadth and duration of its patent and trade mark coverage for Fruitflow. Research and development costs have increased by 26% to £230k (2018: £182k), primarily due to Fruitflow blood pressure lowering patents entering the national phase of the patent application process, as further detailed above.

R&D tax relief: payable tax credit
A current tax credit of £16k (2018: £15k), in respect of research and development tax relief has been recognised in the financial statements. The tax credit claim for the year ended 31 March 2017 totalling £14k was paid to the Group in April 2018, and the tax credit claim for the year ended 31 March 2018 totalling £15k was paid to the Group in July 2019.

Taxation
The current tax charge is £Nil (2018: £Nil) due to the loss made in the year. No amounts in respect of deferred tax were recognised in profit and loss from continuing operations or charged / credited to equity for the current or prior year.

Results and dividends
The loss attributable to equity holders of the parent for the year ended 31 March 2019 was £513k (2018: £448k) and the basic loss per share was 0.03p (2018: 0.02p). The Directors are unable to recommend the payment of a dividend (2018: £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 2019 and the reports of the Directors thereon include a going concern statement which concludes that the necessity to raise additional equity finance represents a material uncertainty that may cast significant doubt upon the Group's and Parent Company's ability to continue as a going concern and that should it be unable to raise further funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Consideration of section 656 of the Companies Act 2006 (continued)
However, considering the success of previous fundraisings and the current performance of the business, the Directors have a reasonable expectation of raising sufficient additional capital to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's and Parent Company's financial statements.

It remains the Directors' view on 9 September 2019 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.

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

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

The table below shows the Group's underlying operating loss, calculated as operating profit before share-based payment expense, from continuing operations for the two years ended 31 March 2019:

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Underlying operating loss	**384,900**	361,618

The trading results are further detailed in this strategic report on pages 7 to 13.

The table below shows the Group's cash position at 31 March 2019 and 31 March 2018:

	31 March 2019	31 March 2018
	£	£
Cash and cash equivalents	**325,642**	315,166

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 £10,476 increase in cash and cash equivalents during the financial year is further detailed in the consolidated statement of cash flows on page 30.

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, it maintains a register of risks across several categories including consultants, clients, competition, finance, technical and legal. For each risk the Board estimates the impact, likelihood as well as identify mitigating strategies.

This register is reviewed periodically as the Company's situation changes. During such reviews, each risk category is considered by the Directors with a view to understanding (i) whether the nature, impact or likelihood of any risks has changed, (ii) whether the mitigating actions taken by the Company should change as a result and (iii) whether any new risks or categories of risk have arisen since the last review.

The Company is seeking to expand its Fruitflow+ Omega-3 dietary supplement business and thereby reduce its commercial reliance on the Alliance Agreement with DSM, as further outlined above, thus increasing opportunities for growth and decreasing risk.

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.

Brexit

The impact and timing of the decision for the UK to leave the EU remains uncertain.

The Group will continue to monitor relationships with European regulatory bodies such as the European Patent Office as new information is provided, with the current expectation being that there will not a material change to the existing European patent arrangements.

The importing of raw materials and finished goods for the Group's Fruitflow+Omega-3 operations, and the exporting of finished goods could be impacted following UK exit from the EU. Potential impacts could include customs and shipping delays, and delays in delivering products to the end consumer thereby impacting sales and customer service. Tariffs may also need to be absorbed, potentially impacting profitability.

Provexis' direct selling operations are currently focussed on a single product, Fruitflow+Omega-3 capsules, the last batch of which was manufactured outside the UK in an EU country. In mitigation of the supply chain and delivery risks for this product, the Group is in dialogue with some potential UK manufacturers, with a number of manufacturing options in hand, and it has some alternative fulfilment options available to it outside the UK for the delivery of finished goods outside the UK.

Principal risks and uncertainties (continued)

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.

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.

Strategic report

Principal risks and uncertainties (continued)
Intellectual property protection (continued)
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 6.

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.

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
9 September 2019

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 7 to 13.

Provexis plc is a public limited company incorporated and domiciled in the United Kingdom (registration number 05102907). The address of the registered office is 2 Blagrave Street, Reading, Berkshire RG1 1AZ, UK. Provexis plc has two wholly owned subsidiaries, Provexis Nutrition Limited ('PNL') and Provexis Natural Products Limited ('PNP') which are registered in England and Wales. Provexis plc also owns 75% of Provexis (IBD) Limited ('IBD') which is also registered in England and Wales.

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

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

Executive Directors	
I Ford	
N A O'Kennedy	(appointed 12 April 2019)
Non-executive Directors	
F Boned	(appointed 4 July 2018)
C D Buck	(changed from Executive Chairman to Non-executive Chairman on 12 April 2019)

DSM is classified as a related party of the Group because F Boned, a Non-executive Director, is also a senior employee of DSM.

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 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 7 to 13. 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 £533,375 (2018: £467,428), which includes non-cash share-based payment charges of £149,003 (2018: £106,307) and expects to make a further loss during the year ending 31 March 2020. The total cash outflow from operations in the year was £384,014 (2018: £363,052). At 31 March 2019 the Group had cash balances of £325,642 (2018: £315,166).

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

The Directors have prepared projected cash flow information for a period of eighteen 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 is seeking to maximise the commercial returns that can be achieved from its Fruitflow technology, and the Group's cost base and its resources continue to be very tightly managed.

The Group remains keen to minimise dilution to shareholders and it is focussed on moving into profitability as Fruitflow revenues increase, but while the Group remains in a loss-making position it will need to raise working capital on occasions.

Directors' report

Going concern (continued)
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 its current level of cash it is expected that the Group will need to raise further equity finance in the coming six months.

The Directors have concluded that the necessity to raise additional equity finance represents a material uncertainty that may cast significant doubt upon the Group's and Parent Company's ability to continue as a going concern and that should it be unable to raise further funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, considering the success of previous fundraisings and the current performance of the business, the Directors have a reasonable expectation of raising sufficient additional capital to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's and Parent Company's financial statements.

Auditors
On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP resigned as auditor and the Directors have appointed BDO LLP as auditor in their place. BDO LLP has indicated its willingness to continue in office and a resolution will be proposed at the annual general meeting to reappoint BDO LLP as auditor for the next financial year.

Each Director has taken all reasonable steps to make themselves 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.

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). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report

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.

By order of the Board

Ian Ford
Secretary
9 September 2019

Corporate governance report

Corporate governance
The Board is led by the Non-executive Chairman, Dawson Buck, who is responsible for the Group's corporate governance arrangements and who ensures that all members of the Board are able to contribute to Board discussions and decision-making.

The Board of Directors of Provexis plc is collectively accountable to the Company's shareholders for the good corporate governance of the Group. The Board recognises the importance of sound corporate governance and it has adopted the Quoted Companies Alliance ('QCA') Corporate Governance Code (to the extent practical given the Group's size and stage of development), in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code.

A copy of the Group's report setting out in broad terms how the Group currently complies with the QCA code can be found on the Company's website investor pages www.provexis.org/aim26.

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

The Company's business model and strategy, including key challenges in their execution, are set out in the strategic report.

The Board's approach to embedding effective risk management, in order to execute and deliver strategy, is also set out in the strategic report.

Corporate culture
The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is important to maximise shareholder value.

The culture of the Group is to be entrepreneurial and innovative, developing viable technologies and functional food and dietary supplement products which are underpinned by high quality scientific intellectual property.

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the working practices adopted by all of the Group's consultants and they are consistent with the Group's strategy, reflecting the high ethical and regulatory compliance required of a functional foods and dietary supplements business.

The Directors believe that the Company culture encourages collaborative, ethical behaviour which benefits consultants, clients and shareholders. The Directors further believe that the Company's small team of sales, marketing, e-commerce, PR and scientific consultants have worked and continue to work in line with the Company's values.

Board of Directors
The Board is responsible to shareholders for the proper management of the Group. A statement of Directors' responsibilities is set out on page 15.

Corporate governance report

The Board of Provexis plc currently comprises:

Director	Dawson Buck	Ian Ford	Dr Niamh O'Kennedy	Frederic Boned
Role	Non-executive Chairman	Chief Executive Officer and Chief Financial Officer	Chief Scientific Officer	Non-executive director
Appointed	June 2005	July 2007	April 2019	July 2018
Time commitment	Sufficient time as required to fulfil his duties.	Full time	Full time	Sufficient time as required to fulfil his duties.
Experience, skills, personal qualities and capabilities	Dawson has over twenty years' senior international experience within the electronic security, property, retail and IT industries. Dawson was a founder and the CEO of Automated Loss Prevention Ltd, which he led from its inception to its sale to the Sensormatic Electronic Corporation Inc in 1992. Until 2005 Dawson was Deputy Chief Executive of ANGLE plc.	Ian is a Chartered Accountant who trained with PwC and its predecessor firms in London, qualifying in 1991. Ian has over 25 years' post qualification experience, with more than 20 years in senior financial roles with UK and US listed growth companies, to include Rubicon Group plc and SITEL Europe plc, the latter as Group Finance Director. Ian played key roles in the rapid growth of these businesses, including extensive merger and acquisition activity. Ian joined the Company as Finance Director in 2007 and he has been very closely involved with the Company's relationships and contracts with DSM, By-Health and the Company's investors over that time. Ian currently divides his working time between the UK and Australia, meeting frequently with DSM in Basel, and with By-Health at their offices in Guangzhou, Zhuhai and Melbourne.	Niamh is a research chemist, specialising in the field of natural products chemistry, who has been working with Provexis since 2000. Niamh's experience in isolating and characterising plant-derived compounds and understanding the roles these play in complex biological systems has been pivotal in the development of Provexis' lead product, Fruitflow®, and the health claim for Fruitflow® which was adopted by the European Food Safety Authority ('EFSA'). Niamh holds an honorary position at The University of Aberdeen.	Frederic is North American Vice President of DSM's Human Nutrition & Health business, a part of the Company's Alliance Agreement partner DSM Nutritional Products. Frédéric has previously held a variety of senior roles in DSM's Personal Care & Aroma Ingredients business including Director of Personal Care EMEA and Senior Director of Global Marketing and Innovation. Prior to DSM, Frédéric held several sales and marketing positions for over ten years at Givaudan. Frédéric has a chemical engineering degree from the Engineering School in Geneva, and an EMBA from the Business School of Lausanne.
Brings to the Board	Extensive commercial operations experience in growth businesses and listed companies. .	Extensive commercial and financial experience in growth businesses and listed companies.	Extensive scientific experience and expertise, particularly in the field of isolating and characterising plant-derived compounds and understanding the roles these play in complex biological systems.	Extensive sales and marketing knowledge and expertise.
Committee	Audit Committee.	-	Member of the Company's Scientific Advisory Board.	Audit Committee.
Board meetings held during the year	4	4	N/A, appointed after year end.	4
Board meetings attended during the year	4	4	N/A, appointed after year end.	1
Considered to be independent	No - more than ten years' service	No - Executive Director	No - Executive Director	No - connected to DSM

The Company notes that under the QCA Code best practice is to have half of its board be independent, and specifically a minimum of two independent non-executive directors.

The Board is aware that Provexis does not currently comply with the QCA code in this respect, but due to the Company's small size and currently limited resources the Board is comfortable that the current Board composition does enable it to fulfil its obligations. The Directors regularly review the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group.

The experience, personal qualities and skills of the Directors are as set out in the table above.

The Chairman and Non-Executive director maintain their skillsets through a combination of other executive, non-executive and advisory roles. In addition, knowledge is kept up to date on key issues and developments pertaining to the Group, and corporate governance matters, through updates from the Executive Directors and various external advisers.

Executive Directors maintain their skillsets through practice in day-to-day roles, enhanced by updates from external advisers and by attending specific training and external courses where required.

Board effectiveness and evaluation
The Company supports the concept of an effective Board leading and controlling the Company. The effectiveness of the Board is kept under review by the Directors, who assess the individual contributions of each of the members of the team to ensure that their contribution is relevant and effective and that they are suitably committed to the business. Where necessary, specific actions are identified to improve certain areas.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience in the scientific, operational and financial development of functional food and dietary supplement companies, as further detailed in the table above.

Board training and advice
There is an induction process for new Directors. The Company has periodically held briefings for the Directors covering regulations that are relevant to their role as directors of an AIM-quoted company, typically to coincide with significant changes in regulations. The Company Secretary, supported by the Company's Nominated adviser and broker, informs the Board in the first instance of any material changes to AIM and other relevant laws and regulations.

All Directors are able to take training and/or independent professional advice in the furtherance of their duties if necessary. All Directors also have access, at the Company's expense, to experienced legal advice through the Company's legal advisors and other independent professional advisors as required. The Company maintains appropriate insurance in the event of legal action being taken against a Director. No individual Director or Committee of the Board received external advice in relation to their Board duties in the year.

The Board is in very regular dialogue, and it meets physically on an ad-hoc basis when necessary.

All of the Directors are subject to election by shareholders at the first AGM after their appointment to the Board and will continue to seek re-election at least once every three years.

Audit Committee
The Audit Committee comprises the Non-executive Chairman Dawson Buck and Frederic Boned, a 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. 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 2019 (2018: £7,000).

Corporate governance report

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.

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.

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 Directors 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 21 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.

Dawson Buck
Chairman
9 September 2019

Remuneration report

Remuneration Committee: composition and terms of reference
In 2013 it was agreed with some of the Company's larger shareholders that given the small size of the Board the Group's Remuneration Committee would be disbanded, with future remuneration issues to include share options to be primarily determined in dialogue between the Company and its larger shareholders.

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

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

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

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

Dr Niamh O'Kennedy joined the Board on 12 April 2019 as Chief Scientific Officer, under a contract for services requiring three months' notice by either party.

Gains made on exercise of Directors' share options
No Directors' share options were exercised during the year (2018: Nil).

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

	Year ended 31 March 2019				Year ended 31 March 2018
	Salary and Directors' fees	**Benefits in kind**	**Pension**	**Total**	Total
	£	**£**	**£**	**£**	£
Executive Directors					
I Ford	116,004	-	-	116,004	106,002
Non-executive Directors					
F Boned	-	-	-	-	-
C D Buck *	59,338	-	-	59,338	76,008
	175,342	-	-	175,342	182,010

* Dawson Buck changed from Executive Chairman to Non-executive Chairman on 12 April 2019.

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

Remuneration report

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

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Executive Directors		
C D Buck	**19,135**	4,823
I Ford	**19,134**	4,823
Non-executive Directors		
F Boned	**-**	-
K Rietveld	**-**	-
	38,269	9,646

Directors' interests in shares	**Ordinary shares of 0.1 pence each**	Ordinary shares of 0.1 pence each
	Beneficial interests	
	31 March 2019	1 April 2018
C D Buck	**25,416,667**	25,416,667
I Ford	**5,000,000**	5,000,000
	30,416,667	30,416,667

Other than as shown in the table and as further disclosed in respect of share options in note 16, no Director had any interest in the shares of the Company or its subsidiary companies at 31 March 2019.

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 2019 are summarised below.

	31 March 2019	31 March 2018
C D Buck	**17,000,000**	17,000,000
I Ford	**25,000,000**	35,000,000
	42,000,000	52,000,000

The unapproved share options at 31 March 2019 of the Directors who served during the year are set out below:

	Grant date	**Number awarded**	**Exercise price/share**	**Earliest exercise date**	**Expiry date**
C D Buck	December 2017	10,000,000	0.55p	April 2020	December 2027
I Ford	December 2017	10,000,000	0.55p	April 2020	December 2027
C D Buck	June 2013	7,000,000	0.972p	April 2016	June 2023
I Ford	June 2011	6,350,010	1.846p	April 2014	June 2021
		33,350,010			

The EMI share options at 31 March 2019 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
		8,649,990			

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

Independent auditor's report to the members of Provexis plc

Opinion
We have audited the financial statements of Provexis plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2019 which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of cash flows, Consolidated statement of changes in equity, Parent company statement of financial position, Parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Material uncertainty related to going concern
We draw attention to note 1 in the financial statements, which indicates that the Group will need to raise further equity finance in the coming 6 months to be able to continue as a going concern. As stated in note 1, these events or conditions, along with other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matter	How we addressed the Key audit matter in the audit
Going concern The Group's patented Fruitflow technology is still in the development and commercialisation stage of its life cycle. It is therefore not currently generating sufficient cash to cover operating costs. Key drivers of cash flow forecasts prepared by management include, the level of non- discretionary expenditure, income generated under its Alliance Agreement with DSM and the sale of Fruitflow+ Omega 3 capsules via retailers and direct channels. There is uncertainty over the level of future revenue and cash flows that will be generated from Fruitflow+ Omega 3 as the product is new and in the early stages of its listing with a major retailer. There is no guarantee that revenue and cash flows generated under the Alliance Agreement will be repeated in future years. The application of the going concern basis of preparation is dependent on the Company's ability to raise sufficient funds from a share placing to meet future operational expenditure. Going concern and the disclosure about the material uncertainty related to going concern was treated as a Key audit matter due to the expectation that the Group would be reliant on future fund raising in order to continue as a going concern.	Our procedures included: • Critically assessing management's financial forecast models, over a period of 12 months to 30 September 2020. In doing so we considered key assumptions including revenue generation under the DSM Alliance Agreement, direct sale of capsules and sales achieved through the third-party retailer; • Undertaking sensitivity analysis in respect of the key assumptions underpinning the forecasts including; revenue expectation and the level of non- discretionary expenditure; • Review of management's assumptions in relation to anticipated fund raising activities, corroborating commentary in relation to success previous fund raises to the fund raises themselves and commentary relating to the performance of the business to the results obtained during and post year end; • Review of the adequacy of the directors' disclosures in the Strategic report and notes the financial statements in relation to the material uncertainty. ***Key observations*** Based on our work performed, management's disclosure of the events and conditions giving rise to a material uncertainty in respect of going concern are adequately reported.

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

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the only key audit matter to be communicated in our report.

Key audit matter	How we addressed the Key audit matter in the audit
Revenue Revenue is a significant driver of the business and there is a risk that management might overstate revenue to meet targets or market expectations as well minimising losses. The Group is reliant on future fund raising in order to continue as a going concern, there is therefore incentive to present a more favourable position to the market prior to raising this finance. We therefore identified revenue recognition as a significant risk. In particular we focussed on the potential overstatement of revenue.	Our procedures included: • Agreement of revenue recognised under the DSM Alliance Agreement to sales invoices, DSM profit share calculations and cash receipts; • Reconciling revenue from the sale of capsules via the Group's website to cash receipts, through the third-party payment processing platform; • Proof in total of sales transactions made via the third-party retailer using purchase orders received from the third-party retailer along with evidence of fulfilment. ***Key observations*** Based on the procedures we performed, we noted no material instances of inappropriate revenue recognition.

Our application of materiality
The scope of our audit was influenced by our application of materiality. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

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

Benchmark	Loss before taxation
Materiality	£32,000 (2018: £20,000)
(% of benchmark)	*6%*
Rationale for benchmark	The Group is not generating revenue to cover its operating costs and has therefore been loss making for a number of years. The Group is focussed on reducing the loss before taxation and commercialising its intellectual property to generate a profit, we have therefore considered this to be the most appropriate benchmark to set materiality.

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

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that basic performance materiality was 75% of materiality, being £24,000 (2018: £14,000). Basic performance materiality is adjusted further for higher risk assertions.

Parent company materiality was set at £29,000 based on loss before taxation, calculated at 6% as disclosed above. All other components' materiality was within a range of £2,000 and £29,000 based on either loss before taxation or, where more appropriate due to the absence of any trading, gross assets at 0.75%.

As with Group materiality, basic performance materiality for each component was set at 75% of materiality, adjusted further for higher risk assertions.

We agreed with the Audit Committee that we would report misstatements identified during our audit above £1,600 (2018: £1,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

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

We analysed the key financial metrics of the Group's components to determine those we consider to be financially significant to the Group. Provexis plc, Provexis Natural Products Limited and Provexis (IBD) Limited were considered to be significant components. As such, these companies were subject to full scope audits to component materiality. The sole insignificant component was Provexis Nutrition Limited, which was also subject to a full scope audit. All components are based in the United Kingdom and all component audits were performed by the Group audit team with no use of component audit teams.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement within the directors' report set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Use of our report
This report is made solely to the Parent 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 Parent 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 Parent company and the Parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Henwood (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading, UK

9 September 2019

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

Consolidated statement of comprehensive income

	Notes	**Year ended 31 March 2019 £**	Year ended 31 March 2018 £
Revenue	1,3	**322,189**	235,804
Cost of goods		**(49,433)**	(23,167)
Gross profit		**272,756**	212,637
Selling and distribution costs		**(35,033)**	(23,878)
Research and development costs	4	**(229,876)**	(181,922)
Administrative costs (including share-based payment charges)		**(557,960)**	(489,777)
R&D tax relief: receivable tax credit	8	**16,210**	15,015
Underlying operating loss		**(384,900)**	(361,618)
Share-based payment charges	16	**(149,003)**	(106,307)
Loss from operations	4	**(533,903)**	(467,925)
Finance income	7	**528**	497
Loss before taxation		**(533,375)**	(467,428)
Taxation	8	**-**	-
Loss and total comprehensive expense for the year		**(533,375)**	(467,428)
Attributable to:			
Owners of the parent		**(513,033)**	(448,108)
Non-controlling interest		**(20,342)**	(19,320)
Loss and total comprehensive expense for the year		**(533,375)**	(467,428)
Loss per share to owners of the parent			
Basic - pence	9	**(0.03)**	(0.02)
Diluted - pence	9	**(0.03)**	(0.02)

Consolidated statement of financial position

Company number 05102907	Notes	**As at 31 March 2019 £**	As at 31 March 2018 £
Assets			
Current assets			
Inventories	11	**45,866**	10,521
Trade and other receivables	12	**59,603**	64,621
Corporation tax asset	8	**30,920**	28,335
Cash and cash equivalents		**325,642**	315,166
Total current assets		**462,031**	418,643
Total assets		**462,031**	418,643
Liabilities			
Current liabilities			
Trade and other payables	13	**(123,143)**	(89,383)
Total current liabilities		**(123,143)**	(89,383)
Net current assets		**338,888**	329,260
Total liabilities		**(123,143)**	(89,383)
Total net assets		**338,888**	329,260
Capital and reserves attributable to owners of the Parent company			
Share capital	15	**1,983,988**	1,885,238
Share premium reserve	17	**17,474,796**	17,179,546
Warrant reserve	17	**-**	26,200
Merger reserve	17	**6,599,174**	6,599,174
Retained earnings	17	**(25,241,620)**	(24,903,790)
		816,338	786,368
Non-controlling interest		**(477,450)**	(457,108)
Total equity		**338,888**	329,260

These consolidated financial statements were approved and authorised for issue by the Board on 9 September 2019. The notes on pages 32 to 47 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 2019**	Year ended 31 March 2018
		£	£
Cash flows from operating activities			
Loss after tax		**(533,375)**	(467,428)
Adjustments for:			
Finance income	7	**(528)**	(497)
Tax credit receivable	8	**(16,210)**	(15,015)
Share-based payment charge	16	**149,003**	106,307
Changes in inventories		**(35,345)**	21,929
Changes in trade and other receivables		**5,056**	22,478
Changes in trade and other payables		**33,760**	(43,931)
Net cash flow from operations		**(397,639)**	(376,157)
Tax credits received		**13,625**	13,105
Total cash flow from operating activities		**(384,014)**	(363,052)
Cash flow from investing activities			
Interest received		**490**	374
Total cash flow from investing activities		**490**	374
Cash flow from financing activities			
Proceeds from issue of share capital	15	**394,000**	665,495
Total cash flow from financing activities		**394,000**	665,495
Net change in cash and cash equivalents		**10,476**	302,817
Opening cash and cash equivalents		**315,166**	12,349
Closing cash and cash equivalents		**325,642**	315,166

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 2017	**1,750,818**	**16,648,471**	**26,200**	**6,599,174**	**(24,561,989)**	**462,674**	**(437,788)**	**24,886**
Share-based charges	-	-	-	-	106,307	106,307	-	106,307
Issue of shares - placing 16 May 2017	70,000	280,000	-	-	-	350,000	-	350,000
Issue of shares - placing 4 August 2017	64,420	251,075	-	-	-	315,495	-	315,495
Total comprehensive expense for the year	-	-	-	-	(448,108)	(448,108)	(19,320)	(467,428)
At 31 March 2018	**1,885,238**	**17,179,546**	**26,200**	**6,599,174**	**(24,903,790)**	**786,368**	**(457,108)**	**329,260**
Share-based charges	-	-	-	-	149,003	149,003	-	149,003
Warrants - lapsed 10 September 2018	-	-	(26,200)	-	26,200	-	-	-
Issue of shares - placing 5 October 2018	98,750	295,250	-	-	-	394,000	-	394,000
Total comprehensive expense for the year	-	-	-	-	(513,033)	(513,033)	(20,342)	(533,375)
At 31 March 2019	**1,983,988**	**17,474,796**	**-**	**6,599,174**	**(25,241,620)**	**816,338**	**(477,450)**	**338,888**

Notes to the consolidated financial statements

1. Accounting policies
General information
Provexis plc is a public limited company incorporated and domiciled in the United Kingdom (registration number 05102907). The address of the registered office is 2 Blagrave Street, Reading, Berkshire RG1 1AZ, UK. The functional and presentational currency is pounds sterling and the financial statements are rounded to the nearest £1.

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

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

The Company has elected to prepare its Parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice - Financial Reporting Standard 102 ('UK GAAP'), and these are set out on pages 48 to 52.

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 2019.

These accounting policies are consistent with those applied in the year ended 31 March 2018, as amended to reflect any new Standards, amendments to Standards and interpretations which are mandatory for the year ended 31 March 2019.

The Group has adopted the appropriate new interpretations and revised Standards effective for the year ended 31 March 2019, to include IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The nature and effect of these changes are detailed below.

IFRS 15 Revenue from Contracts with Customers
(i) Sale of goods
The Group's contracts with customers for the sale of products generally include one performance obligation. The Group has concluded that revenue from the sale of products should be recognised at the point in time when control of the asset is transferred to the customer, which is on the despatch of the product. This does not represent a change to the Group's accounting policy and therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(ii) Presentation and disclosure requirements
IFRS 15 requires the disaggregation of revenue recognised from contracts with customers into categories that depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors. The Group has disclosed this information in note 3.

IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39 "Financial instruments: recognition and measurement" for annual periods beginning on or after 1 January 2018, which covers the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised cost (trade and other receivables). The historical loss rate has typically been very low and the impact of incorporating forward looking information when establishing has not had a material impact on impairment provisions. The impact of the application of IFRS 9 was not material to the net assets or profit for the year or prior year.

The adoption of these revised standards and interpretations has not had an impact on the current and comparative figures recorded but they have changed disclosure.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)
Basis of preparation (continued)
The following Standards, interpretations and amendments have been issued but are not yet effective and will be adopted at the point they are effective:

IFRS 16 'Leases' (effective 1 January 2019)
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.

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 7 to 13. 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 £533,375 (2018: £467,428), which includes non-cash share-based payment charges of £149,003 (2018: £106,307) and expects to make a further loss during the year ending 31 March 2020. The total cash outflow from operations in the year was £384,014 (2018: £363,052). At 31 March 2019 the Group had cash balances of £325,642 (2018: £315,166).

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

The Directors have prepared projected cash flow information for a period of eighteen 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 is seeking to maximise the commercial returns that can be achieved from its Fruitflow technology, and the Group's cost base and its resources continue to be very tightly managed.

The Group remains keen to minimise dilution to shareholders and it is focussed on moving into profitability as Fruitflow revenues increase, but while the Group remains in a loss-making position it will need to raise working capital on occasions.

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 its current level of cash it is expected that the Group will need to raise further equity finance in the coming six months.

The Directors have concluded that the necessity to raise additional equity finance represents a material uncertainty that may cast significant doubt upon the Group's and Parent Company's ability to continue as a going concern and that should it be unable to raise further funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, considering the success of previous fundraisings and the current performance of the business, the Directors have a reasonable expectation of raising sufficient additional capital to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's and Parent Company's 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

(i) Performance obligations and timing of revenue recognition

The group's revenue is primarily derived from:

- The group's profit-sharing Alliance Agreement with DSM, with the group's profit-sharing income from this agreement being recognised on an accruals basis in accordance with the substance of the agreement, based on the receipt from DSM of the relevant information to enable calculation of the profit-sharing payment due to the group.
- Selling goods, with revenue recognised at a point in time when control of the goods has transferred to the customer. Revenue from sales to external customers is recognised when goods are despatched.

There is limited judgment needed in identifying the point at which these performance obligations are satisfied.

(ii) Determining the transaction price

The amount of revenue to be earned is determined by reference to (i) the provisions of the group's profit-sharing Alliance Agreement with DSM, which is based on DSM's fixed price contracts with their customers, and (ii) the fixed price contracts which the group has with its customers, in respect of the direct sale of goods to these customers. Variable consideration relating to volume rebates has been constrained in estimating contract revenue in order that it is highly probable there will not be a future reversal in the amount of revenue recognised when the amount of volume rebates has been determined.

(iii) Allocating amounts to performance obligations

For most contracts, there is a fixed unit price for each product sold, with discounts given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered).

Sales rebate and discount reserves are established based on management's best estimate of the amounts necessary to meet claims by customers in respect of these rebates and discounts. A refund liability is made at the time of sale and updated at the end of each reporting period for changes in circumstances.

(iv) Practical exemptions

The Group has taken advantage of the practical exemption not to account for significant financing components where the time difference between receiving consideration and transferring control of goods to its customer is less than one year.

Segment reporting

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

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

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

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

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Use of non-GAAP profit measure - underlying operating profit

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

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

Intangible assets

Research and development

Expenditure incurred on the development of internally generated products is capitalised if it can be demonstrated that:

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

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

Patents and trade marks

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

Impairment of non- financial assets

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Impairment losses on goodwill are not reversed.

Inventories

Inventories, representing finished goods, are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated on a first in, first out basis.

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 using the effective interest method, less provision for impairment. Impairment provisions for trade and other receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of lifetime expected credit losses.

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.

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

Taxation
Current tax is provided at amounts expected to be recovered or to be paid using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

Benefits for Directors and consultants

Share-based payment transactions

The Group operates an equity-settled, share-based compensation plan. Vesting conditions are service conditions and performance conditions only. Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is charged to profit and loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

If non-market related terms and conditions of options are modified before they vest, the number of instruments expected to vest at each reporting date, and therefore the cumulative charge, is amended accordingly. Where equity instruments are granted to persons other than employees and others providing similar services, profit and loss is charged with the fair value of goods and services received.

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

National insurance on share options

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

Interest income

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

Warrants

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

The fair value of the warrants had been held on the statement of financial position within prepayments and in the warrants reserve within equity. The prepayment was released in full against share premium in the year ended 31 March 2015. The warrants lapsed in September 2018, and the warrants reserve was transferred to retained earnings in the year ended 31 March 2019.

Critical accounting estimates and judgements

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

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

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

(i) Research and development

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

(ii) Share-based payments

The Group operates an equity-settled, share-based compensation plan. The charge for share-based payments is determined based on the fair value of awards at the date of grant partly by use of a Binomial / Black-Scholes convergence pricing model which require judgements to be made regarding expected volatility, dividend yield, risk free rates of return and expected option lives. The inputs used in these pricing models to calculate the fair values are set out in note 16.

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 £123,143 (2018: £89,383) as disclosed in note 13.

2.2 Capital risk management

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

The Group remains funded exclusively by equity capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders of the Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Based on its current level of cash it is expected that the Group will need to raise further equity finance in the coming six months.

Notes to the consolidated financial statements continued

3. Segmental reporting

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

The CODM uses revenue as the key measure of the segments' results as it reflects the segments' underlying trading performance for the financial period under evaluation. Revenue is reported separately to the CODM and all other reports are prepared as a single business unit.

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
DSM Alliance Agreement	**197,530**	162,486
Fruitflow+ Omega 3	**98,176**	73,318
Other income	**26,483**	-
	322,189	235,804

4. Loss from continuing operations

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Loss from continuing operations is stated after charging:		
Research and development costs	**229,876**	181,922
Foreign exchange losses / (gains)	**1,828**	(1,460)
Equity-settled share-based payment expense	**149,003**	106,307

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

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Audit services		
Parent company	**10,500**	10,500
Subsidiaries	**8,750**	8,750
Tax services - compliance		
Parent company	**2,000**	2,000
Subsidiaries	**3,000**	3,000
Other services		
iXBRL services	**2,000**	2,000
Total fees	**26,250**	26,250

Notes to the consolidated financial statements continued

5. Wages and salaries

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

	Year ended 31 March 2019	Year ended 31 March 2018
Research and development consultants	**1**	1
Directors	**3**	3
	4	4

Their aggregate emoluments were:

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Fees	**242,680**	241,014
Share-based payment remuneration charge: equity settled	**149,003**	106,307
Total emoluments	**391,683**	347,321

6. Directors' remuneration

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Directors		
Aggregate emoluments	**175,342**	182,010
Company pension contributions	**-**	-
	175,342	182,010
Share-based payment remuneration charge: equity settled	**38,269**	9,646
Total Directors' emoluments	**213,611**	191,656

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

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Aggregate emoluments	**116,004**	106,002
Share-based payment remuneration charge: equity settled	**19,134**	4,823
Total of the highest paid Director's emoluments	**135,138**	110,825

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 21 to 23.

Notes to the consolidated financial statements continued

7. Finance income

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Finance income		
Bank interest receivable	**528**	497
	528	497

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

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
R&D tax relief: payable tax credit		
Research and development credit - current year	**16,200**	14,710
Research and development credit - in respect of prior periods	**10**	305
Taxation credit	**16,210**	15,015

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 2019	Year ended 31 March 2018
	£	£
Loss before tax	**(533,375)**	(467,428)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19%	**101,341**	88,811
Effects of:		
Expenses not deductible for tax purposes	**(28,186)**	(20,198)
Unutilised tax losses and other deductions arising in the year	**(76,768)**	(71,129)
Adjustment for R&D tax relief	**3,613**	2,516
Total taxation charge for the year	**-**	-

At 31 March 2019 the Group UK tax losses to be carried forward are estimated to be £19,550,000 (2018: £19,223,000).

R&D tax relief: payable tax credit receivable within one year	31 March 2019	31 March 2018
	£	£
R&D tax relief: payable tax credit recoverable	**30,920**	28,335
	30,920	28,335

Notes to the consolidated financial statements continued

9. Earnings per share and diluted earnings per share

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

The loss attributable to equity holders of the Company for the purpose of calculating the fully diluted loss per share is identical to that used for calculating the basic loss per share. The exercise of share options, disclosed in note 16, 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 2019	Year ended 31 March 2018
Loss and total comprehensive expense for the year attributable to owners of the parent - £	**513,033**	448,108
Weighted average number of shares	**1,933,125,160**	1,854,178,119
Basic and diluted loss per share - pence	**0.03**	0.02

10. Intangible assets

	Goodwill	**Development costs**	**Total**
	£	**£**	**£**
Cost			
At 1 April 2018	7,265,277	158,166	7,423,443
At 31 March 2019	**7,265,277**	**158,166**	**7,423,443**
Amortisation and Impairment			
At 1 April 2018	7,265,277	158,166	7,423,443
At 31 March 2019	**7,265,277**	**158,166**	**7,423,443**
Net book value			
At 31 March 2019	**-**	**-**	**-**
At 31 March 2018	-	-	-
Cost			
At 1 April 2017	7,265,277	158,166	7,423,443
At 31 March 2018	**7,265,277**	**158,166**	**7,423,443**
Amortisation and Impairment			
At 1 April 2017	7,265,277	158,166	7,423,443
At 31 March 2018	**7,265,277**	**158,166**	**7,423,443**
Net book value			
At 31 March 2018	**-**	**-**	**-**
At 31 March 2017	-	-	-

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. Inventories

	31 March 2019 £	31 March 2018 £
Finished goods	**45,866**	10,521
	45,866	10,521

There are no provisions included within inventories in relation to the impairment of inventories (2018: £Nil).

During the year inventories of £49,433 (2018: £23,166) were recognised as an expense within cost of goods.

12. Trade and other receivables

	31 March 2019 £	31 March 2018 £
Amounts receivable within one year:		
Trade receivables	**3,430**	1,314
Other receivables	**12,437**	11,700
Total financial assets other than cash and cash equivalents classified as loans and receivables	**15,867**	13,014
Prepayments and accrued income	**43,736**	51,607
Total trade and other receivables	**59,603**	64,621

Trade and other receivables do not contain any impaired assets.

Trade receivables represent debts due for the sale of goods to customers.
The Directors consider that the carrying amount of these receivables approximates to their fair value. All amounts shown under receivables fall due for payment within one year. The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging.

Any impairment review based on the Group's expected loss rates is currently deemed to be immaterial to the Group.

At 31 March 2019 trade receivables of £Nil (2018: £Nil) were more than 60 days past due, and there were no lifetime expected credit losses of the full value of trade receivables (2018: £Nil).

13. Trade and other payables

	31 March 2019 £	31 March 2018 £
Trade payables	**36,121**	29,329
Accruals	**81,797**	54,829
Total financial liabilities measured at amortised cost	**117,918**	84,158
Other taxes and social security	**5,225**	5,225
Total trade and other payables	**123,143**	89,383

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

All amounts shown fall due within one year.

Notes to the consolidated financial statements continued

14. Deferred tax
Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2018: 17%).

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

Deferred tax assets amounting to £3,323,500 (2018: £3,271,678) have not been recognised on the basis that their future economic benefit is not probable. Assuming a prevailing tax rate of 17% (2018: 17%) when the timing differences reverse, the unrecognised deferred tax asset comprises:

	31 March 2019 £	31 March 2018 £
Depreciation in excess of capital allowances	**-**	1,334
Unutilised tax losses	**3,323,500**	3,270,344
	3,323,500	3,271,678

15. Share capital

Allotted, called up and fully paid	**Ordinary 0.1p shares £**	**Ordinary 0.1p shares number**
At 31 March 2018	1,885,238	1,885,238,174
Issue of shares - placing 5 October 2018	98,750	98,750,000
At 31 March 2019	**1,983,988**	**1,983,988,174**

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

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

Notes to the consolidated financial statements continued

16. 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.

Share 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 an option holder's employment is terminated, the option may not be exercised unless the Board of Directors so permits. Share options expire 10 years from the date of grant.

Share 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 options closely aligns the interests of the option holders with those of shareholders.

On 26 August 2018 41,117,620 options which had been issued in August 2008 lapsed. Following the lapse of the options which expired in August 2018, the total number of Ordinary Shares under option which could be issued if all of the performance criteria are met is 138,000,000 Ordinary Shares.

The fair values of options granted are estimated at the date of grant in accordance with IFRS 2, using a Binomial / Black-Scholes convergence model.

At 31 March 2019 the number of ordinary shares subject to options granted over the 2005 and prior option schemes were:

EMI options

	31 March 2019		31 March 2018	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**0.77**	**56,078,090**	0.77	56,078,090
Lapsed during the year	**0.60**	**(33,793,100)**	-	-
Outstanding at the end of the year	**1.04**	**22,284,990**	0.77	56,078,090

The exercise price of EMI options outstanding at the end of the year ranged between 0.97p and 1.85p (2018: 0.59p and 1.85p) and their weighted average contractual life was 4.1 years (2018: 2.3 years).

Of the total number of EMI options outstanding at the end of the year, 22,284,990 (2018: 56,078,090) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.04 pence (2018: 0.77 pence).

Unapproved options

	31 March 2019		31 March 2018	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**0.93**	**123,039,530**	1.12	82,539,530
Granted during the year	**-**	**-**	0.54	40,500,000
Lapsed during the year	**0.59**	**(7,324,520)**	-	-
Outstanding at the end of the year	**1.14**	**115,715,010**	0.93	123,039,530

The exercise price of unapproved options outstanding at the end of the year ranged between 0.49p and 1.85p (2018: 0.49p and 1.85p) and their weighted average contractual life was 6.1 years (2018: 6.7 years).

Of the total number of unapproved options outstanding at the end of the year, 55,215,010 (2018: 60,039,530) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.27 pence (2018: 1.22 pence).

Notes to the consolidated financial statements continued

16. Share options (continued)

Grant of options

The fair values of the options have been estimated at the date of grant using a Binomial / Black-Scholes convergence model, with an expected dividend yield of 0%.

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 £149,003 (2018: £106,307) all of which related to equity settled share-based payment transactions.

17. Reserves

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

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

Share premium	Amount subscribed for share capital in excess of nominal value, less the related costs of share issues.
Warrant reserve	In September 2013, in consideration of Darwin Strategic Limited agreeing to provide an Equity Financing Facility, the Company entered into a warrant agreement for the grant to Darwin of warrants to subscribe for up to ten million Ordinary Shares, such warrants to be exercisable at any time prior to the expiry of five years following the date of the new warrant agreement. 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. In September 2018 the warrants lapsed, and the warrants reserve was transferred to retained earnings.
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.

18. 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 2019 amounted to £Nil (2018: £Nil). Pension contributions payable but not yet paid at 31 March 2019 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 (2018: £3,871).

Notes to the consolidated financial statements continued

19. Related party transactions

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

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

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

Revenue recognised by the Group under agreements with DSM amounted to £224,013 (2018: £162,486). At 31 March 2019 the Group was owed £Nil (2018: £Nil) by DSM.

Key management compensation

The Directors represent the key management personnel. Details of their compensation and share options are given in note 6 and within the Remuneration report on pages 21 to 23. At 31 March 2019 the Company's Chairman Dawson Buck was owed £Nil, and the Company's CEO and CFO Ian Ford was owed £1,809. The Company settled its liability to Ian Ford in June 2019.

Parent company statement of financial position

Company number 05102907	Notes	**As at 31 March 2019 £**	As at 31 March 2018 £
Assets			
Non-current assets			
Investments	3	**-**	-
Total non-current assets		**-**	-
Current assets			
Cash and cash equivalents		**99**	110
Total current assets		**99**	110
Total assets		**99**	110
Liabilities			
Total liabilities		**-**	-
Net current assets		**99**	110
Total net assets		**99**	110
Capital and reserves attributable to owners of the Parent company			
Share capital	5	**1,983,988**	1,885,238
Share premium reserve		**17,474,796**	17,179,546
Warrant reserve		**-**	26,200
Retained earnings		**(19,458,685)**	(19,090,874)
Total equity		**99**	110

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 £543,014 (2018: £771,759) which is dealt with in the financial statements of the Company.

These financial statements were approved and authorised for issue by the Board on 9 September 2019.
The notes on pages 50 to 52 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 2017	**1,750,818**	**16,648,471**	**26,200**	**(18,425,422)**	**67**
Share-based charges	-	-	-	106,307	106,307
Issue of shares - placing 16 May 2017	70,000	280,000	-	-	350,000
Issue of shares - placing 4 August 2017	64,420	251,075	-	-	315,495
Total comprehensive expense for the year	-	-	-	(771,759)	(771,759)
At 31 March 2018	**1,885,238**	**17,179,546**	**26,200**	**(19,090,874)**	**110**
Share-based charges	-	-	-	149,003	149,003
Warrants - lapsed 10 September 2018	-	-	(26,200)	26,200	-
Issue of shares - placing 5 October 2018	98,750	295,250	-	-	394,000
Total comprehensive expense for the year	-	-	-	(543,014)	(543,014)
At 31 March 2019	**1,983,988**	**17,474,796**	**-**	**(19,458,685)**	**99**

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 15 to the consolidated financial statements.

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

Notes to the parent company financial statements

1. Accounting policies

General information

Provexis plc is a public limited company incorporated and domiciled in the United Kingdom (registration number 05102907). The address of the registered office is 2 Blagrave Street, Reading, Berkshire RG1 1AZ, UK.

Basis of preparation

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

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

Going concern

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

Share-based employee remuneration

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

Taxation

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

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

Valuation of investments

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

Warrants

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

The fair value of the warrants had been held on the 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 lapsed in September 2018, and the warrants reserve was transferred to retained earnings in the year ended 31 March 2019.

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, BDO LLP (formerly 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 (2018: £10,000).

The Parent company did not have any employees in the year and therefore there were no payroll costs or pension costs (2018: Nil).

Notes to the parent company financial statements continued

3. Investments
At 31 March 2019 the Company owned the following subsidiary undertakings:

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

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

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

4. Deferred tax
Deferred tax assets amounting to £43,853 (2018: £43,853) have not been recognised on the basis that their future economic benefit is not probable.

5. Share capital

Allotted, called up and fully paid	**Ordinary 0.1p shares £**	**Ordinary 0.1p shares number**
At 31 March 2018	1,885,238	1,885,238,174
Issue of shares - placing 5 October 2018	98,750	98,750,000
At 31 March 2019	**1,983,988**	**1,983,988,174**

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

Details of the share subscriptions, share placings, and the shares issued by the Company during the two years ended 31 March 2019 are given in note 15 to the consolidated financial statements.

Details on the share option scheme and share-based payment charge for the year are given in note 16 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 2019 (2018: Nil). At 31 March 2019 the Company was owed £5,509 by Provexis (IBD) Limited (31 March 2018: 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 £81,366 (2018: £77,281). Provexis (IBD) Limited owed Provexis group companies and Provexis Nutrition Limited a total of £2,790,556 at 31 March 2019 (31 March 2018: owed £2,709,190). Provisions of £2,790,556 (2018: £2,709,190) have been recognised in the accounts of Provexis group companies and Provexis Nutrition Limited.

Details of a related party transaction with DSM are given in note 19 to the consolidated financial statements.

Company information

Company number	05102907
Directors	C D Buck F Boned I Ford N A O'Kennedy
Audit committee	C D Buck F Boned
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Secretary and registered office	I Ford 2 Blagrave Street Reading Berkshire RG1 1AZ
Nominated adviser and broker	Allenby Capital Limited 5 St Helen's Place London EC3A 6AB
Principal solicitors	TLT LLP 20 Gresham Street London EC2V 7JE
Auditors	BDO LLP 2 Blagrave Street Reading Berkshire RG1 1AZ