Provexis plc

Annual report and accounts 2020

Company number 05102907

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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 involves the partners collaborating 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 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 nine 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 £348k, an 8% year on year increase (2019: £322k).

- Planned launch by By-Health, a circa £4bn listed Chinese dietary supplement business, of a number of Fruitflow based products in the Chinese market is progressing well. Potential sales volumes remain at a significant multiple of existing Fruitflow sales.

  By-Health has made a significant investment in nine 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 five 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.

- Purchase of background and joint foreground Oslo blood pressure lowering IP in August 2020, for a total consideration of 11.5m new ordinary shares in Provexis plc, giving the company full ownership of its four key patent families for Fruitflow.

- The Company and its commercial partner DSM have experienced increased consumer interest for Fruitflow in light of the COVID-19 pandemic, and will look to maximise the commercial opportunities arising from this, further promoting the core blood circulatory and anti-inflammatory benefits of the product. The total projected annual sales value of the prospective sales pipeline for Fruitflow continues to stand at a substantial multiple of existing annual sales.

- Total revenue from the Fruitflow DSM Alliance for the year was £233k, 18% ahead of the prior year (2019: £198k) and an all-time high number for the year. Strong start to the 2020/21 financial year for this business, with first quarter revenues substantially ahead of the comparative quarter in 2019/20.

- Total sales of the Company's Fruitflow+ Omega-3 dietary supplement business grew by 17% in the year to £115k (2019: £98k) across the Company's website www.fruitflowplus.com, Amazon UK and Holland & Barrett. Subscriber numbers on the www.fruitflowplus.com website have been growing steadily, and currently stand at a new all-time high level. Further UK and international sales channel opportunities are being actively progressed.

- Underlying operating loss* reduced to £321k, 17% lower than the prior year (2019: £385k) and a record low for the Group for the year.

- Cash £291k at 31 March 2020 (2019: £326k). The Company raised £301k from a placing in December 2019 with new and existing investors at 0.40p per new ordinary share. The Group has recently completed a new production run for Fruitflow+ Omega-3 resulting in a planned increase in inventory of approximately £90k; based on its current level of cash the Company will therefore be seeking to raise further funds in the coming three months.

*before share-based payments of £104k (2019: £149k), as set out on the face of the Consolidated Statement of Comprehensive Income

Chairman and CEO's statement

The Company has had a year of strong progress, 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 in recent 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.

The Company and DSM have experienced increased consumer interest for Fruitflow in recent months, in light of the COVID-19 pandemic, as consumers look to nutritional interventions to help them fortify the circulatory system against the effects of COVID-19. The Company and DSM will look to maximise the commercial opportunities arising from this increased consumer interest in Fruitflow, and will further promote the core blood circulatory and anti-inflammatory benefits of the product.

Revenues for the year were £348k, an 8% year on year increase (2019: £322k), reflecting:

- An increase in the net income received from the Company's Alliance Agreement with DSM, which grew by 18% to £233k in the year (2019: £198k);
- An increase in revenue, net of sales rebates, from the Company's Fruitflow+ Omega-3 business, including the Company's website www.fruitflowplus.com, Amazon UK and Holland & Barrett. This business grew by 17% to £115k, net of sales rebates, in the year (2019: £98k).
- Amounts of £Nil received in the year for marketing support, compared to amounts in excess of £26k which were received in the prior year.

Net of the amounts received for marketing support in the prior year, underlying total revenues from the Company's Alliance Agreement with DSM and its Fruitflow+ Omega-3 business grew by 18% year on year (£348k in 2020, compared to £296k in the prior year).

Underlying operating loss for the year was £321k, 17% lower than the prior year (2019: £385k) and a record low number for the Group.

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 at approximately £4bn, 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 nine 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.

Five studies have been successfully completed in China, one clinical study and one animal study are currently ongoing and a further planned two human studies in 2020 have recently been confirmed by By-Health. The COVID-19 pandemic has caused some delays to the ongoing and planned studies, with By-Health seeking to keep these delays to a minimum.

Chairman and CEO's statement

The five completed 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.

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 require the use of healthy volunteers and it has therefore been delayed by the COVID-19 pandemic. It is expected that the project will be re-started when it is safe to do so, and as the project progresses it is expected to provide gross income to Provexis in excess of £55k, 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 has 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). 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). The Company believes that Fruitflow has the potential to play an important role in the Chinese cardiovascular health market.

Fruitflow+ dietary supplement products
Fruitflow+ Omega-3 is available to purchase from the Company's subscription focussed e-commerce website www.fruitflowplus.com, Amazon UK and Holland & Barrett.

The product has a Facebook page at www.facebook.com/FruitflowPlus and an Instagram page at www.instagram.com/fruitflowplus.

The Company believes that Fruitflow has an important role to play in women's cardiovascular health, and there is a dedicated section of its consumer website addressing this topic 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 has been generated by Team Sunweb Pro Cycling's use of Fruitflow in the Tour de France. The benefits that Fruitflow can provide for athletes in terms of improved recovery are set out in more detail on the website at www.fruitflowplus.com/sportrecovery.

Total sales of the Company's Fruitflow+ Omega-3 dietary supplement business grew by 17% in the year to £115k (2019: £98k). Subscriber numbers on the www.fruitflowplus.com website have been growing steadily, and currently stand at a new all-time high level.

Chairman and CEO's statement

The Company's Fruitflow+ Omega-3 direct selling business has been operating largely as normal throughout the COVID-19 pandemic, and despite some initial delays in the supply chain a new production run of Fruitflow+ Omega-3 capsules was completed in July 2020 thus ensuring continued supply of the product.

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 UK and international direct selling 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 which are all owned outright by Provexis:

- Improved Fruitflow / Fruit Extracts, with a patent granted by the European Patent Office in January 2017 and a further European application accepted for grant in 2020. The patent has been granted in eight other major territories to include China, and patent applications are at a late stage of progression in a further six global territories, with potential patent protection out to November 2029.

- Antihypertensive (blood pressure lowering) effects, originally developed 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.

  In August 2020 the Company announced it had agreed to purchase the background and joint foreground blood pressure lowering IP owned by Inven2 AS, the technology transfer office at the University of Oslo, for a total consideration of 11.5m new ordinary shares of 0.1p each in Provexis plc.

  The University of Oslo's 2013 antihypertensive patent application and all of the patents which have been derived from it are now in the process of being transferred into the name of Provexis; Provexis will therefore own these important patents outright, with the licensing option originally held by Inven2 having been cancelled.

- 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 further patents have been granted in Australia, China, New Zealand and Japan. Applications have been accepted for grant in Europe, the US and the Philippines, and further patents for this formulation are being sought in eight 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.

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

Capital structure and funding
On 11 December 2019 the Company announced it had raised proceeds of £301,333 via the placing of 75,333,333 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 17 December 2019.

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. The Group has recently completed a new production run for Fruitflow+ Omega-3 resulting in a planned increase in inventory of approximately £90k; based on its current level of cash it is expected that the Group will therefore need to raise further equity finance in the coming three months, a situation which is deemed to represent a material uncertainty related to going concern.

Chairman and CEO's statement

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 5 Kew Road, Richmond TW9 2PR at 12:30pm on 30 October 2020. Regrettably, due to the UK Government's latest guidance in respect of COVID-19, and in accordance with the Company's articles of association, access to the AGM will be restricted as further detailed in the AGM notice.

People

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.

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.

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.

Underlying total revenues, net of the amounts received for marketing support in the prior year, grew by 18% year on year, with near equal sales growth across the Fruitflow DSM Alliance and the Company's Fruitflow+ Omega-3 dietary supplement business.

The Fruitflow DSM Alliance has made a strong start to the 2020/21 financial year, with first quarter revenues substantially ahead of the comparative quarter in 2019/20.

The Company's Fruitflow+ Omega-3 dietary supplement business has seen continued growth in its subscriber base, with subscriber numbers on the www.fruitflowplus.com website now standing at a new all-time high level. The Company is seeking to expand its commercial activities with Fruitflow+ Omega-3, and it is currently in dialogue with some potential UK and international direct selling customers.

The COVID-19 virus is having a significant adverse effect on circulation in many patients, and it is causing wider issues with inflammation. Fruitflow is a natural, breakthrough ingredient that helps with platelet aggregation, supporting normal blood flow and circulation. The Company and its commercial partner DSM have experienced increased consumer interest for Fruitflow in light of the pandemic, and are seeking to maximise the resulting commercial opportunities to the benefit of consumers worldwide.

The planned launch by By-Health, a circa £4bn listed Chinese dietary supplement business, of a number of Fruitflow based products in the Chinese market is progressing well with potential sales volumes remaining at a significant multiple of existing Fruitflow sales. The collaboration agreement which the Company signed in August 2019 with By-Health, in support of By-Health's planned launch of Fruitflow based products in the Chinese market, further strengthens the close relationship between By-Health and Provexis.

The Company has developed a strong, long lasting and wide-ranging patent portfolio for Fruitflow, and it now owns outright four patent families for Fruitflow which have a truly global footprint. The intellectual property for Fruitflow is of fundamental importance to the Company and its current and future commercial partners, to include DSM and By-Health, and it underpins the numerous commercial opportunities which the Company and its partners are pursuing for Fruitflow.

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	**Ian Ford**
Chairman	CEO
29 September 2020	

Strategic report

The strategic report should be read in conjunction with the Chairman and CEO'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 and from Holland & Barrett.

The Company's Fruitflow+ Omega-3 dietary supplement business is expected to provide the Company with an additional long-term income and profit stream. The dietary supplement business is complementary to the Company's 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 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 circa £4bn 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.

Strategic report

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.grandviewresearch.com/press-release/global-functional-foods-market). 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 £115k in the year to 31 March 2020, compared to £98k 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 2020 was £348k, an 8% increase relative to the prior year (2019: £322k).

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 18% to £233k in the year (2019: £198k);
- An increase in revenue, net of sales rebates, from the Company's Fruitflow+ Omega-3 business, including the Company's website www.fruitflowplus.com, Amazon UK and Holland & Barrett. This business grew by 17% to £115k, net of sales rebates, in the year (2019: £98k).
- Amounts of £Nil received in the year for marketing support, compared to amounts in excess of £26k which were received in the prior year.

Strategic report

Underlying operating loss
Underlying operating loss for the year was £321k (2019: £385k), a £64k year on year improvement which reflects a year on year £39k increase in gross profit, a £5k increase in selling and distribution costs, a £22k increase in research and development costs, a £5k reduction in R&D tax relief and a £57k reduction in administrative 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 10% to £252k (2019: £230k).

R&D tax relief: payable tax credit
A current tax credit of £11k (2019: £16k), 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 2018 totalling £15k was paid to the Group in July 2019, and the tax credit claim for the year ended 31 March 2019 totalling £16k was paid to the Group in May 2020.

Taxation
The current tax charge is £Nil (2019: £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 2020 was £406k (2019: £513k) and the basic loss per share was 0.02p (2019: 0.03p). The Directors are unable to recommend the payment of a dividend (2019: £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 2020 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.

Strategic report

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 29 September 2020 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 11 December 2019 the Group announced it had raised proceeds of £301,333 via the placing of 75,333,333 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 17 December 2019.

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 2020:

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Underlying operating loss	**320,888**	384,900

The trading results are further detailed in this strategic report on pages 7 to 14.

The table below shows the Group's cash position at 31 March 2020 and 31 March 2019:

	31 March 2020	31 March 2019
	£	£
Cash and cash equivalents	**291,335**	325,642

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 £34,307 decrease 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 of the UK leaving the EU is still 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 the UK's 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)

Covid-19

The impact of the Covid-19 pandemic is uncertain.

Scientific research into Covid-19 is being undertaken at considerable scale, with more than two thousand studies in progress worldwide. It is already clear that in many patients the virus is having a significant adverse effect on circulation, and it is causing wider issues with inflammation. Fruitflow is a natural, breakthrough ingredient that helps with platelet aggregation, supporting normal blood flow and circulation which in turn benefits cardiovascular health.

The Company and its Alliance partner DSM Nutritional Products have experienced increased consumer interest for Fruitflow in light of the Covid-19 pandemic, as consumers look to nutritional interventions to help them fortify the circulatory system against the effects of Covid-19. The Company and DSM will look to maximise the commercial opportunities arising from this increased consumer interest in Fruitflow, and will further promote the core blood circulatory and anti-inflammatory benefits of the product.

The Company's Fruitflow+ Omega-3 direct selling business has been operating largely as normal throughout the pandemic, and despite some initial delays in the supply chain a new production run of Fruitflow+ Omega-3 capsules was completed in July 2020 thus ensuring continued supply of the product.

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.

Principal risks and uncertainties (continued)
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.

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 and CEO's statement on pages 3 to 6.

Strategic report

Other statutory disclosures
Directors
At the end of the financial year Provexis plc had four Directors, three male and one female.

Employees
At the end of the financial year Provexis plc had two employees, who are both Directors of 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
Director
29 September 2020

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 14.

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
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 14. 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 £424,465 (2019: £533,375), which includes non-cash share-based payment charges of £103,924 (2019: £149,003) and expects to make a further loss during the year ending 31 March 2021. The total cash outflow from operations in the year was £335,040 (2019: £384,014). At 31 March 2020 the Group had cash balances of £291,335 (2019: £325,642).

On 11 December 2019 the Group announced it had raised proceeds of £301,333 via the placing of 75,333,333 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 17 December 2019.

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.

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. The Group has recently completed a new production run for Fruitflow+ Omega-3 resulting in a planned increase in inventory of approximately £90k; based on its current level of cash it is expected that the Group will therefore need to raise further equity finance in the coming three 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
The Group's External Auditor, James Cowper Kreston, is engaged to provide its independent opinion on the Group's financial statements. A full scope of their work for the year ended 31 March 2020 is included within the Independent auditor's report on pages 25 to 27.

James Cowper Kreston were appointed this year following a tender process, and their appointment as the Company's auditor for the financial year ended 31 March 2020 will be subject to approval by the Company's shareholders at the next Annual General Meeting.

The Company's previous auditor, BDO LLP, has confirmed to the Company that it is not aware of any circumstances connected with its termination as auditor that it considers should be brought to the attention of the Board, creditors or shareholders of the Company.

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.

Directors' responsibilities (continued)
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.

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
29 September 2020

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 16.

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	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 has previously divided his working time between the UK and Australia; in January 2020 Ian returned to live full time in the UK.	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	3	3	3	3
Board meetings attended during the year	3	3	3	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 Company's Non-executive Chairman Dawson Buck, although not considered independent under the QCA code, does bring independent judgement to the Board due to him now having a Non-executive role.

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 the AIM Rules 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 £4,700 for the year ended 31 March 2020 (2019: £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.

The Directors have made the difficult decision to restrict access to the 2020 Annual General Meeting in accordance with the Company's articles of association. The access restriction applies to all shareholders, not including Directors, which means that external shareholders will be prohibited from attending the meeting in person. The decision has been made in light of the COVID-19 pandemic and in the interests of the safety and wellbeing of both the Directors and shareholders.

Dawson Buck
Chairman
29 September 2020

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, CEO Ian Ford and CSO Dr Niamh O'Kennedy are engaged under contracts for services requiring six months' notice by either party.

Dr Niamh O'Kennedy joined the Board on 12 April 2019 as Chief Scientific Officer.

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.

Gains made on exercise of Directors' share options
No Directors' share options were exercised during the year (2019: Nil).

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

	Year ended 31 March 2020				Year ended 31 March 2019
	Salary and Directors' fees	**Benefits in kind**	**Pension**	**Total**	Total
	£	**£**	**£**	**£**	£
Executive Directors					
I Ford	120,006	-	2,583	122,589	116,004
Dr N A O'Kennedy *	73,850	-	1,668	75,518	-
Non-executive Directors					
F Boned	-	-	-	-	-
C D Buck **	36,000	-	-	36,000	59,338
	229,856	-	4,251	234,107	175,342

* Dr Niamh O'Kennedy joined the Board on 12 April 2019.

** 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 2020 £	Year ended 31 March 2019 £
Executive Directors		
I Ford	**31,567**	19,134
Dr N A O'Kennedy	**18,941**	-
Non-executive Directors		
F Boned	**-**	-
C D Buck	**23,148**	19,135
	73,656	38,269

Directors' interests in shares	**Ordinary shares of 0.1 pence each**	Ordinary shares of 0.1 pence each
	Beneficial interests	
	31 March 2020	1 April 2019
I Ford	**5,000,000**	5,000,000
Dr N A O'Kennedy	**-**	-
C D Buck	**25,416,667**	25,416,667
	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 2020.

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 2020 are summarised below.

	31 March 2020	31 March 2019
I Ford	**50,000,000**	25,000,000
Dr N A O'Kennedy (appointed 12 April 2019)	**38,000,000**	-
C D Buck	**25,000,000**	17,000,000
	113,000,000	42,000,000

The unapproved share options at 31 March 2020 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	September 2019	25,000,000	0.30p	April 2022	September 2029
N A O'Kennedy	September 2019	25,000,000	0.30p	April 2022	September 2029
C D Buck	September 2019	8,000,000	0.30p	April 2022	September 2029
I Ford	December 2017	10,000,000	0.55p	April 2020	December 2027
N A O'Kennedy	December 2017	1,500,000	0.55p	April 2020	December 2027
C D Buck	December 2017	10,000,000	0.55p	April 2020	December 2027
N A O'Kennedy	July 2017	2,500,000	0.52p	April 2020	July 2027
N A O'Kennedy	December 2016	4,000,000	0.92p	April 2019	December 2026
N A O'Kennedy	November 2014	5,000,000	0.67p	April 2017	November 2024
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
		104,350,010			

The EMI share options at 31 March 2020 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 2020 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 2020 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 of Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further discussed in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 Standards as applied to listed entities, and we have fulfilled our ethical responsibilities 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 three months to be able to continue as a going concern. This indicates 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.

Overview of the scope of our audit
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK and Ireland)'). We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the directors that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account our understanding of the group and its environment, the accounting processes and controls, and the industry in which the group operates. The group operates within the parent company and a number of operating subsidiaries. We performed full scope statutory audits in respect of the parent company and the subsidiaries to enable us to provide an opinion on the consolidated financial statements.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified in the Key audit matters section below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

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 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.

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

Key audit matter	How we addressed the Key audit matter in the audit
Going concern The Group's 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. 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: • Review of management's financial forecast models, over a period of 12 months to 30 September 2021. In doing so we considered key assumptions including revenue generation and costs. • Review of management's assumptions in relation to anticipated fund raising activities, 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.

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. We therefore identified revenue recognition as a significant risk.	Our procedures included: • Agreement of revenue recognised under the DSM Alliance Agreement to appropriate evidence; • Testing a sample of sales of physical product to supporting evidence • Considering the appropriateness and application of the group's revenue recognition policies. ***Key observations*** Based on the procedures we performed, we noted no material issues in respect of revenue

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decision of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgements we determined materiality for the consolidated financial statements as a whole to be £25,000 and for the parent company financial statements to be £20,000, based upon 6% of the reported loss for the year.

We agreed with the directors that we would report all audit difference in excess of £2,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Other information included in the annual report

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 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 misstated. If we identify such material inconsistencies or apparent material misstatement, we are required to determine whether there is a material misstatement in the financial statement or a material misstatement in 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 this 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 are consistent with the financial statements; and

- The strategic report and the directors' report have been prepared in accordance with the applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 the financial statements which the Companies Act 2006 require to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for the audit have not been received from branches not visited by us; or
- The 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 set out on page 19 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 misstatements, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operating, or have no realistic alternative but to do so.

Auditors' 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 misstatements 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 aggregate, they could reasonably be expected to influence the economic decision 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of our report

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

Alan Poole BA (Hons) FCA (Senior Statutory Auditor)
For and on behalf of
James Cowper Kreston
Chartered Accountants and Statutory Auditors

Reading Bridge House
George Street
Reading
RG1 8LS

29 September 2020

Consolidated statement of comprehensive income

	Notes	**Year ended 31 March 2020** £	Year ended 31 March 2019 £
Revenue	1,3	**347,937**	322,189
Cost of goods		**(35,782)**	(49,433)
Gross profit		**312,155**	272,756
Selling and distribution costs		**(40,656)**	(35,033)
Research and development costs	4	**(251,865)**	(229,876)
Administrative costs (including share-based payment charges)		**(455,948)**	(557,960)
R&D tax relief: receivable tax credit	8	**11,502**	16,210
Underlying operating loss		**(320,888)**	(384,900)
Share-based payment charges	16	**(103,924)**	(149,003)
Loss from operations	4	**(424,812)**	(533,903)
Finance income	7	**347**	528
Loss before taxation		**(424,465)**	(533,375)
Taxation	8	**-**	-
Loss and total comprehensive loss for the year		**(424,465)**	(533,375)
Attributable to:			
Owners of the parent		**(406,229)**	(513,033)
Non-controlling interest		**(18,236)**	(20,342)
Loss and total comprehensive loss for the year		**(424,465)**	(533,375)
Loss per share to owners of the parent			
Basic - pence	9	**(0.02)**	(0.03)
Diluted - pence	9	**(0.02)**	(0.03)

Consolidated statement of financial position

Company number 05102907	Notes	**As at 31 March 2020 £**	As at 31 March 2019 £
Assets			
Current assets			
Inventories	11	**10,084**	45,866
Trade and other receivables	12	**139,637**	59,603
Corporation tax asset	8	**27,702**	30,920
Cash and cash equivalents		**291,335**	325,642
Total current assets		**468,758**	462,031
Total assets		**468,758**	462,031
Liabilities			
Current liabilities			
Trade and other payables	13	**(150,077)**	(123,143)
Total current liabilities		**(150,077)**	(123,143)
Net current assets		**318,681**	338,888
Total liabilities		**(150,077)**	(123,143)
Total net assets		**318,681**	338,888
Capital and reserves attributable to owners of the Parent company			
Share capital	15	**2,059,322**	1,983,988
Share premium reserve	17	**17,699,796**	17,474,796
Merger reserve	17	**6,599,174**	6,599,174
Retained earnings	17	**(25,543,925)**	(25,241,620)
		814,367	816,338
Non-controlling interest		**(495,686)**	(477,450)
Total equity		**318,681**	338,888

These consolidated financial statements were approved and authorised for issue by the Board on 29 September 2020. 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 2020**	Year ended 31 March 2019
		£	£
Cash flows from operating activities			
Loss after tax		**(424,465)**	(533,375)
Adjustments for:			
Finance income	7	**(347)**	(528)
Tax credit receivable	8	**(11,502)**	(16,210)
Share-based payment charge	16	**103,924**	149,003
Changes in inventories		**35,782**	(35,345)
Changes in trade and other receivables		**(80,086)**	5,056
Changes in trade and other payables		**26,934**	33,760
Net cash flow from operations		**(349,760)**	(397,639)
Tax credits received		**14,720**	13,625
Total cash flow from operating activities		**(335,040)**	(384,014)
Cash flow from investing activities			
Interest received		**399**	490
Total cash flow from investing activities		**399**	490
Cash flow from financing activities			
Proceeds from issue of share capital	15	**300,334**	394,000
Total cash flow from financing activities		**300,334**	394,000
Net change in cash and cash equivalents		**(34,307)**	10,476
Opening cash and cash equivalents		**325,642**	315,166
Closing cash and cash equivalents		**291,335**	325,642

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 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 loss 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**
Share-based charges	-	-	-	-	103,924	103,924	-	103,924
Issue of shares - placing 17 December 2019	75,334	225,000	-	-	-	300,334	-	300,334
Total comprehensive loss for the year	-	-	-	-	(406,229)	(406,229)	(18,236)	(424,465)
At 31 March 2020	**2,059,322**	**17,699,796**	**-**	**6,599,174**	**(25,543,925)**	**814,367**	**(495,686)**	**318,681**

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 2020.

These accounting policies are consistent with those applied in the year ended 31 March 2019, as amended to reflect any new Standards, amendments to Standards and interpretations which are mandatory for the year ended 31 March 2020. The adoption of these revised standards and interpretations has not had an impact on the current and comparative figures recorded.

The IASB has issued a number of standards and interpretations with an effective date after the date of these financial statements, none of which are expected to have a material impact on the Group's reported financial performance or position.

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 14. 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 £424,465 (2019: £533,375), which includes non-cash share-based payment charges of £103,924 (2019: £149,003) and expects to make a further loss during the year ending 31 March 2021. The total cash outflow from operations in the year was £335,040 (2019: £384,014). At 31 March 2020 the Group had cash balances of £291,335 (2019: £325,642).

On 11 December 2019 the Group announced it had raised proceeds of £301,333 via the placing of 75,333,333 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 17 December 2019.

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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

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. The Group has recently completed a new production run for Fruitflow+ Omega-3 resulting in a planned increase in inventory of approximately £90k; based on its current level of cash it is expected that the Group will therefore need to raise further equity finance in the coming three 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.

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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)
Revenue (continued)
(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.

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.

1. Accounting policies (continued)

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.

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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)
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.

Benefits for Directors and consultants
(i) Defined contribution plans
The Group provides retirement benefits to the Executive Directors, who are the Group's only employees. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions made by the Group are charged to the statement of comprehensive income in the period in which they become payable.

(ii) Accrued holiday pay
Provision has been made at the balance sheet date for holidays accrued but not taken at the salary of the relevant employee at that date.

(iii) Share-based payment transactions
The Group operates an equity-settled, share-based compensation plan. Vesting conditions are service conditions and performance conditions only. Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is charged to 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.

Notes to the consolidated financial statements continued

1. Accounting policies (continued)

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 £150,077 (2019: £123,143) 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 three 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 2020 £	Year ended 31 March 2019 £
DSM Alliance Agreement	**232,667**	197,530
Fruitflow+ Omega 3	**115,270**	98,176
Other income	**-**	26,483
	347,937	322,189

4. Loss from continuing operations

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Loss from continuing operations is stated after charging:		
Research and development costs	**251,865**	**229,876**
Foreign exchange (gains) / losses	**(4,048)**	**1,828**
Equity-settled share-based payment expense	**103,924**	**149,003**

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

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Audit services		
Parent company	**9,000**	10,500
Subsidiaries	**6,500**	8,750
Tax services - compliance		
Parent company	**500**	2,000
Subsidiaries	**2,250**	3,000
Other services		
iXBRL services	**1,950**	2,000
Total fees	**20,200**	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 2020	Year ended 31 March 2019
Research and development consultants	**-**	1
Directors	**4**	3
	4	4

Their aggregate emoluments were:

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Wages and salaries	**232,026**	242,680
Social security costs	**10,038**	-
Pension and other staff costs	**380**	-
Total cash settled emoluments	**242,444**	242,680
Share-based payment remuneration charge: equity settled	**73,860**	149,003
Total emoluments	**316,304**	391,683

6. Directors' remuneration

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Directors		
Aggregate emoluments	**229,856**	175,342
Company pension contributions	**4,251**	-
	234,107	175,342
Share-based payment remuneration charge: equity settled	**73,656**	38,269
Total Directors' emoluments	**307,763**	213,611

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

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Aggregate emoluments	**120,006**	116,004
Company pension contributions	**2,583**	-
Share-based payment remuneration charge: equity settled	**31,567**	19,134
Total of the highest paid Director's emoluments	**154,156**	135,138

During the year, two Directors participated in defined contribution pension schemes (2019: Nil).

During the current year and the prior year the Directors did not receive any benefits in kind.

Further details of Directors' emoluments are included in the Remuneration report on pages 22 to 24.

7. Finance income

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Finance income		
Bank interest receivable	**347**	528
	347	528

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

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
R&D tax relief: payable tax credit		
Research and development credit - current year	**11,500**	16,200
Research and development credit - in respect of prior periods	**2**	10
Taxation credit	**11,502**	16,210

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 2020	Year ended 31 March 2019
	£	£
Loss before tax	**(424,465)**	(533,375)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19%	**80,648**	101,341
Effects of:		
Expenses not deductible for tax purposes	**(19,746)**	(28,186)
Unutilised tax losses and other deductions arising in the year	**(62,874)**	(76,768)
Adjustment for R&D tax relief	**1,972**	3,613
Total taxation charge for the year	**-**	-

At 31 March 2020 the Group UK tax losses to be carried forward are estimated to be £19,900,000 (2019: £19,591,000).

The tax losses represent deferred tax assets amounting to £3,781,200 (2019: £3,323,500) which have not been recognised on the basis that their future economic benefit is not probable.

R&D tax relief: payable tax credit receivable within one year	**31 March 2020**	31 March 2019
	£	£
R&D tax relief: payable tax credit recoverable	**27,702**	30,920
	27,702	30,920

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 or loss 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 2020	Year ended 31 March 2019
Loss and total comprehensive loss for the year attributable to owners of the parent - £	**406,229**	513,033
Weighted average number of shares	**2,005,600,196**	1,933,125,160
Basic and diluted loss per share - pence	**0.02**	0.03

10. Intangible assets

	Goodwill £	**Development costs £**	**Total £**
Cost			
At 1 April 2019	7,265,277	158,166	7,423,443
At 31 March 2020	**7,265,277**	**158,166**	**7,423,443**
Amortisation and Impairment			
At 1 April 2019	7,265,277	158,166	7,423,443
At 31 March 2020	**7,265,277**	**158,166**	**7,423,443**
Net book value			
At 31 March 2020	**-**	**-**	**-**
At 31 March 2019	-	-	-
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	-	-	-

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 2020 £	31 March 2019 £
Finished goods	**10,084**	45,866
	10,084	45,866

There are no provisions included within inventories in relation to the impairment of inventories (2019: £Nil).

During the year inventories of £35,782 (2019: £49,433) were recognised as an expense within cost of goods.

12. Trade and other receivables

	31 March 2020 £	31 March 2019 £
Amounts receivable within one year:		
Trade receivables	**4,709**	3,430
Other receivables	**51,533**	12,437
Total financial assets other than cash and cash equivalents classified as loans and receivables	**56,242**	15,867
Prepayments and accrued income	**83,395**	43,736
Total trade and other receivables	**139,637**	59,603

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 2020 trade receivables of £Nil (2019: £Nil) were more than 60 days past due, and there were no lifetime expected credit losses of the full value of trade receivables (2019: £Nil).

13. Trade and other payables

	31 March 2020 £	31 March 2019 £
Trade payables	**22,297**	36,121
Accruals	**112,749**	81,797
Total financial liabilities measured at amortised cost	**135,046**	117,918
Other taxes and social security	**15,031**	5,225
Total trade and other payables	**150,077**	123,143

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 19% (2019: 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 £3,781,200 (2019: £3,323,500) have not been recognised on the basis that their future economic benefit is not probable. Assuming a prevailing tax rate of 19% (2019: 17%) when the timing differences reverse, the unrecognised deferred tax asset comprises:

	31 March 2020 £	31 March 2019 £
Depreciation in excess of capital allowances	**-**	-
Unutilised tax losses	**3,781,200**	3,323,500
	3,781,200	3,323,500

15. Share capital

Allotted, called up and fully paid	**Ordinary 0.1p shares £**	**Ordinary 0.1p shares number**
At 31 March 2019	1,983,988	1,983,988,174
Issue of shares - placing 17 December 2019	75,334	75,333,333
At 31 March 2020	**2,059,322**	**2,059,321,507**

On 11 December 2019 the Group announced it had raised proceeds of £301,333 via the placing of 75,333,333 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 17 December 2019.

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**

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.

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 2020 the number of ordinary shares subject to options granted over the 2005 and prior option schemes were:

EMI options

	31 March 2020		31 March 2019	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**1.04**	**22,284,990**	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**	1.04	22,284,990

The exercise price of EMI options outstanding at the end of the year ranged between 0.97p and 1.85p (2019: 0.97p and 1.85p) and their weighted average contractual life was 3.1 years (2019: 4.1 years).

Of the total number of EMI options outstanding at the end of the year, 22,284,990 (2019: 22,284,990) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.04 pence (2019: 1.04 pence).

Unapproved options

	31 March 2020		31 March 2019	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**1.14**	**115,715,010**	0.93	123,039,530
Granted during the year	**0.30**	**62,500,000**	-	-
Lapsed during the year	**0.97**	**(7,000,000)**	0.59	(7,324,520)
Outstanding at the end of the year	**0.71**	**171,215,010**	1.14	115,715,010

The exercise price of unapproved options outstanding at the end of the year ranged between 0.30p and 1.85p (2019: 0.49p and 1.85p) and their weighted average contractual life was 6.8 years (2019: 6.1 years).

Of the total number of unapproved options outstanding at the end of the year, 68,215,010 (2019: 55,215,010) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.19 pence (2019: 1.27 pence).

Notes to the consolidated financial statements continued

16. Share options (continued)
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% and an expected volatility of 81%.

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 £103,924 (2019: £149,003) 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 2020 amounted to £4,251 (2019: £Nil). Employee and employer pension contributions payable but not yet paid at 31 March 2020 totalled £5,611, in respect of pension contribution entitlements where employees had not yet provided details of the funds to which the contributions should be made (2019: £3,871).

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 £232,667 (2019: £224,013). At 31 March 2020 the Group was owed £Nil (2019: £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 22 to 24. At 31 March 2020 the Directors were owed £Nil (2019: £Nil).

Parent company statement of financial position

Company number 05102907	Notes	**As at 31 March 2020 £**	As at 31 March 2019 £
Assets			
Non-current assets			
Investments	3	**-**	-
Total non-current assets		**-**	-
Current assets			
Cash and cash equivalents		**110**	99
Total current assets		**110**	99
Total assets		**110**	99
Liabilities			
Total liabilities		**-**	-
Net current assets		**110**	99
Total net assets		**110**	99
Capital and reserves attributable to owners of the Parent company			
Share capital	5	**2,059,322**	1,983,988
Share premium reserve		**17,699,796**	17,474,796
Warrant reserve		**-**	-
Retained earnings		**(19,759,008)**	(19,458,685)
Total equity		**110**	99

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 £404,247 (2019: £543,014) which is dealt with in the financial statements of the Company.

These financial statements were approved and authorised for issue by the Board on 29 September 2020. 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 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 loss for the year	-	-	-	(543,014)	(543,014)
At 31 March 2019	**1,983,988**	**17,474,796**	**-**	**(19,458,685)**	**99**
Share-based charges	-	-	-	103,924	103,924
Issue of shares - placing 17 December 2019	75,334	225,000	-	-	300,334
Total comprehensive loss for the year	-	-	-	(404,247)	(404,247)
At 31 March 2020	**2,059,322**	**17,699,796**	**-**	**(19,759,008)**	**110**

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, James Cowper Kreston (2019: BDO LLP), for services provided are analysed in note 4 to the consolidated financial statements. Total audit fees for the year were £9,000 (2019: £10,000).

The Parent company did not have any employees in the year and therefore there were no payroll costs or pension costs (2019: Nil).

Notes to the parent company financial statements continued

3. Investments
At 31 March 2020 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 £49,012 (2019: £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 2019	1,983,988	1,983,988,174
Issue of shares - placing 17 December 2019	75,334	75,333,333
At 31 March 2020	**2,059,322**	**2,059,321,507**

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**

Details of the share subscriptions, share placings, and the shares issued by the Company during the two years ended 31 March 2020 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 2020 (2019: Nil). At 31 March 2020 the Company was owed £5,509 by Provexis (IBD) Limited (31 March 2019: 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 £72,944 (2019: £81,366). Provexis (IBD) Limited owed Provexis group companies and Provexis Nutrition Limited a total of £2,863,500 at 31 March 2020 (31 March 2019: owed £2,790,556). Provisions of £2,863,500 (2019: £2,790,556) 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	James Cowper Kreston Reading Bridge House George Street Reading Berkshire RG1 8LS