1 June 2010

Provexis plc
("Provexis" or the "Company")

AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2010

Provexis plc (PXS.L), the life-science business that discovers, develops and licenses scientifically-proven functional food, medical food and dietary supplement technologies, announces its audited results for the year ended 31 March 2010.

Key highlights

- Long-term Alliance Agreement with DSM Nutritional Products to commercialise Fruitflow® heart-health technology in all major global markets, in existing formats and pioneering new and significant applications.

- Significant funding secured during the period to advance product pipeline and support potential acquisitions:
  - £7.1m, before costs, from two share placings
  - Equity Financing Facility with Evolution Securities of up to £25m

- Fruitflow® gained first ever Article 13(5) health claim approval from the European Commission, authorising the use of "Helps maintain normal platelet aggregation, which contributes to healthy blood flow."

- Clinical trial for NSP#3G for Crohn's disease patients commenced in December 2009.

- Long-term collaboration with Institute of Food Research commenced in April 2010 to commercialise novel extracts for the reduction of cardiovascular inflammation and the reduction of risk of certain cancers.

Key financial results

- Loss attributable to owners of the parent £1,648,180 (2009: £4,570,506).

- Cash balance £7,049,134 (2009: £1,678,263).

- Loss per share 0.18p (2009: 0.71p).

Stephen Moon, Chief Executive Officer of Provexis plc, commented:

"This has been a strong year for the Company, with the signing of a major commercial agreement for our lead Fruitflow® technology with our strategic partner DSM. We believe the technical, marketing and selling expertise and resource of DSM in all major global markets will be a key factor in the success of Fruitflow®. We were pleased to gain an industry-first EC health claim approval for Fruitflow, which underlines our scientific and regulatory capability. We have continued to strengthen our pipeline, making progress with our Crohn's disease technology and more recently adding an important new technology for systemic inflammation.

The coming year will see the Company focus on a successful commercial launch of Fruitflow®, as well as progressing our NSP#3G technology through clinical trial and exploratory commercial discussions. We see the future of Provexis as being a leader in our target sectors of functional foods, medical foods and dietary supplements and will seek to support this aim through an acquisition strategy."

-ends-

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Chairman's statement

The year saw strong progress from the Company, with its first major commercial agreement signed and a substantial strengthening of its balance sheet.

Today we announced a long-term Alliance Agreement for our Fruitflow® heart-health technology with our strategic partner DSM Nutritional Products. This agreement will see the partners collaborate on the development of Fruitflow® in all major global markets, with DSM bringing technical, manufacturing and marketing expertise, together with global selling scale. The partners will share profits from the Alliance on an agreed basis.

We raised £7.1m (before costs) of new capital in September and December 2009, which substantially strengthened our balance sheet and, in addition, in March 2010 we entered into an Equity Financing Facility of up to £25m to give flexibility in our funding options.

The Board and executive team are working to identify acquisitions that will further strengthen the business given the access to the funding in place. We are assessing both revenue-generating businesses in the consumer healthcare area and new technology candidates for our pipeline.

We made very strong progress on the regulatory and research fronts. Indeed, gaining the first ever Article 13(5) health claim approval from the EC for our Fruitflow® technology, was a major milestone. We have now commenced the clinical trial for our NSP#3G technology for Crohn's disease and intend to report on progress later in the year. In addition, we added an important new technology for the reduction of cardiovascular inflammation to our pipeline as part of a long-term collaboration with the renowned Institute of Food Research.

We believe that we are well positioned to take advantage of opportunities in the functional food and dietary supplement sectors, given our proven scientific and regulatory capability. With medical foods in strong growth, the team will bring focus to bear on pipeline technologies to serve this sector.

On behalf of the Board I would like to thank our staff and scientific advisors for their expertise, dedication and commitment throughout the year.

Dawson Buck
Chairman

Chief Executive's statement

Strategy

This was a year of important progress in a number of areas which positions the Company strongly to capitalise on opportunities in the coming year. The two key events during the year were the first commercial deal for our lead Fruitflow® heart-health technology and a substantial strengthening of our balance sheet. We completed two fund-raisings in September and December 2009, raising £7.1m in total before costs. In March we signed an Equity Financing Facility of up to £25m with Evolution Securities Ltd via its appointed representative, Darwin Capital, which together with our cash reserves gives us flexibility in funding options for seeking growth opportunities.

The Company continues to execute its strategy of discovery, development and licensing of functional foods, medical foods and dietary supplements. To this end, with a commercial deal in place and a second technology in clinical trial, the executive team is seeking to extend the Company's growth platform through the acquisition of a revenue generating business in the consumer healthcare area and through acquisitions of novel pipeline technologies. Accordingly, the Company is in exploratory talks with a number of targets.

With a growing product pipeline, we continue to strengthen our R&D operations to ensure that we can quickly take advantage of existing and new technology opportunities. As part of this process, we are expanding our presence in the North West of England and have recently moved into a new laboratory facility in Liverpool, focused on gastrointestinal health. We have appointed an experienced R&D Director to develop this new facility and intend to strengthen the scientific team further. Our existing facility at the University of Aberdeen will maintain its focus on cardiovascular health.

The functional food sector continues to be somewhat fragile, given the increased regulatory burden in relation to health claims, which is causing uncertainty across the industry. This, together with the still tentative approach to innovation by major brand owners as a result of economic factors and the regulatory issues, leads us to maintain our cautious outlook. Saying that, we believe that we have sufficiently strong foundations in place together with our proven scientific and regulatory capability, to ensure that we continue to make progress.

The medical food sector is looking increasingly robust on a short and long-term view thereby steering us towards accelerating technology products in this sector.

Fruitflow®

Today we announced a long-term Alliance Agreement with DSM Nutritional Products, which will see 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 will be responsible for: manufacturing; marketing; and selling via its substantial sales force. Provexis will be responsible for contributing scientific expertise necessary for successful commercialisation. Profits from the Alliance will be shared by the parties on an agreed basis, linked to various performance milestones. All other commercial terms of the Alliance remain confidential between the two parties. We are currently developing with DSM a launch plan to market Fruitflow® worldwide for application in both food and dietary supplement formats.

Fruitflow® enjoyed significant acclaim during the year. In May 2009 Fruitflow® became the first product to receive scientific approval from the European Food Safety Authority under Article 13(5) of Regulation EC 1924/2006 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". Fruitflow® continues to be the only product to receive Article 13(5) approval to date.

In March 2010, we announced the headline results of a human trial comparing the effects of Fruitflow® to aspirin. The results were positive, with Fruitflow® showing a reduction in platelet aggregation of up to 30% in each of three different biological pathways, while aspirin caused up to 60% reduction predominantly in a single pathway. There were no negative interactions.

As to existing use of Fruitflow®, Multiple Marketing, owners of the Sirco juice brand which contains Fruitflow®, continue to market and sell the product in major multiple and high street outlets in the UK, including Waitrose and Holland & Barratt. As well as a one-litre pack, a 250ml pack suitable for high street and convenience outlets will be launched in the coming year. Provexis receives royalties from sales of Sirco, although these are non-material at this stage in the development of the brand.

NSP#3G
The first 20 patients (of a total target of 72) are now in clinical trials to establish the effectiveness of an NSP#3G medical food format in keeping Crohn's disease in remission. The trial is running in two centres in the North West of England and we are seeking to extend into two further centres in the UK in order to accelerate the trial.

The market for Crohn's disease products is forecast to be worth $1.7bn by 2013 and the medical food market is in strong growth, led by Abbott, Nestlé and Danone. Once recruited, each patient's participation in the trial is scheduled to run for 12 months and estimated completion is in mid-2011, with an update on progress later in 2010. The Company intends to commence commercial discussions with potential partners by the end of 2010.

With investment in the team and facilities in our Liverpool operation, the team will be accelerating work on the potential NSP#3G application for the prevention and treatment of significant pathogens including C.difficile, the so-called hospital 'super bug'.

Isothiocyanates
The Company announced on 26 April 2010 a long-term collaboration with the Institute of Food Research ("IFR"). Provexis has been granted exclusive access to a portfolio of potentially high-value intellectual property related to the treatment and reduction of systemic inflammation, from which it intends to develop commercial products.

Professor Richard Mithen of IFR has developed a substantial body of work over twenty years in the area of isothiocyanates for the reduction of risk of certain major cancers. More recent work, some in collaboration with Provexis, has led to the discovery of a broader effect in other areas of systemic inflammation, including cardiovascular inflammation.

The partners will collaborate to develop the science, with major areas including clinical trials, extract development, further IP development, regulatory clearances and commercialisation. The first phase of the project gives Provexis the exclusive option to license the technology and if successful in this phase, Provexis intend to fully in-license the technology rights.

Initially the Company, supported by IFR's substantial research, will focus on developing commercial products targeting the reduction of cardiovascular inflammation. A longer-term objective is to develop technologies designed to mitigate the risk of certain major cancers.

Pipeline
We are collaborating with our strategic partner DSM Nutritional Products to establish if there are further candidates within DSM's portfolio that may provide a good fit with our strategic goals and where we can use our scientific and regulatory expertise to accelerate technologies to commercial readiness.

The option to license Helicobacter pylori intellectual property from the University of Manchester will not be extended after reaching an amicable termination agreement with the University.

Outlook
The coming year looks promising as we focus on three major goals: a successful commercial launch of Fruitflow® with our strategic partner DSM; progressing our NSP#3G technology through clinical trial and exploratory commercial discussions and; strengthening the business by acquisition of appropriate businesses or technologies.

We believe that our operating environment will continue to be challenging in the year ahead, given the tightening food regulation framework and the still tentative approach to innovation by brand owners. However we are well positioned to overcome these challenges via our collaborations with other parties, diversity of activities and demonstrable commercial abilities.

Stephen Moon
Chief Executive

Financial Review

International Financial Reporting Standards

The Financial Review should be read in conjunction with the Group financial statements including the notes to the Group financial statements.

Revenue and grant income

Revenue for the year ended 31 March 2010 was £14,767 (2009: £5,400).

Grant income for the year ended 31 March 2010 was £80,000 (2009: £20,000), being the final part of a £100,000 grant which was awarded to the Group in January 2009 by The Northwest Regional Development Agency (NWDA).

Research and development costs

Research and development ("R&D") costs for the year ended 31 March 2010 were £718,468 (2009: £651,301), including £20,646 capitalised under IAS 38 (2009: £16,690), reflecting an increase in R&D activity for the Fruitflow® project, and the commencement of the clinical trial for the Group's NSP#3G technology for Crohn's disease.

R&D expenditure comprises in-house costs (staff, R&D consumables, intellectual property, facilities and depreciation of R&D assets) and external costs (preclinical studies, manufacturing, regulatory affairs and clinical trials).

The Group's R&D team continues to research further claim areas for the Group's technologies.

The Group aims to achieve cost effective research and development and to bring products to market through licensing partners as soon as is practicable.

Administrative costs

Administrative costs for the year relating to continuing operations were £1,184,859 (2009: £967,111), which includes a share-based payment charge of £225,909 (2009: £112,630). Net of the share-based payment charge administrative costs for the year were £958,950, a £104,469 increase from the net £854,481 incurred in 2009.

The Group's cost base and its resources have been and will continue to be tightly managed.

Taxation

A research and development tax credit of £54,408 (2009: £50,000) in respect of research and development expenditure incurred has been recognised in the financial statements and is shown as a debtor at 31 March 2010.

Losses and dividends

The loss for the year ended 31 March 2010 was £1,648,180 (2009: £4,570,506) and the loss per share from continuing operations was 0.18p (2009: 0.71p).

The adjusted overall loss for the year ended 31 March 2009, net of the £3,099,328 non-cash goodwill impairment charge, was £1,471,178 and the adjusted loss per share net of goodwill impairment, was 0.23p.

The directors do not recommend the payment of a dividend (2009: £Nil).

Financial instruments

Information about the use of financial instruments by the Group is disclosed in notes 1 and 2.

Capital structure and funding
The group is funded entirely by equity funding.

On 30 September 2009 the Company raised £1.024m gross from the first tranche of a £5.0m gross new share subscription to provide working capital and funding for pipeline development. The net proceeds of the first tranche of the share subscription were £0.956m after share issue costs.

On 16 October 2009 the Company raised £3.976m gross from the second tranche of the £5.0m gross new share subscription. The net proceeds of the second tranche of the share subscription were £3.793m after share issue costs.

The £5.0m gross subscription involved the issue of 200,000,000 new ordinary shares at 2.5p per share. Full details of the subscription were provided in a circular to shareholders on 28 September 2009. The circular is available to download from the Company's website www.provexis.com.

On 3 December 2009 the Company announced that it proposed to raise up to a further £2.130m gross from an open offer to shareholders, with an excess application facility, involving the issue of up to 85,211,664 new ordinary shares at 2.5p per share. Full details of the open offer were provided in a circular to shareholders on 3 December 2009, which is available to download from the Company's website www.provexis.com.

On 22 December 2009 the Company announced that:

- Qualifying shareholders had applied for 48,335,151 open offer shares under their basic pro rata entitlement, representing 56.7 per cent. of the total number of offer shares available;
- The number of open offer shares applied for by qualifying shareholders under the excess application facility amounted to 336,326,065 shares, which meant that excess applications had to be scaled back on a pro rata basis, in proportion to the total number of excess shares applied for. The Company therefore issued 36,876,513 open offer shares under the excess application facility.

The net proceeds of the open offer were £1.980m after share issue costs.

On 31 March 2010 the Company announced that it had secured a 3 year Equity Financing Facility of up to £25m (the "EFF") with Evolution Securities Limited ("Evolution"). The EFF has been arranged by Darwin Strategic Limited ("Darwin"), an appointed representative of Evolution.

The EFF agreement, which is dated 30 March 2010, provides the Company with a facility which (subject to certain limited restrictions) can be drawn down at any time over the 3 years ending on 29 March 2013. The timing and amount of any draw down is at the discretion of Provexis. Provexis is under no obligation to make a draw down and may make as many draw downs as its wishes, up to the total value of the EFF, by way of issuing subscription notices to Evolution. Following delivery of a subscription notice, Evolution will subscribe and Provexis will allot to Evolution new ordinary shares of 0.1p each ("Ordinary Shares").

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

In consideration of Evolution agreeing to provide the EFF the Company has entered into a warrant agreement dated 30 March 2010 for the grant to Evolution of warrants to subscribe for up to ten million Ordinary Shares, such warrants to be exercisable at a price of 20 pence per share and to be exercisable at any time prior to the expiry of 36 months following the date of the warrant agreement.

The Directors are of the opinion that at 1 June 2010, the Company's liquidity and capital resources are adequate to deliver the current strategic objectives and 2010/11 business plan and that the Company meets going concern criteria. See also note 1 to the Group financial statements.

Cash at bank at 31 March 2010 was £7,049,134 (31 March 2009: £1,678,263).

Business overview

Principal activities

Provexis plc is a life sciences-driven enterprise that discovers, develops and licenses scientifically-proven technologies for the global functional food, medical food and dietary supplement sectors.

Provexis plc has two wholly owned subsidiaries, Provexis Nutrition Limited ("PNL") and Provexis Natural Products Limited ("PNP") each of which is registered in England and Wales. Provexis plc also owns 75% of Provexis (IBD) Limited ("IBD") which is also registered in England and Wales.

Group strategy

The Provexis strategy is the discovery, development and licensing of functional food, medical food and dietary supplement technologies, with five areas of focus:

- Collaborating with leading research institutes to identify and develop proprietary technologies
- Developing credible scientific proof to demonstrate efficacy and support product claims
- Gaining regulatory and safety clearances in relevant global markets
- Implementing global IP strategies, underpinned by strong patent portfolios
- Commercialising technologies through collaboration and licensing with global brand owners and ingredients corporations.

Review of the performance of the business and future developments

The Chairman's Statement, the Chief Executive's Statement and the Financial Review report on the Group's performance during the year ended 31 March 2010, its position at that date and its likely future development.

Key performance indicators

The executive management and Directors utilise a balanced scorecard of key activities including R&D project progress, commercial milestones and regulatory activities to monitor and measure the performance of the business. These are measures of the progress of the business towards its strategic target of revenue generation and profitability, and are considered by the Board to be the key non-financial performance indicators used to determine achievement of Group strategy and are discussed in the Chief Executive's statement. The balanced scorecard is reviewed regularly by the executive team and the Directors.

The Directors consider Group cash and the absolute values of, and the ratio between, research and development costs and other administrative overhead costs as being the Group's key financial performance indicators. The cost related indicators assist in monitoring financial control to reduce the hurdle to achieving the key future financial milestone of monthly break-even. 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 table below shows the Group's cash position at 31 March 2010 and 31 March 2009:

	31 March 2010 £	31 March 2009 £
Cash at bank and in hand	**7,049,134**	1,678,263
	7,049,134	1,678,263

The table below shows the Group's R&D ratio for the two years ended 31 March 2010. The R&D ratio is the percentage of research and development costs relative to total operating expenses.

	31 March 2010 £	31 March 2009 £
Research and development costs	**697,822**	634,611
Administrative costs before goodwill impairment	**1,184,859**	967,111
Total operating costs before goodwill impairment	**1,882,681**	1,601,722
R&D ratio	**37%**	40%

The decrease in the R&D ratio for the year is primarily due to an increase of £113,279 in the share-based payment charge, a constituent part of administrative costs, which rose from £112,630 in 2009 to £225,909 in 2010.

Post balance sheet events

On 1 June 2010 the Company announced a long-term Alliance Agreement with DSM Nutritional Products, which will see the Company collaborate with DSM to develop Fruitflow® in all major global markets. DSM will invest substantially in the manufacture, technology development, marketing and sale of Fruitflow® in the coming years. Provexis will continue to contribute scientific expertise and will collaborate in areas such as cost of goods optimisation and regulatory matters. The financial model is based upon the division of profits between the two partners on an agreed basis, linked to certain revenue targets, following the deduction of the cost of goods and a fixed level of overhead from sales. The Company is working closely with DSM in various areas related to launch planning.

See also note 23 to the Group financial statements.

Principal risks and uncertainties

The Directors consider that the key risks of the Group are as set out below:

The Group's success will depend in part on its ability to obtain and maintain rigorous patent protection for its technologies both in the UK and internationally. The Group cannot give definitive assurance that pending or future patent applications will be granted or that patents granted will not be challenged, invalidated or held unenforceable.

The Group cannot assure that its intellectual property rights are sufficiently broad to prevent third parties from producing competing functional food, medical food and dietary supplement technologies similar in nature to its own. The Group also relies on protection of trade secrets, know-how and confidential and proprietary information. To mitigate this, the Group enters into non-disclosure agreements with employees, consultants and prospective commercial partners but cannot assure that such agreements will provide complete safeguards against unauthorised disclosure of confidential information.

The Group's commercial success will also depend in part on avoiding infringement of other third parties' patents or proprietary rights and the breach of any licences in connection with the pursuit of its technologies. Management is of the opinion that it does not infringe third parties' patents or other rights and is not aware of any such infringements but cannot assure that it will not be found in the future to infringe such rights.

The Group has a limited pipeline of new technologies and new indications for technologies already in development. As a result of regulatory and competitive uncertainties and the unpredictability of successful outcomes to new research and development, the Group cannot provide assurance that it will be able to develop and license these new technologies.

The Group continues to pursue acquisitions as part of its growth strategy. Such acquisitions may not realise expected benefits.

The Group currently employs nine people, excluding Non-executive Directors, and has a very small management team. Should it lose any key management resources and be unable to attract replacements of equivalent calibre to continue implementation of its business plan, future development and commercial activities could be materially adversely affected.

The Group relies on potential license partners to meet certain commercial and development milestones and their failure to achieve this, or other delays or cancellation of projects due to internal or market factors affecting potential license partners could affect the execution of the Group's business plan, with a material adverse effect on the business. In these circumstances the Group would look to raise additional funding through the issue of additional equity through rights issues, share placing and the exercise of share options but no assurance can be given regarding the successful outcome of such financing initiatives.

Policy on the payment of creditors
It is the policy of the Group to pay creditors and suppliers in accordance with their normal terms of business. Creditor days outstanding for the Group at 31 March 2010 amounted to 33 days compared to 28 days at 31 March 2009.

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

The Board comprises a Non-executive Chairman, three additional Non-executive Directors, two of whom are independent, and three further Executive Directors. The Board continues to be satisfied that it has an appropriate mix of independence and experience in its Non-executive Directors.

The roles of Chairman and Chief Executive are and will remain separate and it is not permissible for the same individual to be appointed to both roles simultaneously.

The Chairman provides strategic and operational guidance and also oversees the duties performed by the Chief Executive and ensures that they are in line with Board expectations. The Chief Executive manages the day-to-day running and strategic direction of the Group in line with policy decisions agreed with the Board and shareholder expectations.

The Board retains full control of the Group with day-to-day operational control delegated by the Board to the Executive Directors. The full Board meets every two months, and on any other occasions it considers necessary.

The Board is responsible for approving interim and annual financial statements, formulating and monitoring Group strategy and approving financial plans and reviewing performance, as well as complying with legal, regulatory and corporate governance matters. There is a schedule of matters reserved for the Board. Board papers are circulated in advance of each Board meeting.

The Directors of the Company during the year are shown below.

Executive Directors
S N Moon
S N Morrison
I Ford

Non-executive Directors
C D Buck
N C Bain
K Rietveld
J B Diggines (resigned 17 September 2009)

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

Audit Committee
The Audit Committee comprises two Non-executive Directors, and is chaired by Neville Bain as Senior Independent Non-executive Director. It meets as required and specifically to review the Interim Report and Annual Report and to consider the suitability and monitor the effectiveness of the internal control processes. There were three Audit Committee meetings during the year. The Audit Committee reviews the findings of the external auditors and reviews accounting policies and material accounting judgements.

The independence of the auditors is considered by the Audit Committee. The Audit Committee (with no Executive Director present) meets at least once per calendar year with the auditors to discuss their objectivity and independence, the Annual Report, any audit issues arising, internal control processes and any other appropriate matters. As well as providing audit related services, the auditors provide taxation advice and undertake work in relation to the interim report. The fees in respect of the non-audit services provided are £25,000 for the year ended 31 March 2010 (2009: £18,000). Further, the overall fees paid to the auditors are not deemed to be of such significance to them as to impair their independence. The Audit Committee considers that the objectivity and independence of the auditors is safeguarded.

The current terms of reference of the Audit Committee are set out in the governance pages on the Group's website www.provexis.com.

Internal control
The Directors are responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to the achievement of business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

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 annual review of internal control and financial reporting procedures did not highlight any issues warranting the introduction of an internal audit function. It was again concluded, given the current size and transparency of the operations of the Group, that an internal audit function was still not required.

The main features of the internal control system are outlined below:

- A control environment exists through the close management of the business by the Executive Directors. The Group has a defined organisational structure with delineated approval limits. Controls are implemented and monitored by the Executive Directors.

- The Board has a schedule of matters expressly reserved for its consideration and this schedule includes acquisitions and disposals, major capital projects, treasury and risk management policies and approval of budgets.

- The Group utilises a detailed budgeting and forecasting system. Detailed budgets are prepared annually by the Executive Directors before submission to the Board for approval. Forecasts are regularly updated at least quarterly to reflect changes in the business and are monitored by the Board including future cash flow projections. Actual results are monitored against annual budgets regularly and at least quarterly, with variances highlighted for the Board.

- Financial risks are identified and evaluated for each major transaction for consideration by the Board.

- Standard financial control procedures operate throughout the Group to ensure that the assets of the Group are safeguarded and that proper accounting records are maintained.

- A risk review process is in operation whereby the Chief Executive and Finance Director present a report to the Board each year on the key business risks.

Going concern
The Directors have a reasonable expectation that the Group and the Company will continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

See also note 1 to the Group financial statements.

Employees
The Executive Directors keep staff informed of the progress and development of the Group regularly through formal and informal meetings and employee feedback is encouraged. The Company has a policy of offering share options to all eligible employees, subject to availability under the option plan rules and with due consideration to the level of dilution to shareholders.

The Group does not discriminate between employees and prospective employees on grounds of age, race, religion or gender. Every effort is made to provide the same opportunities to disabled persons as to others.

The Board recognises its obligation towards its employees to provide a safe and healthy working environment. The Group complies with health and safety legislation including conducting regular inspections and risk assessments.

Environmental, social and community matters
As a result of the size and nature of the Group's operations, the impact of the Group's operations on the local community and the environment is not considered to be significant. Recycling of office supplies is undertaken where possible.

Charitable and political contributions
No political or charitable donations were made during the year (2009: £Nil).

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

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

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

During the year BDO Stoy Hayward LLP changed their name to BDO LLP. BDO LLP have expressed their willingness to continue in office. Under the Companies Act 2006 section 487(2) they will be automatically re-appointed as auditors 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

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

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

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

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

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

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

By order of the Board

Ian Ford
Secretary

Consolidated statement of comprehensive income

	Notes	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Revenue	1,3	**14,767**	5,400
Grant income	4	**80,000**	20,000
Research and development costs		**(697,822)**	(634,611)
Administrative costs before impairment of goodwill		**(1,184,859)**	(967,111)
Impairment of goodwill	12	—	(3,099,328)
Total administrative costs		**(1,184,859)**	(4,066,439)
Loss from operations	5	**(1,787,914)**	(4,675,650)
Finance income	8	**85,326**	65,161
Finance costs	8	—	(10,017)
Loss before tax		**(1,702,588)**	(4,620,506)
Taxation	9	**54,408**	50,000
Loss and total comprehensive expense for the year		**(1,648,180)**	(4,570,506)
Attributable to:			
Owners of the parent	19	**(1,648,180)**	(4,570,506)
Minority interest		—	—
		(1,648,180)	(4,570,506)
Loss per share to owners of the parent			
Basic and diluted – pence	10	**0.18**	0.71

All amounts relate to continuing operations.

Consolidated statement of financial position

Company number 05102907	Notes	**As at 31 March 2010 £**	As at 31 March 2009 £
Non-current assets			
Goodwill	11,12	**3,802,685**	3,802,685
Other intangible assets	11	**57,933**	37,287
Plant and equipment	13	**61,182**	66,941
Total non-current assets		**3,921,800**	3,906,913
Current assets			
Trade and other receivables	14	**274,638**	76,942
Corporation tax asset	9	**111,844**	103,651
Cash and cash equivalents	15	**7,049,134**	1,678,263
Total current assets		**7,435,616**	1,858,856
Liabilities			
Current liabilities			
Trade and other payables	16	**(295,498)**	(233,973)
Total liabilities		**(295,498)**	(233,973)
Total net assets		**11,061,918**	5,531,796
Capital and reserves attributable to owners of the parent company			
Share capital	17	**4,723,601**	4,434,907
Share premium reserve	19	**14,527,277**	7,979,558
Warrant reserve	17	**115,980**	—
Merger reserve	19	**6,273,909**	6,273,909
Retained earnings	19	**(14,578,849)**	(13,156,578)
Total equity		**11,061,918**	5,531,796

Consolidated statement of cash flows

	Notes	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Cash flows from operating activities			
Loss after tax		**(1,648,180)**	(4,570,506)
Adjustments for:			
Depreciation		**20,908**	20,917
Impairment of goodwill		**—**	3,099,328
Net finance income		**(85,326)**	(55,144)
Taxation		**(54,408)**	(50,000)
Share-based payment charge		**225,909**	112,630
Operating cash outflow before changes in working capital		**(1,541,097)**	(1,442,775)
(Increase) / decrease in trade and other receivables		**(66,737)**	147,435
Increase / (decrease) in trade and other payables		**61,525**	(127,523)
Cash used in operations		**(1,546,309)**	(1,422,863)
Tax credits received		**46,215**	83,123
Net cash outflow from operating activities		**(1,500,094)**	(1,339,740)
Cash flows from investing activities			
Purchase of plant and equipment		**(15,149)**	(13,764)
Purchase of intangible assets		**(20,646)**	(16,690)
Interest received		**70,347**	61,770
Cash generated by investing activities		**34,552**	31,316
Cash flows from financing activities			
Proceeds from issue of share capital – share placings and open offer		**7,130,293**	2,714,812
Expenses paid on share issues		**(401,779)**	(250,689)
Proceeds from exercise of share options		**107,899**	—
Interest paid		—	(10,017)
Cash generated by financing activities		**6,836,413**	2,454,106
Net increase in cash and cash equivalents		**5,370,871**	1,145,682
Cash and cash equivalents at beginning of year	15	**1,678,263**	532,581
Cash and cash equivalents at end of year	15	**7,049,134**	1,678,263

Consolidated statement of changes in equity

	Share capital £	Share premium £	Warrant reserve £	Merger reserve £	Retained earnings £	Total equity attributable to owners of the parent £	Minority interests £	Total equity £
At 31 March 2008	4,017,244	5,992,212	—	6,273,909	(8,698,702)	7,584,663	—	7,584,663
Share-based charges	—	—	—	—	112,630	112,630	—	112,630
Issue of shares – placing 28 August 2008	386,894	1,883,229	—	—	—	2,270,123	—	2,270,123
Issue of shares – placing 2 October 2008	30,769	163,231	—	—	—	194,000	—	194,000
Reduction of premium on share issue	—	(59,114)	—	—	—	(59,114)	—	(59,114)
Total comprehensive expense for the year	—	—	—	—	(4,570,506)	(4,570,506)	—	(4,570,506)
At 31 March 2009	4,434,907	7,979,558	—	6,273,909	(13,156,578)	5,531,796	—	5,531,796
Share-based charges	—	—	—	—	225,909	225,909	—	225,909
Issue of shares - exercise of share options	3,482	104,417	—	—	—	107,899	—	107,899
Issue of shares - subscription 30 September 2009	40,969	915,185	—	—	—	956,154	—	956,154
Issue of shares - subscription 16 October 2009	159,031	3,633,544	—	—	—	3,792,575	—	3,792,575
Issue of shares - open offer 22 December 2009	85,212	1,894,573	—	—	—	1,979,785	—	1,979,785
Issue of warrants - equity financing facility 30 March 2010	—	—	115,980	—	—	115,980	—	115,980
Total comprehensive expense for the year	—	—	—	—	(1,648,180)	(1,648,180)	—	(1,648,180)
At 31 March 2010	**4,723,601**	**14,527,277**	**115,980**	**6,273,909**	**(14,578,849)**	**11,061,918**	**—**	**11,061,918**

The total comprehensive expense for the year represents the total recognised income and expense for the year.

The notes below form part of the financial statements from which this final results announcement is derived.

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 Thames Court, 1 Victoria Street, Windsor, Berkshire SL4 1YB, UK.

The main activities of the Group are those of discovering, developing and licensing scientifically-proven technologies for the global functional food, medical food and dietary supplement sectors.

Basis of preparation

This preliminary announcement does not constitute the Company's statutory accounts for the year ended 31 March 2010 for the purposes of section 435 of the Companies Act 2006, but it is derived from those accounts. Statutory accounts for 2010 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006. Statutory accounts for 2009 have been delivered to the Registrar of Companies. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 237 (2) or (3) of the Companies Act 1985.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements for the year ended 31 March 2010 that comply with IFRS in June 2010.

The accounting policies set out below have been applied to all periods presented in these Group financial statements and are 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") that were applicable for the year ended 31 March 2010.

The following new standards, amendments to standards and interpretations, applied for the first time from 1 April 2009, have had an effect on the Group financial statements.

IAS 1 (Revised) 'Presentation of Financial Statements' has been adopted. The revised standard prohibits the presentation of items of income and expense in the statement of changes in equity, requiring non-shareholder changes in equity to be presented separately from shareholder changes in equity. All non-shareholder changes in equity are required to be presented in a performance statement. IAS 1 (Revised) permits a choice between presenting a single performance statement (being a Statement of Comprehensive Income) or two statements (being an Income Statement and a Statement of Comprehensive Income). The Group has elected to present a single statement.

IFRS 8 'Operating Segments' has been adopted. This standard replaces IAS 14 'Segment Reporting' and effectively requires segmental information reported to be based on that which the Group's Board, which is considered the Group's chief operating decision maker, uses internally for the purposes of evaluating the performance of the Group's operating segments.

Revenue, net assets and results are wholly attributable to the principal activity of the Group and arise solely within the United Kingdom, therefore no segmental analysis has been reported.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended 31 March 2010. The new standards, amendments to standards and interpretations will be relevant to the Group but have not been adopted early as the Directors do not expect these standards and interpretations to have a material effect on the Group financial statements:

- IFRS 3 (Revised) 'Business Combinations' effective for periods beginning on or after 1 July 2009;
- IAS 27 (Amendment) 'Consolidated and Separate Financial Statements' effective for periods beginning on or after 1 July 2009;
- Improvements to IFRSs (2009) effective for periods beginning on or after 1 January 2010; and
- IFRS 2 (Amendment) 'Share-based Payment: Group Cash-settled Share-based Payment Transactions' effective for periods beginning on or after 1 January 2010.

There are a number of standards, interpretations and amendments to published accounts not listed above which the Directors consider not to be relevant to the Group.

Going concern
The Group's business activities together with the factors likely to affect its future development are set out in the Business Overview. The financial position of the Group, its cash flows and liquidity position are set out in the Financial Review. 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 £1,648,180 (2009: £4,570,506) and expects to make a further loss during the year ending 31 March 2011. The loss for the prior year ended 31 March 2009 included a £3,099,328 non-cash goodwill impairment charge (2010: £Nil), and the adjusted loss for the prior year net of the goodwill charge was £1,471,178 (2010: £1,648,180). At 31 March 2010 the Company had cash balances of £7,049,134 (2009: £1,678,263).

The directors have prepared projected cash flow information for a period including twelve months from the date of approval of these financial statements and have reviewed this information as at the date of these financial statements. Based on the level of existing cash, projected income and expenditure and other sources of funding, the Directors are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. Accordingly the going concern basis has been used in preparing the financial statements.

Basis of consolidation
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. 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.

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

Revenue
Revenue comprises the fair value received or receivable for exclusivity arrangements, collaboration agreements, royalties and sales of the Group's Fruitflow® product net of value added tax.

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

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

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

(iii) Sales of the Group's Fruitflow® product are recorded net of value added tax when the significant risks and rewards of ownership have been transferred to the buyer.

Leased assets
Leases, which contain terms whereby the Group does not assume substantially all the risks and rewards incidental to ownership of the leased item are classified as operating leases. Operating lease rentals are charged to the statement of comprehensive income on a straight line basis over the lease term. The Group does not hold any assets under finance leases.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

An impairment loss is recognised within administrative expenses in the consolidated statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and development

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

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

The value of the capitalised development cost is assessed for impairment annually. The value is written down immediately if impairment has occurred. Development costs are not being amortised as income has not yet been realised from the underlying technology.

Development expenditure, not satisfying the above criteria, and expenditure on the research phase of internal projects is recognised in the statement of comprehensive income as incurred.

Patents and trademarks

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

Plant and equipment

Plant and machinery, fixtures, fittings and computer equipment and laboratory equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged to the statement of comprehensive income on all plant and equipment at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over their estimated useful lives, which is 3 years for plant and machinery, fixtures, fittings and computer equipment and 5 years for laboratory equipment.

The assets' residual values and useful lives are determined by the Directors and reviewed and adjusted if appropriate at each balance sheet date in accordance with the Group policy for impairment of assets.

Impairment of assets

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

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

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

Inventories
Inventories are materials and supplies to be consumed in the course of research and development and are stated at the lower of cost and net realisable value. Cost includes materials, related contract manufacturing costs and other direct costs. Cost is calculated using the first-in first-out method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

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

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

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

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

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

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

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

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

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

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

- The same taxable Group Company; or

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

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

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

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

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

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

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

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

Warrants
The Group has issued warrants to Evolution Securities Limited as part of the Equity Financing Facility. These are considered to be outside the scope of share-based employee remuneration, and hence out of the scope of IFRS 2. These warrants have been measured at fair value at the date of grant using an appropriate options pricing model. This fair value has been held on the balance sheet within prepayments and in the warrants reserve within equity. The prepayment will be released against share premium as the equity financing facility is utilised. The warrants reserve will be released to share premium when the warrants are exercised. If the warrants lapse then the reserve is transferred to retained earnings.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

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

(i) Research and development

Under IAS 38 Intangible Assets, development expenditure which meets the recognition criteria of the standard must be capitalised and amortised over the useful economic lives of intangible assets from product launch. The Directors consider that the criteria to capitalise development expenditure were met in 2007 for one of the Group's products and have continued to be met since.

(ii) Share-based payments

The Group operates an equity-settled, share-based compensation plan. Employee and similar services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, which is based upon certain assumptions over the future performance of the share price.

(iii) Goodwill and impairment

The recoverable amount of goodwill is determined based on value in use calculations, and the Group's activities are treated as a single cash-generating unit. The value in use calculations have used post-tax cash flow projections for ten years using data from the Group's latest internal forecasts. The forecasts are extrapolated beyond ten years at growth rates of between 2% and 7% (2009: between 2% and 7%). The results of the value in use calculations are reviewed by the Board.

The key assumptions for the value in use calculations are those regarding discount rates, revenue commencement dates, growth rates and expected changes in margins and costs. Management estimate discount rates using post-tax rates that reflect the current market assessment of the time value of money and the risks specific to the cash-generating unit. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

Post-tax cash flow projections are discounted to calculate value in use using a post-tax discount rate. The post-tax discount rate is based on a number of factors including the risk-free rate in the UK, the Group's estimated market risk premium, and a premium to reflect the inherent risk of the forecast income streams included in the Group's cash flow projections, which remain subject to contracts being agreed with prospective customers.

Further information is given in note 12 to these Group financial statements.

2. Financial risk management

2.1 Financial risk factors

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

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

(a) Market risk

Foreign exchange risk

The Group primarily enters into contracts which are to be settled in UK pounds. However, some contracts involve other major world currencies including the US Dollar and the Euro. Where large contracts of more than £50,000 total value are to be settled in foreign currencies consideration is given to converting the appropriate amounts to or from UK pounds at the outset of the contract to minimise the risk of adverse currency fluctuations.

The Group incurred minimal expenditure in foreign currencies during the year, and the prior year, and consequently there is no material exposure to foreign currency rate risk.

Cash flow and fair value interest rate risk

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

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

(b) Credit risk

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

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

The Group had trade and other payables at the statement of financial position date of £295,498 (2009: £233,973) as disclosed in note 16.

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

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

2.3 Fair value estimation
The Group uses amortised cost, using the effective interest rate method, to determine subsequent fair value after initial recognition, for its financial instruments.

3. Segmental reporting
Revenue, net assets and results are wholly attributable to the principal activity of the Group and arise solely within the United Kingdom, therefore no segmental analysis has been reported.

4. Grant income

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
NWDA R&D grant income recognised in consolidated statement of comprehensive income	**80,000**	20,000
	80,000	20,000

5. Operating loss

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Operating loss is stated after charging:		
Impairment of goodwill	**—**	3,099,328
Depreciation of plant and equipment	**20,908**	20,917
Operating lease costs – land and buildings	**102,875**	98,709
Equity-settled share based payment expense	**225,909**	112,630
Defined contribution pension expense	**31,581**	31,726

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

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Audit services		
Parent company	**12,600**	12,600
Subsidiaries	**31,900**	29,400
Tax services – compliance		
Parent company	**3,600**	3,600
Subsidiaries	**8,400**	8,400
Other services		
Tax advisory services	**2,000**	—
Parent company – share option scheme advice	**8,000**	6,000
Subsidiary – NWDA grant	**3,000**	—
Total fees	**69,500**	60,000

6. Wages and salaries

The average monthly number of persons (including all Directors) employed by the Group during the year was as follows:

	Year ended 31 March 2010	Year ended 31 March 2009
Administrative staff	**—**	1
Research and development staff	**7**	7
Directors	**6**	6
	13	14

Their aggregate emoluments were:

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Wages and salaries	**733,879**	688,713
Social security costs	**71,980**	65,919
Other pension and insurance benefits costs	**38,266**	38,640
Total cash settled emoluments	**844,125**	793,272
Accrued holiday pay	**1,600**	15,078
Share-based payment remuneration charge: equity settled	**225,909**	112,630
Total emoluments	**1,071,634**	920,980

7. Directors' emoluments

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Directors		
Aggregate emoluments	**502,144**	372,030
Company pension contributions	**18,822**	15,487
Share based payment remuneration charge: equity settled	**185,824**	112,495
Gains made on exercise of directors' share options	**20,082**	—

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

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Aggregate emoluments	**183,169**	154,701
Company pension contributions	**7,980**	7,785
Share based payment remuneration charge: equity settled	**107,303**	83,726

During the year, three Directors (2009: three Directors) participated in defined contribution pension schemes.

Directors' emoluments include amounts attributable to benefits in kind comprising private medical insurance on which the directors are assessed for tax purposes. The amounts attributable to benefits in kind are stated at cost to the Group, which is also the tax value of the attributable benefits.

8. Finance income and costs

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Bank interest receivable	**85,326**	65,161
Finance costs payable	**—**	(10,017)
	85,326	55,144

In respect of the year ended 31 March 2009, finance costs payable include a £10,000 inducement fee for the advancement of bridging loans which were provided to the Company on 4 August 2008, and repaid by the Company on 28 August 2008 as follows:

	Bridging loans Advanced 4 August 2008 Repaid 28 August 2008	
	Amount of loan £	**Inducement fee payable £**
RisingStars Growth Fund (RSGF)	**25,000**	**5,000**
C D Buck	**15,000**	**3,000**
N C Bain	**10,000**	**2,000**
	50,000	**10,000**

The loans were effected by the issue by the Company to the Lenders of loan notes. The loan notes were unsecured and were not transferable by the relevant holders.

The Company was obliged to pay interest on the principal sum for the period until it was repaid at the rate of 20 per cent per annum, but the loan note holders waived their entitlement to interest when the loan notes were repaid, on 28 August 2008.

The RisingStars Growth Fund is managed by Enterprise Ventures Limited. The Chief Executive of Enterprise Ventures Limited is J B Diggines, a Non-executive Director of the Company who resigned on 17 September 2009. C D Buck and N C Bain are currently Non-executive Directors of the Company.

9. Taxation

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Current tax income		
United Kingdom corporation tax research and development credit	**50,000**	61,844
Adjustment in respect of prior period		
United Kingdom corporation tax research and development credit	**4,408**	(11,844)
Taxation credit	**54,408**	50,000

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 2010 £	Year ended 31 March 2009 £
Loss on ordinary activities before tax	**1,702,588**	4,620,506
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	**476,725**	1,293,742
Effects of:		
Expenses not deductible for tax purposes	**3,540**	(892,032)
Difference between depreciation and capital allowances	**(5,854)**	(1,785)
Other short-term timing differences	**(63,255)**	(27,444)
Unutilised tax losses and other deductions arising in the year	**(442,056)**	(302,556)
Tax deduction for share options exercised	**80,900**	—
Additional deduction for R&D expenditure	**50,000**	51,221
Surrender of tax losses for R&D tax credit refund	**(50,000)**	(59,302)
Adjustments in respect of prior years	**4,408**	(11,844)
Total tax credit for the year	**54,408**	50,000

At 31 March 2010 the Group UK tax losses to be carried forward are estimated to be £13,398,578 (2009: £11,307,528).

Deferred tax

Deferred tax assets amounting to £4,391,974 (2009: £3,217,536) have not been recognised on the basis that their future economic benefit is not certain. Assuming a prevailing tax rate of 28% when the timing differences reverse, the unrecognised deferred tax asset comprises:

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Depreciation in excess of capital allowances	**16,903**	11,049
Other short term timing differences	**—**	—
Unutilised tax losses	**3,639,702**	3,166,108
Share-based payments	**735,369**	40,379
	4,391,974	3,217,536

Income tax asset receivable within one year	**31 March 2010 £**	31 March 2009 £
Corporation tax recoverable	**111,844**	103,651
	111,844	103,651

10. Loss per share

Basic and diluted loss per share amounts are calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

There are 62,471,648 share options in issue (2009: 65,954,117) that are all currently anti-dilutive and have therefore been excluded from the calculations of the diluted loss per share.

Basic and diluted loss per share amounts are in respect of all activities. Adjusted basic and diluted loss per share amounts exclude goodwill impairment.

	Year ended 31 March 2010	Year ended 31 March 2009
Loss – £	**1,648,180**	4,570,506
Weighted average number of shares	**937,060,783**	644,794,819
Basic and diluted loss per share – pence	**0.18**	0.71
Loss for the year attributable to owners of the parent - £	**1,648,180**	4,570,506
Adjustment		
Impairment of goodwill (note 12)	**—**	(3,099,328)
Adjusted loss for the year attributable to owners of the parent - £	**1,648,180**	1,471,178
Adjusted basic and diluted loss per share - pence	**0.18**	0.23

No shares have been issued after the year end in relation to the Equity Financing Facility.

Share re-organisation

A share re-organisation was carried out in the year ended 31 March 2009 on 28 August 2008 sub dividing each of the 401,724,366 issued existing ordinary shares with a nominal value of 1p each in the capital of the Company into one new ordinary share with a nominal value of 0.1p and one Deferred Share with a nominal value of 0.9p. The aggregate nominal value of the Company's authorised share capital was not affected by these changes.

The rights attached to the new ordinary shares are substantially the same as the rights attached to the original, pre placing ordinary shares. The Deferred Shares have very limited rights which are deferred to the new ordinary shares. Holders of the Deferred Shares will not be entitled to receive notice of, attend or vote at general meetings of the Company; nor be entitled to receive any dividends or any payment on a return of capital until at least £10,000,000 has been paid on each new ordinary share. The Deferred Shares effectively carry no value as a result, and they do not form part of the loss per share calculations.

The weighted average number of shares used for the loss per share calculations represents the existing ordinary shares with a nominal value of 1p each in the capital of the Company for the period up to 28 August 2008, and the new ordinary shares with a nominal value of 0.1p each in the capital of the Company for the period thereafter. See also note 17 to the Group financial statements.

11. Intangible assets

	Goodwill	Development costs	Total
	£	£	£
Cost			
At 1 April 2009	7,265,277	37,287	7,302,564
Additions	—	20,646	20,646
At 31 March 2010	**7,265,277**	**57,933**	**7,323,210**
Amortisation and impairment			
At 1 April 2009	3,462,592	—	3,462,592
At 31 March 2010	**3,462,592**	**—**	**3,462,592**
Net book value			
At 31 March 2010	**3,802,685**	**57,933**	**3,860,618**
At 31 March 2009	3,802,685	37,287	3,839,972

Cost			
At 1 April 2008	7,265,277	20,597	7,285,874
Additions	—	16,690	16,690
At 31 March 2009	**7,265,277**	**37,287**	**7,302,564**
Amortisation and impairment			
At 1 April 2008	363,264	—	363,264
Impairment of goodwill charge	3,099,328	—	3,099,328
At 31 March 2009	**3,462,592**	**—**	**3,462,592**
Net book value			
At 31 March 2009	**3,802,685**	**37,287**	**3,839,972**
At 31 March 2008	6,902,013	20,597	6,922,610

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

12. Goodwill and impairment

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill arose on 23 June 2005 when the Company acquired the entire issued share capital of Provexis Natural Products Limited (formerly Provexis Limited), a private company engaged in research and development. Provexis Natural Products Limited has been consolidated using the purchase method and its results have been incorporated in the Group results from the date of acquisition.

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired.

The recoverable amount of goodwill is determined based on value in use calculations, and the Group's activities are treated as a single cash-generating unit.

The key assumptions for the value in use calculations are those regarding discount rates, revenue commencement dates, growth rates and expected changes in margins and costs. Management estimate discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the cash-generating unit. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

The value in use calculations have used post-tax cash flow projections for ten years using data from the Group's latest internal forecasts. The forecasts are extrapolated beyond ten years at growth rates of between 2% and 7% (2009: between 2% and 7%). The results of the value in use calculations are reviewed by the Board.

The value in use calculations have been prepared for a period of greater than five years on account of the expected lives of the Group's primary patents.

The values used in the Group's internal forecasts reflect anticipated market developments, following discussions with prospective customers and suppliers. The values used in the Group's internal forecasts are also based on estimates of revenue commencement dates and expected changes in margins and costs. An element of the risk inherent in the forecast income streams, which remain subject to contracts being agreed with prospective customers, has been incorporated in the Group's post-tax cash flow projections.

Post-tax cash flow projections have been discounted to calculate value in use using a post-tax discount rate of 23% (2009: 23%), and no impairment charge was required in the year (2009: a goodwill impairment charge was required of £3,099,328).

The post-tax discount rate is based on a number of factors including the risk-free rate in the UK, the Group's estimated market risk premium, and a premium to reflect the inherent risk of the forecast income streams included in the Group's cash flow projections, which remain subject to contracts being agreed with prospective customers.

Value in use calculations are sensitive to changes in short and medium term revenue and cost growth assumptions, long term growth rates and post-tax discount rates.

The Group has conducted further goodwill impairment sensitivity analysis to include varying growth rates and margins, changes to the Group's cost base, varying revenue commencement dates and other strategic options for the business.

At a post-tax discount rate of 23%, either a 10% reduction in forecast revenues or a 17% increase in forecast costs would result in a goodwill impairment charge at 31 March 2010.

Delays in the forecast revenue commencement dates of one year would result in an impairment of goodwill charge at 31 March 2010, although this could be mitigated in part by cost savings.

The post-tax discount rate would need to increase to 25.2% for the carrying value of goodwill to be equal to the calculated value in use.

13. Plant and equipment

	Fixtures, fittings and computer equipment	Laboratory equipment	Total
	£	£	£
Cost			
At 1 April 2009	41,433	79,169	120,602
Additions	8,351	6,798	15,149
At 31 March 2010	**49,784**	**85,967**	**135,751**
Depreciation			
At 1 April 2009	34,549	19,112	53,661
Charge for year	4,702	16,206	20,908
At 31 March 2010	**39,251**	**35,318**	**74,569**
Net book value			
At 31 March 2010	**10,533**	**50,649**	**61,182**
At 31 March 2009	6,884	60,057	66,941

	Fixtures, fittings and computer equipment	Laboratory equipment	Total
	£	£	£
Cost			
At 1 April 2008	38,113	68,725	106,838
Additions	3,320	10,444	13,764
At 31 March 2009	**41,433**	**79,169**	**120,602**
Depreciation			
At 1 April 2008	28,204	4,540	32,744
Charge for year	6,345	14,572	20,917
At 31 March 2009	**34,549**	**19,112**	**53,661**
Net book value			
At 31 March 2009	**6,884**	**60,057**	**66,941**
At 31 March 2008	9,909	64,185	74,094

14. Trade and other receivables

	31 March 2010 £	31 March 2009 £
Amounts receivable within one year:		
Trade receivables	**—**	6,210
Other receivables	**48,529**	25,995
Total loans and receivables	**48,529**	32,205
Prepayments and accrued income	**226,109**	44,737
	274,638	76,942

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.

15. Cash and cash equivalents

	31 March 2010 £	31 March 2009 £
Cash at bank and in hand	**7,049,134**	1,678,263
	7,049,134	1,678,263

16. Trade and other payables

	31 March 2010 £	31 March 2009 £
Trade payables	**87,409**	59,663
Other taxes and social security	**72,972**	30,415
Accruals	**135,117**	143,895
Total financial liabilities measured at amortised cost	**295,498**	233,973

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

All amounts shown fall due within one year.

17. Share capital

On 30 September 2009 the Company raised £1.024m gross from the first tranche of a £5.0m gross new share subscription to provide working capital and funding for pipeline development. The net proceeds of the first tranche of the share subscription were £0.956m after share issue costs.

On 16 October 2009 the Company raised £3.976m gross from the second tranche of the £5.0m gross new share subscription. The net proceeds of the second tranche of the share subscription were £3.793m after share issue costs.

The £5.0m gross subscription involved the issue of 200,000,000 new ordinary shares at 2.5p per share. Full details of the subscription were provided in a circular to shareholders on 28 September 2009. The circular is available to download from the Company's website www.provexis.com.

On 3 December 2009 the Company announced that it proposed to raise up to a further £2.130m gross from an open offer to shareholders, with an excess application facility, involving the issue of up to 85,211,664 new ordinary shares at 2.5p per share. Full details of the open offer were provided in a circular to shareholders on 3 December 2009, which is available to download from the Company's website www.provexis.com.

On 22 December 2009 the Company announced that:

- Qualifying shareholders had applied for 48,335,151 open offer shares under their basic pro rata entitlement, representing 56.7 per cent. of the total number of offer shares available;
- The number of open offer shares applied for by qualifying shareholders under the excess application facility amounted to 336,326,065 shares, which meant that excess applications had to be scaled back on a pro rata basis, in proportion to the total number of excess shares applied for. The Company therefore issued 36,876,513 open offer shares under the excess application facility.

The net proceeds of the open offer were £1.980m after share issue costs.

Warrant reserve

On 31 March 2010 the Company announced that it had secured a 3 year Equity Financing Facility of up to £25m (the "EFF") with Evolution Securities Limited ("Evolution"). The EFF was arranged by Darwin Strategic Limited ("Darwin"), an appointed representative of Evolution.

The EFF agreement, which is dated 30 March 2010, provides the Company with a facility which (subject to certain limited restrictions) can be drawn down at any time over the 3 years ending on 29 March 2013. The timing and amount of any draw down is at the discretion of Provexis. Provexis is under no obligation to make a draw down and may make as many draw downs as its wishes, up to the total value of the EFF, by way of issuing subscription notices to Evolution. Following delivery of a subscription notice, Evolution will subscribe and Provexis will allot to Evolution new ordinary shares of 0.1p each ("Ordinary Shares").

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

In consideration of Evolution agreeing to provide the EFF the Company entered into a warrant agreement dated 30 March 2010 for the grant to Evolution of warrants to subscribe for up to ten million Ordinary Shares, such warrants to be exercisable at a price of 20 pence per share and to be exercisable at any time prior to the expiry of 36 months following the date of the warrant agreement.

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

Date of grant	Exercise price pence	Number of warrants	Share price at grant date pence	Expected volatility	Risk free rate	Expected life years	Fair value per share under warrant pence
30-Mar-10	20.0	10,000,000	6.3	70%	1.77%	3	1.1598

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

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

The total fair value of the warrants, £115,980, has been held on the balance sheet within prepayments and in the warrants reserve within equity. The prepayment will be released against share premium as the equity financing facility is utilised. The warrants reserve will be released to share premium when the warrants are exercised. If the warrants lapse then the reserve is transferred to retained earnings.

Evolution or the Company may terminate the EFF in specified circumstances. The issue of subscription notices is subject to specified pre-conditions. The Company has provided warranties and indemnities to Evolution and affiliated persons. If the aggregate price paid for the Ordinary Shares allotted under the EFF by the second anniversary of the EFF is not equal to or more than five million pounds (subject to certain exceptions), or if the EFF is terminated by Evolution in certain circumstances, then the Company will be required to pay a fee to Evolution amounting to 1% of the value of the facility in cash or by an issue of fully paid ordinary shares at the Company's discretion.

Share re-organisation
In August 2008, to facilitate a share placing, the company undertook a share re-organisation when It was agreed to sub-divide:

- each of the 401,724,366 then issued existing ordinary shares of 1p each in the capital of the Company into one new ordinary share of 0.1p and one Deferred Share of 0.9p; and
- each of the 148,275,634 unissued ordinary shares of 1p each into 10 new ordinary shares of 0.1p each,

The share re-organisation was approved at an EGM on 26 August 2008.

The rights attached to the new ordinary shares are substantially the same as the rights attached to the original, pre placing ordinary shares. The Deferred Shares have very limited rights which are deferred to the new ordinary shares and effectively carry no value as a result. Accordingly, the holders of the Deferred Shares are not entitled to receive notice of, attend or vote at general meetings of the Company; nor be entitled to receive any dividends or any payment on a return of capital until at least £10,000,000 has been paid on each new ordinary share. No application will be made for the Deferred Shares to be admitted to trading on AIM. No certificates for the Deferred Shares will be issued.

Full details of the share re-organisation were provided in a circular to shareholders on 1 August 2008. The circular is available to download from the Company's website www.provexis.com.

Authorised	**Ordinary 0.1p shares number**	**Deferred 0.9p shares number**	**Total number**
At 31 March 2010 and 31 March 2009	**1,884,480,706**	**401,724,366**	**2,286,205,072**

	Ordinary 0.1p shares £	**Deferred 0.9p shares £**	**Total £**
At 31 March 2010 and 31 March 2009	**1,884,481**	**3,615,519**	**5,500,000**

Authorised	**Ordinary 1p shares number**	**Ordinary 0.1p shares number**	**Deferred 0.9p shares number**	**Total number**
At 31 March 2008	550,000,000	—	—	550,000,000
Sub-division of shares	(550,000,000)	1,884,480,706	401,724,366	1,736,205,072
At 31 March 2009	**—**	**1,884,480,706**	**401,724,366**	**2,286,205,072**

	Ordinary 1p shares £	Ordinary 0.1p shares £	Deferred 0.9p shares £	Total £
At 31 March 2008	5,500,000	—	—	5,500,000
Sub-division of shares	(5,500,000)	1,884,481	3,615,519	—
At 31 March 2009	**—**	**1,884,481**	**3,615,519**	**5,500,000**

Allotted, called up and fully paid	Ordinary 0.1p shares number	Deferred 0.9p shares number	Total number
At 31 March 2009	819,387,796	401,724,366	1,221,112,162
Issued on exercise of share options	3,482,469	—	3,482,469
Issued on subscription	200,000,000	—	200,000,000
Issued on open offer	85,211,664	—	85,211,664
At 31 March 2010	**1,108,081,929**	**401,724,366**	**1,509,806,295**

	Ordinary 0.1p shares £	Deferred 0.9p shares £	Total £
At 31 March 2009	819,388	3,615,519	4,434,907
Issued on exercise of share options	3,482	—	3,482
Issued on subscription	200,000	—	200,000
Issued on open offer	85,212	—	85,212
At 31 March 2010	**1,108,082**	**3,615,519**	**4,723,601**

Allotted, called up and fully paid	Ordinary 1p shares number	Ordinary 0.1p shares number	Deferred 0.9p shares number	Total number
At 31 March 2008	401,724,366	—	—	401,724,366
Sub-division of shares	(401,724,366)	401,724,366	401,724,366	401,724,366
Share placing 28 August 2008	—	386,894,230	—	386,894,230
Share placing 2 October 2008	—	30,769,200	—	30,769,200
At 31 March 2009	**—**	**819,387,796**	**401,724,366**	**1,221,112,162**

	Ordinary 1p shares £	Ordinary 0.1p shares £	Deferred 0.9p shares £	Total £
At 31 March 2008	4,017,244	—	—	4,017,244
Sub-division of shares	(4,017,244)	401,725	3,615,519	—
Share placing 28 August 2008	—	386,894	—	386,894
Share placing 2 October 2008	—	30,769	—	30,769
At 31 March 2009	**—**	**819,388**	**3,615,519**	**4,434,907**

During the year ended 31 March 2010 the Company issued ordinary shares of 0.1p each as follows:

Date	**Reason for issue**	**Shares issued** £	Number
04.09.09	Exercise of share options	1,768	1,768,180
11.09.09	Exercise of share options	1,384	1,383,989
30.09.09	Share subscription	40,969	40,969,390
16.10.09	Share subscription	159,031	159,030,610
22.12.09	Open offer	85,212	85,211,664
19.02.10	Exercise of share options	330	330,300
		288,694	**288,694,133**

During the year ended 31 March 2009 the Company issued ordinary shares of 0.1p as follows:

Date	Reason for issue	Shares issued £	Number
28.08.08	Placing	386,894	386,894,230
02.10.08	Placing	30,769	30,769,200
		417,663	**417,663,430**

18. Share options

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

The Company undertook a reverse takeover of Provexis Natural Products Limited ("PNP", formerly Provexis Limited) in June 2005 through a share for share exchange. Prior to the takeover the Company and PNP had granted EMI options and unapproved options. Options granted by the Company prior to the takeover remain subject to the same terms as contained in the individual share option contracts under which they were originally granted. The PNP EMI options and unapproved options were rolled over into options over the Company's ordinary shares, and these replacement options remain subject to the same terms as contained in the individual PNP share option contracts under which they were originally granted.

On 1 September 2008 the Company announced that further to an announcement on 1 August 2008 the Company's Remuneration Committee had approved the grant of options over 44,166,575 ordinary shares of 0.1p each to certain Directors and employees of the Company. As a condition of the grant of options, certain Directors surrendered 19,089,110 existing options and an additional 3,709,384 existing options were surrendered by other existing employees.

On 15 October 2009 the Company's Remuneration Committee modified the Performance Period and Performance Target of share options over 42,000,000 ordinary shares of 0.1p each held by the Executive Directors of the Company.

Following the changes agreed to the Performance Period and Performance Target, share options over 21,000,000 ordinary shares of 0.1p each held by the Executive Directors of the Company vested on 15 October 2009. Share options over 21,000,000 ordinary shares of 0.1p each held by certain Directors of the Company will vest on 1 April 2011.

At 31 March 2010 the number of ordinary shares subject to options granted over the 2005 and prior option schemes were:

EMI options

	31 March 2010		31 March 2009	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**1.15**	**54,198,000**	3.72	10,274,255
Granted during the year	**—**	**—**	0.91	51,727,855
Exercised during the year	**2.75**	**(2,645,969)**	—	—
Cancelled during the year	**—**	**—**	3.18	(7,804,110)
Outstanding at the end of the year	**1.07**	**51,552,031**	1.15	54,198,000

The exercise price of EMI options outstanding at the end of the year ranged between 0.9p and 6.28p (2009: 0.9p and 6.28p) and their weighted average contractual life was 8.3 years (2009: 9.3 years).

Of the total number of EMI options outstanding at the end of the year, 23,709,976 (2009: 5,355,945) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.8 pence (2009: 3.4 pence).

Unapproved options

	31 March 2010		31 March 2009	
	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	**1.39**	**11,756,117**	2.70	24,199,121
Granted during the year	**—**	**—**	0.90	7,324,520
Exercised during the year	**4.20**	**(836,500)**	—	—
Cancelled during the year	**—**	**—**	2.81	(19,767,524)
Outstanding at the end of the year	**1.18**	**10,919,617**	1.39	11,756,117

The exercise price of unapproved options outstanding at the end of the year ranged between 0.9p and 6.28p (2009: 0.9p and 6.28p) and their weighted average contractual life was 7.3 years (2009: 8.2 years).

Of the total number of unapproved options outstanding at the end of the year, 3,595,097 (2009: 4,431,597) had vested and were exercisable at the end of the year. Their weighted average exercise price was 1.7 pence (2009: 2 pence).

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

Tranche	**Date of grant**	**Exercise price**	**Number of options**	**Share price at grant date**	**Expected volatility**	**Risk free rate**	**Expected life**	**Fair value per share under option**
		pence		**pence**			**years**	**pence**
1	06-Jun-07	2.875	17,304,347	2.75	78%	4.44%	10	1.42
2	29-Nov-07	3.38	2,751,479	3.00	65%	3.77%	10	1.06
3	26-Aug-08	0.9	44,166,575	0.87	65%	4.45%	10	0.585
4	01-Oct-08	0.9	12,000,000	0.725	65%	4.39%	10	0.485

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

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

The total charge for the year relating to employee share-based payment plans was £225,909 (2009: £112,630) all of which related to equity settled share-based payment transactions.

Share re-organisation
A share re-organisation was carried out on 28 August 2008, sub dividing each of the 401,724,366 then issued existing ordinary shares with a nominal value of 1p each in the capital of the Company into one new ordinary share with a nominal value of 0.1p and one Deferred Share with a nominal value of 0.9p.

The rights attached to the new ordinary shares are substantially the same as the rights attached to the original, pre placing ordinary shares. The Deferred Shares have very limited rights which are deferred to the new ordinary shares, and effectively carry no value as a result.

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

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

See also note 17 to the Group financial statements.

19. Reserves

	Share premium reserve £	Warrant reserve £	Merger reserve £	Retained earnings £	Total £
At 1 April 2008	5,992,212	—	6,273,909	(8,698,702)	3,567,419
Loss for the year	—	—	—	(4,570,506)	(4,570,506)
Share-based charges	—	—	—	112,630	112,630
Issue of shares – placing	2,046,460	—	—	—	2,046,460
Reduction of premium on share issue	(59,114)	—	—	—	(59,114)
At 31 March 2009	7,979,558	—	6,273,909	(13,156,578)	1,096,889
Loss for the year	—	—	—	(1,648,180)	(1,648,180)
Share-based charges	—	—	—	225,909	225,909
Issue of shares - exercise of share options	104,417	—	—	—	104,417
Issue of shares - subscription	4,548,729	—	—	—	4,548,729
Issue of shares - open offer	1,894,573	—	—	—	1,894,573
Warrants issued during the year - equity financing facility	—	115,980	—	—	115,980
At 31 March 2010	**14,527,277**	**115,980**	**6,273,909**	**(14,578,849)**	**6,338,317**

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

Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Warrant reserve	The warrant reserve arose in March 2010 when the Group issued warrants to Evolution Securities Limited as part of the Equity Financing Facility (see Note 17).
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.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

20. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 March 2010 amounted to £31,581 (2009: £31,726). Pension contributions payable but not yet paid at 31 March 2010 totalled £16,368, in respect of pension contribution entitlements where employees had not yet provided details of the funds to which the contributions should be made (2009: £12,450). In addition, pension contributions payable in arrears at 31 March 2010 totalled £1,189 (2009: £9). All unpaid contributions are included in accrued social security costs at the balance sheet date.

21. Operating lease commitments

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

	31 March 2010 £	31 March 2009 £
Due within 1 year	**86,500**	82,875
	86,500	82,875

Operating lease payments represent rentals payable by the Group for various offices. The leases have various terms, escalation clauses and renewal rights typical of lease agreements for the class of asset.

22. Related party transactions

On 12 February 2010 the Company announced that it had entered into a Letter of Intent ("LOI") for its Fruitflow® technology with DSM Nutritional Products ("DSM").

The LOI provided a framework for the parties to develop a long-term Alliance Agreement (the "Agreement"), giving DSM exclusive global rights to Fruitflow®.

On 1 June 2010 the Company signed a long-term Alliance Agreement with DSM Nutritional Products, which will see the Company collaborate with DSM to develop Fruitflow® in all major global markets.

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

On 4 August 2008 C D Buck, N C Bain and The RisingStars Growth Fund, which is connected to J B Diggines, advanced bridging loans to the Company totalling £50,000. The bridging loans were repaid by the Company on 28 August 2008. Bridging loan inducement fees totalling £10,000 were paid to C D Buck, N C Bain and The RisingStars Growth Fund, see note 8 for further details.

Transactions between the Company and its subsidiaries have been eliminated on consolidation.

Key management compensation

The Directors represent the key management personnel. Details of their compensation and share options are given in note 7.

23. Post balance sheet events

On 1 June 2010 the Company announced a long-term Alliance Agreement with DSM Nutritional Products, which will see the Company collaborate with DSM to develop Fruitflow® in all major global markets. DSM will invest substantially in the manufacture, technology development, marketing and sale of Fruitflow® in the coming years. Provexis will continue to contribute scientific expertise and will collaborate in areas such as cost of goods optimisation and regulatory matters. The financial model is based upon the division of profits between the two partners on an agreed basis, linked to certain revenue targets, following the deduction of the cost of goods and a fixed level of overhead from sales. The Company is working closely with DSM in various areas related to launch planning. It is not possible to determine the financial impact of the Alliance Agreement at this time.