

**Provexis plc**  
**(“Provexis” or the “Company”)**

**UNAUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2008**

Provexis plc (PXS.L), the life-science business that discovers, develops and licenses scientifically-proven technologies for the global functional food, medical food and dietary supplement sectors, announces its unaudited results for the year ended 31 March 2008.

**Key highlights**

- Post year end placing of £2.5m of new shares at 0.65p per share providing working capital and funding for new product pipeline development.
- DSM Venturing take strategic investment of 29.3% in the Company as part of the post-year end placing.
- Extended Fruitflow<sup>®</sup> collaboration with Unilever and entered into new collaboration with The Coca-Cola Company.
- Company in discussions with potential Fruitflow<sup>®</sup> license partners for the global dietary supplement sector, in addition to Unilever and Coca-Cola collaborations.
- First phase trial phase for NSP#3G product for Crohn's Disease completed successfully, with second phase patient trial to commence in the second half of the year.
- New technology for treatment and prevention of peptic ulcers taken under option from University of Manchester.
- Steve Morrison, Chief Operating Officer with global R&D Project Director background, appointed effective 1 October 2008.
- Krijn Rietveld, DSM Senior Vice-President, appointed as Non-executive Director post-admission of new placing shares.

**Key financial results**

- Loss attributable to equity shareholders £1,189,117 (2007: £2,437,855).
- Cash balance £532,581 (2007: £115,824).
- Loss per share from continuing operations 0.26p (2007: 0.61p).

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

“In the months since focusing the Company on discovery, development and licensing we have made strong progress commercially and scientifically. The new strategy and structure has seen a significant reduction in full-year losses. Our partnerships with Coca-Cola and Unilever for our Fruitflow<sup>®</sup> anti-thrombotic technology are proceeding on track and in addition we have identified and are in discussion with two potential global partners for the dietary supplement sector. The trial programme for our Crohn's Disease technology is in good shape, and we have now added a promising new peptic ulcer technology to our pipeline. We have continued to strengthen the technical capability of the business in line with our strategy, recruiting Steve Morrison as Chief Operating Officer, bringing global R&D project experience to the business and also adding a further two scientists to the team. We closed a £2.5m placing today and as part of this DSM Venturing become a strategic investor in Provexis.”

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## **Chairman's statement**

The year has been a challenging one but I am pleased to report that the management team continues to make very good progress in implementing the strategy of discovery, development and licensing of scientifically-proven functional food, medical food and dietary supplement technologies.

In pursuit of our licensing strategy, we have continued to focus on securing global license partners to maximise the potential of our core Fruitflow<sup>®</sup> heart-health technology. We are working closely with Coca-Cola and are making good progress in consumer testing, commercial assessment and finalising regulatory approval in a range of territories. In our collaboration with Unilever, the R&D team are on track with the development of a format suitable for inclusion in Unilever product formats. Additionally, negotiations are underway with potential partners in the global dietary supplement sector. Initiatives to secure partners in other claim areas and product sectors continue.

Our patented technology for the treatment of Crohn's Disease has been successful in the first trial phase, with a healthy human trial having recently finished. A two-centre clinical trial will commence in the second half of the year. We are working closely with the University of Liverpool to develop new claim areas for the technology.

The team have secured a promising new technology from the University of Manchester. We believe in the importance of a strong technology pipeline and the building of that pipeline will significantly enhance shareholder value in the medium to long term.

I have invited Krijn Rietveld, Senior Vice-President with DSM Nutrition, to join the Board as a Non-executive Director in August 2008 and I believe he will be a valuable addition. Steve Morrison will further strengthen the management team when he joins us in October 2008 as Chief Operating Officer.

The business has made good progress over the last year, as we have developed commercial opportunities, strengthened the team and reshaped the business with a significantly lower cost base. We are well-placed to capitalise on this momentum as the management team continue to implement our focused discovery, development and licensing strategy.

**Dawson Buck**  
Chairman

## **Chief Executive's statement**

### **Strategy and management structure**

We are several months into the implementation of our new strategy of focusing on the discovery, development and licensing of scientifically-proven functional food, medical food and dietary supplement technologies. I am pleased to say that this transition has gone well and the business is now fully-focused, has a much reduced cost base (evidenced by losses reducing to £1.163m versus £2.450m in 2007) and a combination of commercially-ready and promising future technologies.

To underpin the implementation of the strategy, we announced today the raising of £2.5m of working capital via a placing of new shares. As part of this placing DSM Venturing B.V., the venturing arm of the €8.8bn turnover DSM life sciences and material sciences business, made a strategic investment of £1.5m in the business. In addition to the investment, we have invited Krijn Rietveld, Senior Vice-President with DSM Nutrition, to be a Provexis Director and I believe his sector knowledge and experience will add great value to the team.

Steve Morrison joins us as Chief Operating Officer in October 2008, bringing a strong track record as a global R&D Project Director with Ipsen and Shire Pharmaceutical. His skills will make us even more effective in delivering technologies in line with the needs of our global partners. We have also continued to strengthen the R&D team, in order to maximise the value created from current and new technologies.

### **Fruitflow<sup>®</sup> licensing**

Our collaboration with Unilever is on track, with the R&D team making great strides in the development of a concentrated Fruitflow<sup>®</sup> format suitable for incorporation into vegetable oil-based spreads. This format will be trialled in human subjects in late summer, with a target of delivering a final, proven Fruitflow<sup>®</sup> product to our partner later this year.

We are working intensively with The Coca-Cola Company on a programme of consumer testing, commercial assessment and finalising regulatory approval in a range of territories. Subject to positive results in these areas, the parties intend to proceed to a licensing agreement.

Discussions are underway with two global ingredients manufacturers for the license of Fruitflow<sup>®</sup> for the dietary supplements sector and we expect to make progress during the balance of 2008.

The research team continue to develop further claim areas for our core technology. In 2008 we will progress our deep vein thrombosis work, with human studies commencing in 2009. We will commence work on metabolic syndrome and Type-II diabetes claims in 2009. 50 million US citizens are estimated to suffer from metabolic syndrome and as such the area represents a significant opportunity.

### **Pipeline**

The first phase of human trials on our patented technology for the treatment of Crohn's Disease has been completed successfully and we will move into the second phase full clinical trial on Crohn's Disease patients in the second half of the year, once final MHRA clearance has been received. We are working closely with the University of Liverpool to extend the technology into potential new claim areas and expect to see progress towards this in the second half of 2008.

We have entered into a one-year option agreement with the University of Manchester for a natural extract for the prevention and treatment of peptic ulcers. During this period we will assess and develop the technology and subject to our being satisfied with the potential, the intellectual property and patents will be assigned to Provexis. We believe that our well-developed, low-cost development model will enable us to commercialise this novel technology effectively, adding significant shareholder value to the business in the medium term.

## **Outlook**

We have reduced our cost base significantly, giving us an effective low-cost platform from which to commercialise our existing Fruitflow<sup>®</sup> technology, our Crohn's Disease product and new technologies. This, together with the collaborations and strong relationships we enjoy with leading global brand owners and ingredient manufacturers, will drive our focus on extracting shareholder value from our promising IP pipeline in the coming year.

**Stephen Moon**

Chief Executive

## Financial Review

### International Financial Reporting Standards

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

From 1 April 2007 Provexis plc and its subsidiary companies (the "Group") have adopted International Financial Reporting Standards as adopted by the European Union ("IFRS") and this is the first annual report for the Group presented under IFRS. Prior to 1 April 2007 the Group prepared its audited financial statements and unaudited interim financial statements under UK Generally Accepted Accounting Principles ("UK GAAP").

The Group financial statements including comparatives have been prepared in accordance with IFRS as adopted by the European Union and IFRIC interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The date of transition to IFRS for the Group was 1 April 2006 and the Group prepared its opening IFRS balance sheet as at that date. The comparative figures in respect of 2007 have been restated to reflect IFRS accounting policies.

The most significant IFRS impacts on the Group in respect of the transition to IFRS are:

- Under IFRS 3 Business Combinations, goodwill is subject to impairment reviews and is not amortised. Under UK GAAP goodwill is amortised, which reduced the reported loss before taxation for the year ended 31 March 2007 under UK GAAP by £484,400.
- 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. Previously under UK GAAP all development expenditure was expensed. Development expenditure of £20,597 was capitalised over the year ended 31 March 2008 (2007: £NIL).
- Under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the exit of the Sirco<sup>®</sup> juice brand has been treated as a discontinued operation in the Income Statement for the current and prior year.

Reconciliations and explanations of the effect of adopting IFRS compliant accounting policies on the Group's equity (net assets) and losses are provided in the Group financial statements. There was no effect on the Group's cash flows.

The financial statements of the Company continue to be prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

### Revenue and grant income

Revenue for the year ended 31 March 2008 was £161,702 (2007: £66,653), reflecting an increase in amounts payable to the Group by its prospective licensing partners.

Grant income for the year ended 31 March 2008 was £133,649 (2007: £44,987), which follows the completion of a research grant for the Group's Crohn's Disease technology. The grant was awarded to the Group in November 2005 by The Northwest Regional Development Agency (NWRDA).

### Research and development costs

Research and development ("R&D") costs for the year ended 31 March 2008 were £537,840 (2007: £340,221), including £20,597 capitalised under IAS 38 (2007: £NIL) reflecting an increase in R&D activity for the Fruitflow<sup>®</sup> and Crohn's Disease projects.

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 research team continues to develop further claim areas for the Group's core Fruitflow<sup>®</sup> technology, to include deep vein thrombosis and metabolic syndrome. Second phase patient trials for the Group's Crohn's Disease technology are due to commence in 2008, and in July 2008 the Group took an option from the University of Manchester for a new technology for the treatment and prevention of peptic ulcers.

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 £986,073 (2007: £1,260,531). The restructuring in April 2007 and the Group's exit from the Sirco Fruitflow<sup>®</sup> juice brand in July 2007 led to a considerable reduction in the Group's cost base, and administrative expenses have been reduced accordingly.

**Taxation**

A research and development tax credit of £134,371 (2007: £NIL) in respect of research and development expenditure incurred has been recognised in the financial statements, all of which was shown as a debtor at 31 March 2008. £53,651 of the R&D tax credit arose in respect of the year ended 31 March 2008 and £80,720 is attributable to the two years ended 31 March 2007. The £80,720 claim for the two years ended 31 March 2007 was paid to the Group subsequent to the year end.

**Losses**

The loss from continuing operations for the year ended 31 March 2008 was £1,017,287 (2007: £1,550,677) and the loss per share from continuing operations was 0.26p (2007: 0.61p).

The overall loss from continuing and discontinued operations for the year ended 31 March 2008 was £1,162,684 (2007: £2,449,656) and the loss per share from continuing and discontinued operations was 0.30p (2007: 0.97p).

**Capital structure and funding**

The Group remains funded primarily by equity capital which reflects the development status of its products.

On 12 April 2007 the Company raised £2,149,750 gross from a new share placing to new shareholders, existing substantial shareholders and Non-executive Directors. The net proceeds were £1,961,467 after share issue costs, of which £100,000 was utilised to repay a short term bridging loan.

In August 2008 the Company agreed terms for a placing to raise approximately £2.5m of funding to provide working capital and funding for pipeline development. The placing will involve the issue of 386,894,230 new shares at 0.65p per share and a share re-organisation to facilitate the issue of the new shares at the subscription price. Full details of the placing will be provided in a circular to shareholders.

Cash at bank at 31 March 2008 was £532,581 (31 March 2007: £115,824).

This preliminary announcement does not constitute the Company's statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The results for the year ended 31 March 2008 have been extracted from the unaudited accounts of the Group for that year which have not yet been delivered to the Registrar of Companies. The financial information for the year ended 31 March 2007 is derived (after adjustments for International Financial Reporting Standards) from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The report of the auditors on those filed accounts was unqualified. The accounts for the year ended 31 March 2008 and 31 March 2007 did not contain a statement under s237(2) or s237(3) of the Companies Act 1985.

This preliminary announcement has been prepared in accordance with International Financial Reporting Standards.

# Consolidated income statement

	Note	Year ended 31 March 2008 £	Year ended 31 March 2007 £
<b>Revenue</b>	1,3	<b>161,702</b>	66,653
Grant income	4	<b>133,649</b>	44,987
Research and development costs		<b>(517,243)</b>	(340,221)
Administrative costs		<b>(986,073)</b>	(1,260,531)
<b>Loss from operations</b>	5	<b>(1,207,965)</b>	(1,489,112)
Finance income	8	<b>57,587</b>	28,435
Finance costs	8	<b>(1,280)</b>	(90,000)
<b>Loss before tax</b>		<b>(1,151,658)</b>	(1,550,677)
Taxation	9	<b>134,371</b>	–
<b>Loss for the year from continuing operations</b>		<b>(1,017,287)</b>	(1,550,677)
<b>Discontinued operation</b>			
Loss for the year from discontinued operation	10	<b>(145,397)</b>	(898,979)
<b>Loss for the year</b>		<b>(1,162,684)</b>	(2,449,656)
<b>Attributable to:</b>			
Equity holders of the parent	22	<b>(1,189,117)</b>	(2,437,855)
Minority interest		<b>26,433</b>	(11,801)
		<b>(1,162,684)</b>	(2,449,656)
<b>Loss per share from continuing and discontinued operations to equity holders of the parent</b>			
Basic and diluted – pence	11	<b>0.30</b>	0.97
<b>Loss per share from continuing operations to equity holders of the parent</b>			
Basic and diluted – pence	11	<b>0.26</b>	0.61

# Consolidated balance sheet

	Notes	As at 31 March 2008 £	As at 31 March 2007 £
<b>Non-current assets</b>			
Goodwill	12	6,902,013	6,902,013
Other intangible assets	12	20,597	-
Plant and equipment	14	74,094	12,607
<b>Total non-current assets</b>		<b>6,996,704</b>	6,914,620
<b>Current assets</b>			
Inventories	15	-	38,466
Trade and other receivables	16	416,874	378,626
Cash and cash equivalents	17	532,581	115,824
<b>Total current assets</b>		<b>949,455</b>	532,916
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	(361,496)	(738,975)
Borrowings	19	-	(100,000)
<b>Total liabilities</b>		<b>(361,496)</b>	(838,975)
<b>Total net assets</b>		<b>7,584,663</b>	6,680,561
<b>Capital and reserves attributable to equity holders of the parent company</b>			
Share capital	20	4,017,244	2,510,386
Share premium reserve	22	5,992,212	5,391,867
Merger reserve	22	6,273,909	6,273,909
Retained earnings	22	(8,698,702)	(7,541,168)
<b>Equity attributable to equity holders of the parent</b>		<b>7,584,663</b>	6,634,994
Minority interests		-	(26,433)
<b>Total equity</b>		<b>7,584,663</b>	6,608,561

# Consolidated cash flow statement

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
<b>Cash flows from operating activities</b>		
Loss after tax and discontinued operations	(1,162,684)	(2,449,656)
Adjustments for:		
Depreciation	15,229	4,035
Net finance income	(56,307)	61,565
Taxation	(134,371)	-
Share-based payment charge	31,583	118,619
<b>Operating loss before changes in working capital</b>	<b>(1,306,550)</b>	<b>(2,265,437)</b>
Decrease / (increase) in inventories	38,466	(20,503)
Decrease in trade and other receivables	159,759	175,476
Decrease in trade and other payables	(377,479)	(68,265)
<b>Net cash outflow from operating activities</b>	<b>(1,485,804)</b>	<b>(2,178,729)</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(76,716)	(125)
Purchase of intangible assets	(20,597)	-
Interest received	57,587	28,435
<b>Cash (used in) / generated by investing activities</b>	<b>(39,726)</b>	<b>28,310</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital - share placing	2,149,750	-
Expenses paid on share issue	(188,283)	-
Proceeds from exercise of share options	82,100	-
(Repayment of) / increase in borrowings	(100,000)	100,000
Interest paid	(1,280)	-
<b>Cash generated by financing activities</b>	<b>1,942,287</b>	<b>100,000</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>416,757</b>	<b>(2,050,419)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>115,824</b>	<b>2,166,243</b>
<b>Cash and cash equivalents at end of year</b>	<b>532,581</b>	<b>115,824</b>

# Consolidated statement of changes in equity

	Share capital £	Share premium £	Merger reserve £	Retained earnings £	Total equity attributable to equity holders of the parent £	Minority interests £	Total Equity £
<b>At 1 April 2006</b>	2,500,010	5,312,243	6,273,909	(5,221,932)	8,864,230	(14,632)	8,849,598
Share based charges	-	-	-	118,619	118,619	-	118,619
Issue of shares - SEDA implementation fee	10,376	79,624	-	-	90,000	-	90,000
Loss for the year	-	-	-	(2,437,855)	(2,437,855)	(11,801)	(2,449,656)
				-	-	-	-
<b>At 31 March 2007</b>	<b>2,510,386</b>	<b>5,391,867</b>	<b>6,273,909</b>	<b>(7,541,168)</b>	<b>6,634,994</b>	<b>(26,433)</b>	<b>6,608,561</b>
Share based charges	-	-	-	31,583	31,583	-	31,583
Issue of shares - placing 12 April 2007	1,433,166	528,301	-	-	1,961,467	-	1,961,467
Issue of shares - exercise of share options	73,692	72,044	-	-	145,736	-	145,736
Loss for the year	-	-	-	(1,189,117)	(1,189,117)	26,433	(1,162,684)
<b>At 31 March 2008</b>	<b>4,017,244</b>	<b>5,992,212</b>	<b>6,273,909</b>	<b>(8,698,702)</b>	<b>7,584,663</b>	<b>-</b>	<b>7,584,663</b>

The loss 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.

**Provexis plc**  
**Notes to the unaudited results for the year ended 31 March 2008**

**1. Accounting policies**

**General information**

Provexis plc is a public limited company incorporated and domiciled in Great Britain under the Companies Act 1985 (registration number 5102907). The address of the registered office is Thames Court, 1 Victoria Street, Windsor, Berkshire SL4 1YB, UK.

As described in the Directors' Report, 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**

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU for the first time, having previously been prepared in accordance with UK Generally Accepted Accounting Principles ("UK GAAP"). The disclosures required by IFRS 1 'First-time Adoption of International Financial Reporting Standards' concerning the transition from UK GAAP to IFRS are given in note 27.

The preparation of the consolidated financial statements in accordance with IFRS resulted in changes to the accounting policies compared with the most recent Group financial statements prepared under UK GAAP. The accounting policies set out below have been applied to all periods presented in these Group financial statements and are in accordance with IFRS, as adopted by the European Union, and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that were applicable for the year ended 31 March 2008.

The Group has elected to make use of the exemptions available in IFRS 1 as follows:

- IFRS 2 'Share-based Payment' has been applied to all grants of employee options after 7 November 2002 that had not vested by 1 April 2006.
- IFRS 3 'Business Combinations' has not been applied retrospectively to business combinations that occurred before 1 April 2006.
- IAS 32 'Financial Instruments: Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' is being applied from 1 April 2007.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year ended 31 March 2008 and have not been adopted early as the Directors do not expect these interpretations to have a material effect on the Group:

- IFRS 8 'Operating Segments' effective for accounting periods beginning on or after 1 January 2009;
- IFRIC 13 'Customer Loyalty Programmes' effective for accounting periods beginning on or after 1 July 2008;
- IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' effective for accounting periods beginning on or after 1 January 2008;
- IAS 23 'Borrowing Costs' effective for accounting periods beginning on or after 1 January 2009;
- IFRIC 12 'Service Concession Arrangements' effective for accounting periods beginning on or after 1 January 2008;
- Revised IFRS 3 'Business Combinations' and complementary amendments to IAS 27 'Consolidated and Separate Financial Statements' effective for accounting periods beginning on or after 1 January 2010 and 1 July 2009 respectively;
- Amendment to IFRS 2 'Share-based Payments: Vesting Conditions and Cancellations' effective for accounting periods beginning on or after 1 January 2009;
- Amendment to IAS 1 'Presentation of Financial Statements' effective for accounting periods beginning on or after 1 January 2009;

- Amendment to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation' effective for accounting periods beginning on or after 1 January 2009; and
- 'Improvements to IFRS' effective over a range of dates, the earliest being for accounting periods beginning on or after 1 January 2009.

The Group has made estimates under IFRS as at 1 April 2006, the date of transition, which are consistent with those estimates made at the same date under UK GAAP and there is no objective evidence that those estimates were in error.

### **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. 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 and collaboration agreements net of value added tax.

The accounting policies for the principal revenue streams of the Group are that exclusivity arrangements and related services are recognised as revenue in the accounting period in which the related services are rendered, or activities performed, by reference to completion of the specific transaction.

### **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 income statement 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 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 income statement 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 income statement 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 income statement, 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 income statement, 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.

### **Discontinued operation**

The results of operations discontinued during the year are included in the consolidated income statement up to the date of disposal. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or its subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented on the income statement (including the comparative period) as a single line which comprises the post tax profit or loss of the discontinued operation and the gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets / disposal groups constituting discontinued operations.

### **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 income statement 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 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 income statement.

## 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 income statement 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. 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 income statement 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 the 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 income statement over the remaining vesting period. Where equity instruments are granted to persons other than employees and others providing similar services, the income statement 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.

#### **Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS 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.

##### **(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) Discontinued operation**

The discontinued operation referred to in the accounts is the Sirco<sup>®</sup> juice drink which ceased production in July 2007. There were no stock or other write offs associated with the cessation of Sirco<sup>®</sup>. All costs and income relating to the Sirco<sup>®</sup> business have been recognised as discontinued in the financial statements.

##### **(iv) 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 based on the Group consolidated budget for the year ending March 2009 and agreed business plans for the two years ending March 2011. Subsequent cash flows are extrapolated using an estimated growth rate of 2%.

The key assumptions for the value in use calculations are those regarding discount rates, revenue commencement dates, growth rates and expected changes in margins. 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 units. 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 have been discounted to calculate value in use using post-tax discount rates ranging from 15% - 20% (2007: 15% - 20%). The value-in-use calculations did not indicate any impairment in goodwill.

## 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.

At 31 March 2008 the Group had trade payables denominated in Euros of £20,338, translated at the year end rate of £1 : 1.2566 Euros. If the Euro exchange rate at 31 March 2008 had weakened / strengthened against the UK pound by 5% the post-tax loss for the year would have been £968 lower / £1,070 higher.

##### 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 balance sheet date of £361,496 (2007: £738,975) as disclosed in note 18.

### 2.2 Capital risk management

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 2008 £	Year ended 31 March 2007 £
NWDA R&D grant income recognised in income statement	133,649	44,987
	<b>133,649</b>	<b>44,987</b>

### 5. Operating loss

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
<b>Operating loss is stated after charging:</b>		
Depreciation of plant and equipment	15,229	4,035
Operating lease costs - land and buildings	60,174	25,113

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

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
<b>Audit services</b>		
Parent company	19,245	18,000
Subsidiaries	34,214	32,000
<b>Tax services – compliance</b>		
Parent company	8,990	3,100
Subsidiaries	20,010	6,900
<b>Other services</b>		
Parent company - share option scheme advice	10,000	–
Subsidiary - NWDA grant	3,000	–
<b>Total fees</b>	<b>95,459</b>	<b>60,000</b>

## 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 2008	Year ended 31 March 2007
Administrative staff	3	2
Research and development staff	5	4
Directors	5	4
	<b>13</b>	<b>10</b>

Their aggregate emoluments were:

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Wages and salaries	701,364	717,328
Social security costs	64,955	84,188
Other pension and insurance benefits costs	31,239	37,396
<b>Total cash settled emoluments</b>	<b>797,558</b>	<b>838,912</b>
Accrued holiday pay	11,243	-
Share-based payment remuneration charge: equity settled	31,583	118,619
<b>Total emoluments</b>	<b>840,384</b>	<b>957,531</b>

## 7. Directors' emoluments

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
<b>Directors</b>		
Aggregate emoluments	345,792	289,286
Company pension contributions	11,979	12,834

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

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Aggregate emoluments	167,609	122,950
Company pension contributions	7,500	6,759

## 8. Finance income and costs

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Bank interest receivable	57,587	28,435
Finance costs payable	(1,280)	(90,000)
	<b>56,307</b>	<b>(61,565)</b>

## 9. Taxation

### Continuing operations

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
<b>Current tax income</b>		
United Kingdom corporation tax research and development credit	53,651	-
<b>Adjustment in respect of prior period</b>		
United Kingdom corporation tax research and development credit	80,720	-
<b>Taxation credit</b>	<b>134,371</b>	<b>-</b>

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 2008 £	Year ended 31 March 2007 £
Loss on ordinary activities before tax	1,151,658	1,550,677
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2007: 30%)	345,497	465,203
<b>Effects of:</b>		
Expenses not deductible for tax purposes	(16,133)	(2,600)
Difference between depreciation and capital allowances	(4,546)	-
Other short-term timing differences	40,340	(152,120)
Unutilised tax losses and other deductions arising in the year	(331,359)	(310,483)
Tax deduction for share options exercised	26,925	-
Additional deduction for R&D expenditure	30,290	-
Surrender of tax losses for R&D tax credit refund	(39,485)	-
Adjustments in respect of prior years	82,842	-
<b>Total tax credit for the year</b>	<b>134,371</b>	<b>-</b>

At 31 March 2008 the Group had UK tax losses to be carried forward of approximately £9,681,617 (2007: £9,887,120). The final submitted tax returns for the year ended 31 March 2007 showed tax losses of £8,877,954, the difference is reflected in the 2008 carried forward tax position.

## Deferred tax

Deferred tax assets amounting to £2,791,237 (2007: £2,793,234) 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 2008 £	Year ended 31 March 2007 £
Depreciation in excess of capital allowances	9,264	5,569
Other short term timing differences	59,995	47,209
Unutilised tax losses	2,710,853	2,663,386
Share based payments	11,125	77,070
	<b>2,791,237</b>	<b>2,793,234</b>

## 10. Discontinued operation

On 2 July 2007 the Group announced that it had undertaken a strategic review of its Sirco<sup>®</sup> juice brand and that in order to facilitate the negotiation of exclusive rights for potential license partners had decided to cease its production.

The table below shows the results of the Sirco<sup>®</sup> juice drink that are included in the results of the Group for the year and the prior year and included within the discontinued operation.

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
<b>Income statement</b>		
Revenue	113,903	738,231
Cost of sales	(121,179)	(403,837)
Administrative expenses	(138,121)	(1,233,373)
Loss for the year from discontinued operation	<b>(145,397)</b>	<b>(898,979)</b>
<b>Cash flow statement</b>		
Net cash flows from operating activities	<b>(145,397)</b>	<b>(898,979)</b>
	<b>(145,397)</b>	<b>(898,379)</b>

## 11. Loss per share

Basic and diluted loss per share amounts are calculated by dividing the loss attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period. There are 34,473,376 share options in issue that are all currently anti-dilutive and have therefore been excluded from the calculation of the diluted loss per share.

	<b>Year ended 31 March 2008</b>	Year ended 31 March 2007
<b>Loss - £</b>		
Continuing operations	<b>1,043,720</b>	1,538,876
Discontinued operation	<b>145,397</b>	898,979
	<b>1,189,117</b>	2,437,855
<b>Weighted average number of shares</b>		
	<b>395,384,662</b>	250,765,567
<b>Basic and diluted loss per share – pence</b>		
Continuing operations	<b>0.26</b>	0.61
Discontinued operation	<b>0.04</b>	0.36
Total	<b>0.30</b>	0.97

Note 26 regarding the post balance sheet event details a new placing of shares in August 2008 which would have had an impact on the loss per share calculations above, had it taken place pre year end.

## 12. Intangible assets

	<b>Goodwill</b>	<b>Development costs</b>	<b>Total</b>
	£	£	£
<b>Cost</b>			
At 1 April 2007	7,265,277	–	7,265,277
Additions	–	20,597	20,597
<b>At 31 March 2008</b>	<b>7,265,277</b>	<b>20,597</b>	<b>7,285,874</b>
<b>Amortisation</b>			
<b>At 1 April 2007 and 31 March 2008</b>	<b>363,264</b>	–	<b>363,264</b>
<b>Net book value</b>			
<b>At 31 March 2008</b>	<b>6,902,013</b>	<b>20,597</b>	<b>6,922,210</b>
At 31 March 2007	6,902,013	–	6,902,013
<b>Cost</b>			
<b>At 1 April 2006 and 31 March 2007</b>	<b>7,265,277</b>	–	<b>7,265,277</b>
<b>Amortisation</b>			
<b>At 1 April 2006 and 31 March 2007</b>	<b>363,264</b>	–	<b>363,264</b>
<b>Net book value</b>			
<b>At 31 March 2007</b>	<b>6,902,013</b>	–	<b>6,902,013</b>
At 31 March 2006	6,902,013	–	6,902,013

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

### 13. 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 value-in-use calculations have used post-tax cash flow projections based on the Group consolidated budget for the year ending March 2009 and business plans agreed by the Board for the two years ending March 2011. Subsequent cash flows are extrapolated using an estimated growth rate of 2%.

The key assumptions for the value in use calculations are those regarding discount rates, revenue commencement dates, growth rates and expected changes in margins. 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.

Post-tax cash flow projections have been discounted to calculate value in use using a post-tax discount rate of 15% (2007: 15%). The value-in-use calculations did not indicate any impairment in goodwill.

## 14. Plant and equipment

	Plant and machinery	Fixtures, fittings and computer equipment	Laboratory equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 April 2007	15,315	38,440	–	53,755
Additions	–	7,991	68,725	76,716
Disposals	(15,315)	(8,318)	–	(23,633)
<b>At 31 March 2008</b>	<b>–</b>	<b>38,113</b>	<b>68,725</b>	<b>106,838</b>
<b>Depreciation</b>				
At 1 April 2007	15,315	25,833	–	41,148
Disposals	(15,315)	(8,318)	–	(23,633)
Charge for year	–	10,689	4,540	15,229
<b>At 31 March 2008</b>	<b>–</b>	<b>28,204</b>	<b>4,540</b>	<b>32,744</b>
<b>Net book value</b>				
<b>At 31 March 2008</b>	<b>–</b>	<b>9,909</b>	<b>64,185</b>	<b>74,094</b>
At 31 March 2007	–	12,607	–	12,607

	Plant and machinery	Fixtures, fittings and computer equipment	Laboratory equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 April 2006	15,315	38,315	–	53,630
Additions	–	125	–	125
<b>At 31 March 2007</b>	<b>15,315</b>	<b>38,440</b>	<b>–</b>	<b>53,755</b>
<b>Depreciation</b>				
At 1 April 2006	15,315	21,798	–	37,113
Charge for year	–	4,035	–	4,035
<b>At 31 March 2007</b>	<b>15,315</b>	<b>25,833</b>	<b>–</b>	<b>41,148</b>
<b>Net book value</b>				
<b>At 31 March 2007</b>	<b>–</b>	<b>12,607</b>	<b>–</b>	<b>12,607</b>
At 31 March 2006	–	16,517	–	16,517

## 15. Inventories

	<b>31 March 2008</b>	31 March 2007
	£	£
Raw materials and consumables	–	38,466
	–	38,466

The amount of inventory recognised within the consolidated income statement for the year was £121,179 (2007: £370,732).

## 16. Trade and other receivables

	<b>31 March 2008</b>	31 March 2007
	£	£
Amounts receivable within one year:		
Trade debtors	<b>6,243</b>	110,298
Corporation tax recoverable	<b>136,774</b>	–
Other debtors	<b>107,641</b>	80,066
Prepayments and accrued income	<b>166,216</b>	188,262
	<b>416,874</b>	378,626

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

## 17. Cash and cash equivalents

	<b>31 March 2008</b>	31 March 2007
	£	£
Cash at bank and in hand	<b>532,581</b>	115,824
	<b>532,581</b>	115,824

## 18. Trade and other payables

	<b>31 March 2008</b>	31 March 2007
	£	£
Trade creditors	<b>156,248</b>	395,664
Other taxes and social security	<b>36,287</b>	65,374
Accruals	<b>160,362</b>	277,937
Other creditors	<b>8,599</b>	–
	<b>361,496</b>	738,975

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

## 19. Borrowings and loans

	<b>31 March 2008</b>	31 March 2007
	£	£
Short term bridging loan	–	100,000
	–	100,000

The short term bridging loan was provided by Angle Technology Limited (Angle) and Rising Stars Growth Fund (RSGF) in March 2007 and was repaid out of placing proceeds on 12 April 2007 for the new ordinary shares which Angle and RSGF had subscribed for.

## 20. Share capital

<b>Authorised</b>	<b>31 March 2008</b>	31 March 2007	<b>31 March 2008</b>	31 March 2007
	Number	Number	£	£
Ordinary shares of 1p each	<b>550,000,000</b>	400,000,000	<b>5,500,000</b>	4,000,000

<b>Allotted, called up and fully paid</b>	<b>31 March 2008</b>	31 March 2007	<b>31 March 2008</b>	31 March 2007
	Number	Number	£	£
Ordinary shares of 1p each	<b>401,724,366</b>	251,038,472	<b>4,017,244</b>	2,510,386

During the year ended 31 March 2008 the Company issued ordinary shares of 1p each as follows:

<b>Date</b>	<b>Reason for issue</b>	<b>Shares issued</b>	
		<b>£</b>	<b>Number</b>
12.04.07	Placing	1,433,166	143,316,664
02.05.07	Exercise of share options	33,659	3,365,871
15.05.07	Exercise of share options	11,216	1,121,609
16.08.07	Exercise of share options	18,182	1,818,182
27.09.07	Exercise of share options	10,635	1,063,568
		<b>1,506,858</b>	<b>150,685,894</b>

During the year ended 31 March 2007 the Company issued ordinary shares of 1p as follows

<b>Date</b>	<b>Reason for issue</b>	<b>Shares issued</b>	
		<b>£</b>	<b>Number</b>
06.06.06	Issue of shares for implementation fee	10,376	1,037,608

## 21. Share options

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

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

At 31 March 2008 the number of ordinary shares subject to options granted over the 2005 and prior option schemes were:

### EMI options

	31 March 2008		31 March 2007	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	3.32	15,181,064	3.30	13,514,414
Granted during the year	3.38	2,751,479	3.50	1,666,650
Exercised during the year	1.77	(6,498,207)	-	-
Cancelled during the year	8.62	(1,160,081)	-	-
<b>Outstanding at the end of the year</b>	<b>3.72</b>	<b>10,274,255</b>	<b>3.32</b>	<b>15,181,064</b>

The exercise price of EMI options outstanding at the end of the year ranged between 1p and 6.28p (2007: 1p and 8.62p) and their weighted average contractual life was 8 years (2007: 8.4 years).

Of the total number of EMI options outstanding at the end of the year, 4,774,067 (2007: 9,261,547) had vested and were exercisable at the end of the year. Their weighted average exercise price was 4 pence (2007: 2.57 pence).

The weighted average share price (at the date of exercise) of EMI options exercised during the year was 3 pence.

### Unapproved options

	31 March 2008		31 March 2007	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	3.17	11,875,701	3.56	14,255,466
Granted during the year	2.87	17,304,347	-	-
Exercised during the year	3.50	(871,023)	-	-
Cancelled during the year	4.66	(4,109,904)	5.50	(2,379,765)
<b>Outstanding at the end of the year</b>	<b>2.70</b>	<b>24,199,121</b>	<b>3.17</b>	<b>11,875,701</b>

The exercise price of unapproved options outstanding at the end of the year ranged between 1p and 6.28p (2007: 1p and 8.62p) and their weighted average contractual life was 8.62 years (2007: 8.29 years).

Of the total number of unapproved options outstanding at the end of the year, 5,600,621 (2007: 5,600,621) had vested and were exercisable at the end of the year.

The weighted average share price (at the date of exercise) of unapproved options exercised during the year was 3.75 pence.

### Grant of options

The fair values of the options have been estimated at the date of grant using the binomial method. The following table gives the assumptions used in valuing the grant of options made during the year:

	<b>EMI options</b>	<b>Unapproved options</b>	EMI options
	<b>31 March 2008</b>	<b>31 March 2008</b>	31 March 2007
Number of shares granted	<b>2,751,479</b>	<b>17,304,347</b>	1,666,650
Share price at grant date	<b>3.00p</b>	<b>2.75p</b>	6p
Option exercise price	<b>3.38p</b>	<b>2.875p</b>	3.818p
Expected life of options	<b>10 years</b>	<b>10 years</b>	10 years
Expected volatility	<b>65%</b>	<b>78%</b>	80%
Dividend yield	<b>0%</b>	<b>0%</b>	0%
Risk free rate	<b>3.77%</b>	<b>4.44%</b>	4%
Grant date	<b>29 November 2007</b>	<b>6 June 2007</b>	30 June 2006
Fair value per share under option	<b>1.06p</b>	<b>1.42p</b>	2.773

No unapproved options were issued during the year ended 31 March 2007.

At the Remuneration Committee meeting of 12 April 2007 it was noted that the exercise prices of existing share options were calculated prior to the impact of the placing in that month. The Committee deemed that it was appropriate and equitable to change the exercise price of existing share options to adjust for the dilutive effect of the placing.

Market performance conditions of bottom tranche 4.5p, middle tranche 6p and top tranche 8p were applied in connection with vesting arrangements specified in individual option contracts.

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 £31,583 (2007: £118,619) all of which related to equity settled share based payment transactions.

## 22. Reserves

	Share premium reserve £	Merger reserve £	Retained earnings £	Total £
<b>At 1 April 2006</b>	5,312,243	6,273,909	(5,221,932)	6,364,220
Loss for the year	-	-	(2,437,855)	(2,437,855)
Share-based charges	-	-	118,619	118,619
Shares issued during the year	79,624	-	-	79,624
<b>At 31 March 2007</b>	5,391,867	6,273,909	(7,541,168)	4,124,608
Loss for the year	-	-	(1,189,117)	(1,189,117)
Share-based charges	-	-	31,583	31,583
Issue of shares - placing	528,301	-	-	528,301
Issue of shares - exercise of share options	72,044	-	-	72,044
<b>At 31 March 2008</b>	<b>5,992,212</b>	<b>6,273,909</b>	<b>(8,698,702)</b>	<b>3,567,419</b>

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.
Merger reserve	The merger reserve arose on the reverse takeover in 2005 of Proxavis Natural Products Limited (formerly Proxavis Limited) by Proxavis plc through a share for share exchange.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

## 23. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which during the year ended 31 March 2008 amounted to £20,472 (2007: £37,552). Pension contributions payable but not yet paid at 31 March 2008 totalled £11,740 in respect of pension contribution entitlements where employees had not yet provided details of the funds to which the contributions should be made (2007: £5,515). In addition, pension contributions payable in arrears at 31 March 2008 totalled £2,876 (2007: £1,658). All unpaid contributions are included in accrued social security costs at the balance sheet date.

## 24. Operating lease commitments

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

	<b>31 March 2008 £</b>	31 March 2007 £
Due within 1 year	<b>54,760</b>	45,000
Due within 1-2 years	<b>101,785</b>	144,345
Due within 2-5 years	-	12,200
	<b>156,545</b>	201,545

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.

## **25. Related party transactions**

There were no related party transactions in the year other than between Group companies.

## **Key management compensation**

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

## **26. Post balance sheet events**

In August 2008 the Company agreed terms for a placing to raise approximately £2.5m of funding to provide working capital and funding for pipeline development. The placing will involve the issue of 386,894,230 new shares at 0.65p per share and a share re-organisation to facilitate the issue of the new shares at the subscription price. Full details of the placing will be provided in a circular to shareholders.

## 27. Explanation of transition to IFRS

This is the first year that the Group has presented its full consolidated financial information under IFRS.

### Reconciliation of Group equity at 1 April 2006

	UK GAAP £	Effect of IFRS £	IFRS £
<b>Non – current assets</b>			
Goodwill	6,902,013	–	6,902,013
Plant and equipment	16,517	–	16,517
	<u>6,918,530</u>	<u>–</u>	<u>6,918,530</u>
<b>Current assets</b>			
Inventories	17,963	–	17,963
Trade and other receivables	554,102	–	554,102
Cash and cash equivalents	2,166,243	–	2,166,243
	<u>2,738,308</u>	<u>–</u>	<u>2,738,308</u>
<b>Current liabilities</b>			
Trade and other payables	(807,240)	–	(807,240)
	<u>(807,240)</u>	<u>–</u>	<u>(807,240)</u>
<b>Total net assets</b>	<b>8,849,598</b>	<b>–</b>	<b>8,849,598</b>
Share capital	2,500,010	–	2,500,010
Share premium reserve	5,312,243	–	5,312,243
Merger reserve	6,273,909	–	6,273,909
Retained earnings	(5,221,932)	–	(5,221,932)
<b>Equity attributable to equity holders of parent</b>			
Minority interests	(14,632)	–	(14,632)
<b>Total equity</b>	<b>8,849,598</b>	<b>–</b>	<b>8,849,598</b>

### Reconciliation of Group equity at 1 April 2007

	Note	UK GAAP £	Effect of IFRS £	IFRS £
<b>Non – current assets</b>				
Goodwill	a	6,417,613	484,400	6,902,013
Plant and equipment		12,607	–	12,607
		<u>6,430,220</u>	<u>484,400</u>	<u>6,914,620</u>
<b>Current assets</b>				
Inventories		38,466	–	38,466
Trade and other receivables		378,626	–	378,626
Cash and cash equivalents		115,824	–	115,824
		<u>532,916</u>	<u>–</u>	<u>532,916</u>
<b>Current liabilities</b>				
Trade and other payables		(738,975)	–	(738,975)
Borrowings – short term bridging loan		(100,000)	–	(100,000)
		<u>(838,975)</u>	<u>–</u>	<u>(838,975)</u>
<b>Total net assets</b>		<b>6,124,161</b>	<b>484,400</b>	<b>6,608,561</b>
Share capital		2,510,386	–	2,510,386
Share premium reserve		5,391,867	–	5,391,867
Merger reserve		6,273,909	–	6,273,909
Retained earnings		(8,025,568)	484,400	(7,541,168)
<b>Equity attributable to equity holders of parent</b>				
Minority interests		(26,433)	–	(26,433)
<b>Total equity</b>		<b>6,124,161</b>	<b>484,400</b>	<b>6,608,561</b>

**Reconciliation of loss from UK GAAP to IFRS**  
**Year ended 31 March 2007**

	Note	UK GAAP £	Effect of IFRS £	IFRS £
<b>Revenue</b>		804,884	(738,231)	66,653
Cost of sales		(403,837)	403,837	–
<b>Gross profit</b>		401,047	(334,394)	66,653
Distribution costs		(63,994)	63,994	
Administrative expenses:				
Research and development		(295,234)	–	(295,234)
Other administrative costs	a, b	(2,795,691)	1,653,779	(1,141,912)
Share option costs		(118,619)	–	(118,619)
		<b>(3,273,538)</b>	<b>1,717,773</b>	<b>(1,555,765)</b>
<b>Operating loss</b>		<b>(2,872,491)</b>	<b>1,383,379</b>	<b>(1,489,112)</b>
Finance income		28,435	–	28,435
Finance costs		(90,000)	–	(90,000)
<b>Loss before and after taxation from continuing operations</b>		<b>(2,934,056)</b>	<b>1,383,379</b>	<b>(1,550,677)</b>
Loss from discontinued operation	b	–	(898,979)	(898,979)
<b>Loss for the year</b>		<b>(2,934,056)</b>	<b>484,400</b>	<b>(2,449,656)</b>

**Notes**

**(a) Goodwill**

Under IAS 38 goodwill is not amortised and so goodwill of £484,400 previously amortised under UK GAAP is reversed. Instead, impairment has been considered.

**(b) Discontinued operation**

Under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the exit of the Sirco® juice brand has been treated as a discontinued operation in the Income Statement for the current and prior year.