



ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016



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Plant Health Care is a leading provider of proprietary agricultural biological products and technology solutions focused on improving crop performance. The Company's ordinary shares have been quoted on AIM of the London Stock Exchange since July 2004 (ticker symbol: PHC).



Directors and advisers

Directors	Dr. Christopher G. J. Richards Dr. Richard H. Webb Michael J. Higgins William M. Lewis	<i>Executive Chairman/Interim Chief Executive Officer</i> <i>Executive Director</i> <i>Senior Independent Director</i> <i>Non-executive Director</i>
Secretary	Christine Mazzone	
Registered office	1 Scott Place 2 Hardman Street Manchester M3 3AA	
Company number	05116780	
Broker and nominated adviser	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY	
Auditor	BDO LLP 55 Baker Street London W1U 7EU	
Company solicitor	DWF LLP 1 Scott Place 2 Hardman Street Manchester M3 3AA	
Registrar	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	

In this document, references to “the Company” are to Plant Health Care plc. References to “Plant Health Care”, “the Group”, “we” or “our” are to Plant Health Care plc and its subsidiaries and lines of business, or any of them as the context may require. The Plant Health Care name and logo, Myconate, ProAct, N-Hibit, Innatus and other names and marks appearing herein and on Company literature are trademarks or trade names of Plant Health Care. All other third party trade mark rights are acknowledged.

Chairman's letter

Overview

Plant Health Care is a leading provider of proprietary agricultural biological products and technology solutions focused on improving crop performance.

This has been a challenging year for the Group commercially, with reduced sales due to higher than expected inventories with our distributors in the United States of America ("USA"). Outside the USA, sales grew at 15% in constant currency. Progress with the Group's innovation has continued to accelerate in a most impressive manner. Our evaluation partners for Innatus 3G, our first platform of PREtec bio-rational peptides, have reported promising results, positioning us well for the first planned auction of rights to that platform in early 2018. In addition, we have launched two new platforms of PREtec to potential partners, T-Rex 3G and Y-Max 3G, which have been well received.

We report here separately, the two areas of focus for the business: New Technology and Commercial. We are organised in these two lines of business and report our Commercial business in three geographic segments – Americas, Mexico and Rest of World. We report our New Technology business in a single segment.

New Technology

New Technology is focused on the discovery and early development of novel proprietary biological solutions using the Group's PREtec science and technology capabilities (PREtec signifies Plant Response Elicitor technology). These new technologies will mainly be developed into final products in partnership with agricultural industry companies active downstream, who will take them to market; the Group would then receive licence payments on these sales. We intend to work with major agrochemical companies for the larger arable crops such as corn and soybean; for specialty crops, such as regional crops and fruits and vegetables, we will work with a wider range of partners.

New Technology made remarkable progress during the year, under the leadership of our Chief Science Officer ("CSO"), Dr. Zhongmin Wei.

We continue to deepen our understanding of our first family of PREtec peptides, Innatus 3G. Having synthesised a large number of Innatus 3G peptides and shown them to have differentiated properties, we have been further modifying their structure to optimise performance against various parameters: physical, chemical and biological. In parallel, our scientific studies, including our understanding of Innatus 3G's mode of action, have advanced to the point where we can confidently describe Innatus 3G as a distinct technology platform. This is a significant milestone.

Our laboratory, glasshouse and field trials, and a number of other trials run for us by university groups and other specialists, confirm that peptides from Innatus 3G can be customised to deliver targeted agronomic benefits, such as resistance to attack by fungi, stronger root growth and improved recovery from the effects of drought. All of these benefits increase crop yield.

Our peptides have been shown to be compatible with standard agricultural applications, such as seed treatment and foliar sprays, and to work with different genetic strains of crops. Innatus 3G peptides can enhance the performance of established chemical and biological products, and resistant crop varieties. In some instances peptides on their own perform as effectively as significant commercial products currently on the market.



Chairman's letter *continued*

This flexibility will allow Innatus 3G to be positioned by future licensees as complementary to their own product ranges. Innatus 3G peptides can bring them benefits such as performance improvement, resistance management and the environmental and regulatory advantages of being bio-rational products. Such benefits are considered by our evaluation partners to be of significant commercial value.

Following presentation of Innatus 3G to potential major industry partners in the latter part of 2014, four evaluation agreements were signed during 2015. During 2016, our partners had the opportunity to establish field trials with peptides from the Innatus 3G family, as well as to study them in the laboratory and glasshouse. We have been encouraged by the progress which our partners have reported to us, from those 2016 trials. Their results, based in some cases on field trials much larger in geographic scale than those we have conducted, are broadly comparable with our own. This is powerful confirmation of biological performance in the field.

It has been rewarding to see our partners' enthusiasm building through the year, as they come to understand the power of our technology and its potential value to them. All four evaluation partners have now extended the terms of their contracts. We are currently preparing for an expanded programme of evaluation of these products during 2017 and planning for the competitive licensing process of first rights to Innatus 3G in early 2018.

At the start of 2016, we set the objective of presenting a second family of PREtec technology to prospective partners. Progress during the year was such that we presented two: T-Rex 3G and Y-Max 3G. These families of peptides are different from one another and from Innatus 3G. We confidently describe them as separate technology platforms. They are covered by different patents and show distinctive performance profiles. Underlying this there are important differences in their modes of action.

T-Rex 3G is a platform of peptides with enhanced activity against nematodes, which are destructive soil pests. Y-Max 3G is a platform of bio-stimulant peptides which offer increased vigour and yield. These two platforms have now been presented to potential partners, which include both the existing evaluation partners and other agrochemical companies. Initial reaction has been encouraging. The first evaluation agreements have been signed and partner trials have begun.

In the field we have run our largest scale trials to date, demonstrating crop yield improvements for the fourth successive year. Through a network of universities and specialist contractors, we have conducted numerous glasshouse studies and shown that PREtec peptides can elicit powerful plant defence responses against a variety of commercially significant pests and diseases. These trials and studies continue to inform the evaluation work being conducted by our partners. Their ability to replicate our results in their own studies is the main driver of their growing confidence in the value of our technology.

Our laboratory in Seattle continues its work to characterise further families of PREtec peptides and to secure intellectual property ("IP") rights on them. At the same time, we are working intensively on optimising our first three peptide platforms, to ensure physicochemical stability and compatibility with conventional agrochemical products. In addition, laboratory scale studies are delivering encouraging results on production methodology, which reinforces our conviction that peptides from PREtec can be manufactured cost-effectively by fermentation. Finally, we are exploring accelerated regulatory pathways for future products.

Chairman's letter *continued*

Reflecting the speed of progress in New Technology, we have further increased our investment in research and development ("R&D"). In 2016, we invested \$4.5 million in R&D, an increase of 9% over 2015. The New Technology team in Seattle now works with excellent new growth rooms and is well equipped to complete the studies we have planned for 2017. We continue to devote considerable resources to our IP and are confident that we are building effective protection around our proprietary technology.

Commercial

Our Commercial business sells our proprietary products worldwide through distributors and also distributes complementary third-party products in Mexico.

Overall sales in 2016 were \$6.3 million, a reduction of 16% over 2015 (8% in constant currency). This reduction was due to several of our distributors having excess year-end inventories; sales in the USA were down by \$1.1 million as a result. Outside the USA, sales grew by 15% in constant currency.

In the USA, on ground sales by our largest distributor in the Pacific North West grew in 2016. However, this growth was lower than anticipated and was compounded by decreased sales into a depressed soybean market in the Midwest. As a result, our USA distributors ended the season with significant inventories which resulted in decreased sales in the final quarter of 2016.

Outside the USA, sales of Harpin αβ increased by 41% in constant currency. For example, sales in Spain grew by 86%. However, the launch of Harpin αβ in sugar cane in Brazil has been delayed; a new commercial strategy is under development to enter this critical market and we expect first sales in 2018. In Mexico, sales grew by 9% in local currency but this translated into a decrease of 8% in US dollars. In Mexico, the launch of Harpin αβ, to replace the first generation Harpin product Messenger, resulted in a 49% increase in sales in Mexican pesos.

New distribution arrangements were signed during 2016, which will help to support sales growth in 2017 and beyond.

Sales of our proprietary products Harpin and Myconate in 2016 represented 59% of sales (2015: 57%) and gross margin was steady at 62%.

Financial and Corporate

In August, we completed an equity raise which generated \$9.7 million, largely from existing investors. The signal of our investors' confidence in the Group is highly noteworthy.

The Board made a decision in late 2014 to pursue a listing on the NASDAQ exchange in New York. However, market conditions were not favourable and this project has been cancelled, with a resulting write-off of \$1.25 million. A decision on whether to proceed with such a listing at any time in the future will be dependent upon the achievement of key operational and financial milestones and subject to market conditions.

As we report in US dollars, the weakness in Sterling has resulted in a loss of \$2.6 million arising in respect of the Sterling loan between the holding company and the UK trading company which is partially offset by a gain of \$1.1 million in respect of the Sterling loan from the UK trading company to the US entity. The net charge in the statement of comprehensive income in respect of the revaluation of these loans is \$1.5 million.



Chairman's letter *continued*

During 2016, the Board decided to initiate a series of cost-cutting measures. These were focused on reducing costs and enhancing efficiency; our core R&D efforts in New Technology were carefully realigned to ensure momentum was sustained in critical areas.

Board changes

At the end of November 2016, Paul Schmidt stepped down as CEO and left the Group. The Board asked me to step in as Interim CEO from that time. The Board reviewed these arrangements in early 2017 and has requested that I continue as Interim CEO for the time being. The Board will review the situation periodically and may initiate a search for a new CEO in due course.

In November 2016, James Ede-Golightly resigned from the Board, due to pressure of other commitments. William ("Bill") M. Lewis took over from James as Chair of the Remuneration Committee.

I would like to take the opportunity to thank both Paul and James for their contributions to the Board since 2013.

The relevant experience and background of each member of the Board is set out on page 16.

Outlook

Agriculture markets continued to be depressed during 2016, with high grain stocks ensuring that commodity prices remain low. The agrochemical market is estimated to have declined a further 2% in 2016. The first signs of an improvement emerged in the latter part of 2016, particularly with strengthening prices of soybean, but corn and wheat prices have shown no improvement. Many agrochemical companies reported sales growth in the last quarter of 2016. Even in depressed agrochemical markets, however, we believe that growers in key markets will continue to adopt agricultural biological products which increase their productivity. Based on various reports, we expect growth in the demand for biological products to increase at approximately 10% per annum from 2016 to 2020. Despite the set-back in sales in 2016, we remain confident with respect to the growth prospects for Harpin αβ.

All our established evaluation partners have extended the terms of their evaluation agreements into 2018. This, and their expressions of interest in Innatus 3G are encouraging signals for the competitive licensing process we plan for early 2018. In addition, we are targeting a revenue-generating licence for one of our PREtec technologies during 2017.

Plant Health Care has a clearly defined strategy, which we are implementing effectively. We anticipate that existing cash reserves, together with forecast commercial revenues and cost savings already put in place, will now fund the business at least until the end of 2018. As a result, we are confident that the next two years will see a step change in the position of Plant Health Care.

In closing, I would like to thank the entire Plant Health Care team for all their hard work during the year. Strong results come from great people, working towards shared goals. As Interim CEO, I am proud of the Group's impressive team of highly motivated professionals, in whom I have the greatest confidence.

Dr. Christopher Richards

Executive Chairman & Interim Chief Executive Officer

10 April 2017

Strategic report

We are a leading provider of proprietary agricultural biological products and technology solutions focused on improving crop performance by activating a growth response in plants and bolstering plant defence mechanisms against both abiotic stresses, such as drought and extreme temperatures, and biotic stresses, such as fungal diseases or pest infestation. We are organised in two lines of business: New Technology and Commercial.

Our New Technology business focuses on the deployment of our proprietary Plant Response Elicitor technology, or PREtec, to invent and develop short chains of amino acids, or peptides, which we intend to out-license. We are focused on commercialising this technology by partnering with leading agriculture companies to accelerate its adoption in key geographic and crop markets. PREtec enables the custom design and creation of peptides to achieve targeted responses in specific crops, including both row and specialty crops. Responses include improving a plant's ability to grow efficiently, increasing its yield, bolstering its responses to stresses such as drought and enhancing its resistance to external factors, such as diseases and certain pests. Currently, four of the six largest global agriculture companies are evaluating Innatus 3G, our first peptide platform developed from PREtec. All four of these are actively interested in evaluating one or more of our next two platforms – T-Rex 3G and Y-Max 3G and first trials have begun.

Our Commercial business focuses on selling proprietary biological products that are applied to soil, seeds or plants to improve the plant's health and yield by enhancing its nature physiological processes. Our proprietary products are primarily categorised as biofertilisers and bio-stimulants, which we believe are the most rapidly growing segments in the biological industry. Our current product portfolio is mainly based on our proprietary Harpin technology, which is proven to trigger growth and self-defence mechanisms within plants to drive better performance. Through field trials we have commissioned or through those conducted by our distributors, we have demonstrated results in a number of crops: our second generation Harpin $\alpha\beta$ products have created yield increases of approximately 3% to 5% in US corn and soybeans while improving plant growth, resistance to abiotic stress and protection against certain pathogens. Our products are complementary to and compatible with existing crop protection products and methods, promoting further adoption.

Our Commercial business sells our proprietary products worldwide through distributors (which accounted for 59% of our revenues in 2016) and distributes complementary third-party products (which accounted for 41% of our revenues in 2016) in Mexico. Our proprietary products have treated millions of acres to date across multiple significant, global agricultural markets, including the US, Mexico and Europe. We report our Commercial business in three geographic segments – Americas (which accounted for 23% of our revenues in 2016), Mexico (which accounted for 51% of our revenues in 2016) and Rest of World (which accounted for 26% of our revenues in 2016).

The Board believes that our innovative and value-added line of biological products helps satisfy the growing global demand for efficient, effective and environmentally-responsible products to increase crop yields and overall plant health. We believe that our products can compete effectively in the market today against conventional agrochemical products, fertilisers and other bio-stimulants. We also believe that they are more sustainable than the competing traditional fertilisers and growth promoters on the market today. We have screened, identified and developed our novel biological products and technologies and validated their efficacy in improving plant health leading to higher yields. Through our significant investment in R&D, we have a scientific-based understanding of our products' mode of action (the functional change that occurs at the cellular level), which enables us to design and produce a diverse range of protein-based biologicals to provide significant value for growers. The chart below illustrates our technology progression.



Strategic report *continued*

PHC Plant Response Elicitors – Progression

Technology	Harpin		
Generation	1G, 2G Proteins	3G – Peptides	4G – In Planta
Products	Natural protein: <i>Messenger</i> – since 2000 Recombinant protein: <i>Harpin αβ</i> – since 2005 Commercial Products: 	Short synthetic peptides <50 AA <i>Innatus 3G</i> – since 2015 <i>T-Rex 3G</i> – since 2016 <i>Y-Max 3G</i> – since 2016 In co-evaluation with the selected agricultural industry partners	4G Genetic traits: Proof of concept – since 2016 In discussion with industry Other genetic technology: In discovery phase
Overview	<ul style="list-style-type: none"> 1G Harpin – Natural Protein: 414 AA (EPA Registered 2000) 2G Harpin αβ – Recombinant Harpin fragments: 400AA (EPA Registered 2004) Stimulate plant growth and defense More than 12 million acres treated 2G up to 10 times more active than 1G 	<ul style="list-style-type: none"> PREtec Peptides – Biorational, <50 AA Deliver a range of biotic and abiotic stress resistance, growth and nutrient uptake benefits 	<ul style="list-style-type: none"> DNA inserted into the plant's genome: Express the peptides Regulate gene expression Modulate plant physiology Deliver better plant health, growth and yield performance
	Commercial Sales and licenses	Evaluation Phase	Proof of Concept Discovery

Our products and technologies

Harpin αβ

Our Harpin αβ products are well established in both the seed and foliar treatment markets and can be used to treat over 40 different types of crops. Harpin αβ is registered for use in 13 countries. We currently focus on products that treat row crops as well as high-value specialty crops. We have three principal Harpin αβ products: N-Hibit, a seed treatment application for row crops; ProAct, a foliar application for row crops; and Employ, a foliar application for specialty crops. Each of these products can be applied in conjunction with conventional agrochemicals or seed treatments. During the year ended 31 December 2016, we derived 53% (2015: 45%) of our revenues from our Harpin αβ products, for which we have a number of current patents that expire between 2017 and 2027. Manufacture and formulation of Harpin αβ is contracted out by us and remains under our control. PHC owns the high-yield fermentation process, the formulations, the registrations and the brand.

Strategic report *continued*

Myconate

Our Myconate product is a soil treatment that increases mycorrhizal colonisation of roots by over 50%, aiding early-stage plant growth and important nutrient access. This essentially provides the plant with a larger root system so that it can grow under conditions that normally would inhibit growth, such as drought, nutrient deficiency, chemical residues and soil salinity. Myconate is available in powder and liquid forms and can be applied effectively as a seed coating, an in-furrow application or mixed with fertiliser. During the year ended 31 December 2016, we derived 6% (2015: 6%) of our revenues from our Myconate products, for which we have a number of current patents that expire between 2018 and 2031.

PREtec

PREtec is our science and technology capability based on our extensive experience, knowledge and IP in plant response elicitor technology. Inspired by natural proteins found in plants and plant pathogens, we are able to identify families of peptides (chains of amino acids) that can provide various agronomic benefits for farmers. We have the expertise to modify the peptides sequences in order to customise the performance. This includes optimising physical and chemical stability, so they are stable in mixtures with agrochemicals. We can also modulate the biological performance of peptides in various ways, for example to make them better at: inducing resistance to pests and diseases in crop plants, improving the tolerance of plants to drought, or accelerating root growth.

We have screened hundreds of peptide variants and have engaged in greenhouse and field testing of dozens of promising novel peptides. We currently have four 3G peptide platforms in various development phases. By platform we mean a family of related peptide designs, all patent protected. 3G signifies third generation, and indicates that these are small peptides. In addition we have fourth generation, or 4G platforms, which are applications of DNA or RNA forms of PREtec for various genetic uses in agriculture and plant breeding.

The table below summarises the pipeline. We do not show other assets still in the discovery phase. These platforms all have patent protection filed or pending.

PREtec platform		Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
		<i>Discovery</i>	<i>Proof of Concept</i>	<i>Early Development</i>	<i>Advanced Development</i>	<i>Pre-launch</i>	<i>Commercial</i>
Biologicals	Innatus 3G	Complete	Complete	Complete	In progress		
	Y-Max 3G	Complete	Complete	Complete	In progress		
	T-Rex 3G	Complete	Complete	Complete	In progress		
	New 3G family	Complete	Complete	In progress			
Genetics	4G in planta	Complete	Complete	In progress			
	New 4G concept	Complete	In progress				

Complete
 In progress



Strategic report *continued*

Innatus 3G was our first platform. It delivers a range of disease and yield benefits to growers. It is under evaluation with four of the largest agricultural corporations. Their field testing and other technical evaluation is well advanced. Our 3G peptides are designed to be combined with standard crop protection applications through both seed treatment and foliar applications to improve plant health.

T-Rex 3G is a platform developed to protect crop plants against pest nematodes. It also shows good effects in limiting the loss of yield caused by drought stress. Y-Max 3G behaves more like a bio-stimulant, promoting vigour and yield by regulating growth genes in the plant. T-Rex 3G and Y-Max 3G were introduced to selected partners in the latter part of 2016. First evaluation agreements have been signed and third party trials had begun before the end of the year.

We are in the early stages of development of our 4G peptide platforms. The first platform entails the incorporation of genetic sequences in the plant that allow the plant to express peptides internally.

Our growth strategy

Our future growth will be achieved by focusing on the following key areas:

- *Increasing sales of existing commercial products.* We intend to drive near-term revenue growth in our Commercial business to more fully address our opportunities in the agricultural market. We are increasing our focus on specialty crop markets (such as fruits and vegetables) to complement the position we have gained in row crop markets. We plan to continue to grow our geographical expansion in key markets by identifying capable distribution partners to extend our reach.
- *Expanding market for existing products through additional product registrations.* We intend to continue to build upon our strong portfolio of registered products by pursuing additional market approvals for Harpin $\alpha\beta$ and Myconate. Harpin $\alpha\beta$ is approved for use in 13 countries, and Myconate is approved for use in 12 countries. We have applied for further registrations to expand our market access to countries such as Argentina, Brazil, Germany and Italy.
- *Continuing to execute on out-licensing business model with Innatus 3G.* The experience of our established partners in evaluating Innatus 3G, and our own continued progress discovering and optimising performance, positions us well to bring Innatus 3G to market through a capital-efficient out-licensing model. We remain on track towards a first licensing round in 2018.
- *Accelerating PREtec peptide technologies.* We brought two more 3G platforms to the industry in 2016. Interest was high, and we are targeting our first 3G license by the end of 2017. We continue to discuss our first 4G platform with interested parties and maintain a programme of invention and discovery and expect to bring forward new technologies in due course.
- *Pursuing strategic collaborations and acquisitions.* We believe we are well positioned for strategic collaborations or acquisitions in the agricultural biological industry as a result of our science-based technology approach, our access to growers and distributors through our existing commercial platform and our management team's extensive experience.

Strategic report *continued*

Our industry

The global agriculture industry is facing increasing demand for products and technologies that effectively and cost-efficiently improve crop yield and quality. This increasing demand is being primarily driven by a rising global population and an expanding middle class in certain regions. The Food and Agriculture Organisation of the United Nations estimates that the global population will reach 7.8 billion by 2020, an increase of 5.6% from 7.3 billion today, and arable land per capita has decreased from 0.41 hectares per person in 1962 to 0.20 hectares per person in 2012. The Organisation for Economic Co-operation and Development estimates that the global middle class population was 1.8 billion people in 2009 and projects it will grow to 3.2 billion people by 2020 and reach 4.9 billion people by 2030.

To meet these demands, agrochemical, agricultural biotechnology and other agriculture companies continually seek to offer new solutions for improving the health and vitality of crops worldwide. For the past several decades, these solutions have come primarily through advances in conventional plant breeding, screening or genetic modification of seeds to produce crops with desired traits, fertilisers to promote plant growth and herbicides and insecticides, nematicides and fungicides to reduce or eliminate external threats. More recently, as agrochemical innovation and usage has started to plateau, the development of biological solutions has started to play an increasing role in meeting growers' needs. As the effectiveness of biological solutions has approached and, in some cases, surpassed more conventional solutions, biologicals will play an increasingly important role in providing a solution to crop yield and quality demands from growers.

Biological products offer multiple benefits to the agriculture industry:

- Protection from abiotic stress. Whereas conventional crop protection products typically focus on biotic stresses, biological products generally improve a plant's tolerance to both biotic and abiotic stresses.
- Integrated crop management. Since biological products can be complementary to existing agrochemical products and genetically modified seeds, they enable growers to improve the return on their investment while pursuing an integrated approach to crop management.
- Reduced time and cost to market. In general, biological products take less time to reach the market than agrochemical products or genetically modified seeds due to reduced regulatory burdens. Furthermore, due to complex and lengthy regulatory pathways, it is estimated that biological products cost far less to develop than conventional chemical pesticides or genetically modified traits.
- Safe and sustainable. Biological products are generally safer for workers to handle and generally pose a reduced hazard to beneficial organisms on or near the treated plants.

Biological products and technologies represent a highly innovative and rapidly growing sector of the agriculture industry. Based on various reports, we believe the global biologicals market in 2015 was over \$2.5 billion, with an expected compound annual growth rate of approximately 10% from 2015 to 2020. This is a substantially higher rate than the expected compound annual growth rate for global agrochemicals of approximately 3 – 5% from 2015 to 2020. Adoption rates for agricultural biologicals are expected to be highest in the USA, Europe and South America, where growers are most receptive to agricultural innovation.



Strategic report *continued*

Financial summary

A summary of the financial results for the year ended to 31 December 2016 with comparatives for the previous financial year is set out below:

	2016	2015
	\$'000	\$'000
Revenue	6,329	7,508
Gross profit	3,893	4,683
Operating loss	(11,350)	(7,776)
Finance income (net)	50	93
Net loss for the year	(11,217)	(7,720)

Revenue

Revenues in 2016 decreased by 16% to \$6.3 million (2015: \$7.5 million) as a result of our distributors in the US market having excess inventory at year-end. However, sales outside the USA remained fixed at \$4.9 million (2015: \$4.9 million). The gross margin remained steady at 62% of sales in 2016.

Operating expenses

Operating expenses increased to \$15.2 million from \$12.5 million. The three factors driving the increase were increased investment in New Technology up 6% to \$5.0 million, costs associated with evaluating the possibility of a USA listing of \$1.25 million (2015: nil) and a (non-cash) decrease in the value of Sterling loans from our UK subsidiary, due to the significant depreciation of the Pound in June/July of \$1.5 million (2015: \$0.25 million). Costs of approximately \$1.25 million (2015: nil) associated with a potential USA listing have been charged to Administration during 2016. A decision whether to proceed with a listing will be dependent upon the achievement of key operational and financial milestones and subject to market conditions. Administration costs also include \$1.5 million (2015: \$0.25 million) of non-cash expenses associated with the decrease in the value of loans from our UK subsidiary.

Expenditure within New Technology increased \$0.3 million to \$5.0 million in 2016 (2015: \$4.7 million). The increase was due to the hiring of additional R&D staff and increased contract research costs. The Group expects that our R&D costs will further increase as we continue to invest in the development of our PREtec platform.

In addition, we have set out in Note 9 the separate category of expenditure relating to Business Development, which decreased to \$1.0 million in 2016 (2015: \$1.2 million). This relates to reduced expenditures for regulatory and registration and other costs relating to customer support, market research and the negotiation of commercial agreements.

Unallocated corporate expenses increased to \$4.4 million (2015: \$2.0 million). The increase was attributable to costs associated with a USA listing and the decrease in the value of Sterling loans from our UK subsidiary due to the depreciation of the Pound.

Strategic report *continued*

Cash position and liquidity

As at 31 December 2016 the Group had cash and investments of \$10.1 million (2015: \$8.4 million).

The primary components of the cash movements during 2016 was the conclusion of a net fund raise of \$9.7 million and the net net sales of investments of \$2.1 million (2015: \$5.3 million) which will be used to invest in the New Technology business and fund operations, outflows of \$0.4 million (2015: \$0.9 million) from new equipment and facilities for R&D and operating cash outflow of \$9.1 million (2015: \$7.5 million).

Key performance indicators (“KPIs”)

The Group uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial. The most significant relate to Group financial performance and to the Group’s progress in driving the two pillars of its strategy.

The KPIs for financial performance of the Commercial area and for the Group as a whole include revenue, gross profit and margin, and operating profit/loss. These KPIs indicate the volume of work the Group has undertaken, as well as the efficiency with which this work has been delivered.

The KPIs for financial performance for the year ended 31 December 2016, with comparatives for the year ended 31 December 2015, are set out below;

	2016	2015
Revenue (\$'000)	6,329	7,508
Gross profit (\$'000)	3,893	4,683
Gross profit margin (%)	61.5	62.4
Operating loss (\$'000)	(11,350)	(7,776)

In addition, an important KPI is the movement in revenue achieved from the sale of our proprietary products. These movements are shown below, separating out the product revenue from the receipt of license/milestone payments and other one-off payments, which are less predictable and tend to distort the product sales growth.

Proprietary sales (excluding licensing revenue)

	2016	2015
	\$'000	\$'000
Americas	1,424	2,278
Mexico	734	643
Rest of World	1,603	1,364
Total	3,761	4,285

The KPIs for non-financial performance relate to the Group’s technologies and include the number and nature of relationships realised with partners, and progress along the mutually agreed paths to commercial launch of products.



Strategic report *continued*

The Board continues to monitor the progress of its R&D activities and expenditures. As each research project advances, specific progress is reported to the Board and costs against budget are monitored. We anticipate refining the KPIs for R&D as each project develops.

In addition, the Business Development activities of the Group are assessed against our success in developing specific evaluation and commercial arrangements with third parties for the exploitation of our proprietary products.

Principal risks and uncertainties

Our business is subject to a number of potential risks and uncertainties, including those listed below. The occurrence of any of these risks may materially and adversely affect our business, financial condition, results of operations and future prospects. We manage and mitigate these risks by executing on the strategy described above.

Financial and liquidity risk

- We have a history of losses since inception, and anticipate continuing to incur losses in the future and may not achieve or maintain profitability.
- We expect to require additional financing in the future and may be unable to obtain such financing on favourable terms or at all, which could force us to delay, reduce or eliminate our research, development or commercial activities.

Technology and commercialisation risk

- Our PREtec out-licensing strategy is in an early stage and depends on evaluation partners converting their declared interest into formal commercial offers.
- We are subject to risks relating to product concentration due to the fact that we derive substantially all of our revenues from our Harpin αβ and Myconate product lines and from the sale of third-party products.
- We may be unable to establish or maintain successful relationships with third-party distributors and retailers, which could materially and adversely affect our sales.
- We have a limited number of sales and marketing personnel and will need to expand our sales and marketing capabilities to grow revenues from our commercial products.
- While a number of patents have been filed to date, we may be unable to secure adequate protection for the intellectual property covering our new technology and product candidates, or develop and commercialise these product candidates without infringing the intellectual property rights of third parties.

Regulatory and legal risk

- If we are unable to obtain regulatory approvals, or to comply with ongoing and changing regulatory requirements, it could delay or prevent sales of our commercial products or impede the development of potential products.

Strategic report *continued*

- If we use PREtec in trait development, our technologies and product candidates will face more stringent regulatory regimes.
- If we are unable to comply with regulations applicable to our facilities and procedures and those of our third-party manufacturers, our research and development or manufacturing activities could be delayed, limited or prevented.

Credit risk

- The majority of our net sales are credit sales that are made primarily to customers whose ability to pay is dependent, in part, upon the economic strength of the industry and geographic areas in which they operate, and the failure to collect or timely collect monies owed from customers could materially and adversely affect our financial condition.

Personnel

- Our future growth and ability to compete depend on retaining our key personnel and recruiting additional qualified personnel.

Financial instruments

The Group uses various financial instruments, including cash, short-term investments of investment grade notes and bonds, and items such as trade receivables and trade payables that arise directly from its operations.

Information on the risks associated with the Group's involvement in financial instruments is given in Note 19 to the financial statements.

On behalf of the Board

Dr. Christopher Richards

Executive Chairman & Interim Chief Executive Officer

10 April 2017



Directors

Dr. Christopher G. J. Richards

(Executive Chairman and Interim Chief Executive Officer)

Dr. Richards joined the Company as Non-executive Chairman in August 2012. He became Executive Chairman in April 2015 to take on a more active role in investor relations and in developing strategy, particularly the focus on New Technology. Following the departure of Paul Schmidt in November 2016, Dr. Richards became the interim Chief Executive Officer. Dr. Richards spent 20 years at Syngenta and its predecessor companies in various strategic management positions in South America, Europe and Asia. In November 2003, he was appointed COO of Arysta LifeScience, and he served as CEO from 2004 until 2010, leading Arysta LifeScience's transformation into a global agrochemical company with sales above \$1.6 billion. He also served as a director of Arysta LifeScience from 2003 to 2015. He serves on the board of directors of Origin Enterprises plc, a service provider to farmers for food production solutions, and Nanoco Group plc, a technology company carrying out research, development and commercialisation of products based on heavy-metal free quantum dots.

Michael J. Higgins

(Senior Independent Director)

Michael Higgins joined the Company in May 2013 as Senior Independent Director and Chair of the Audit Committee. He also serves as a member of the Remuneration Committee. He currently serves as non-executive chairman of Ebiquity plc, an independent marketing analytics company, a non-executive director of Progility plc, a project management services group, and is a non-executive director of the Quoted Companies Alliance, a non-profit organisation that champions the interests of small to mid-sized publicly traded companies. He is also an alternate member of the Panel on Takeovers and Mergers on behalf of the Quoted Companies

Alliance. Mr. Higgins was a partner at KPMG for 10 years and subsequently served as a senior adviser at KPMG. Prior to KPMG, Mr. Higgins was a director at Charterhouse Bank, worked at Saudi International Bank and qualified as an accountant with Price Waterhouse (now PricewaterhouseCoopers).

Dr. Richard H. Webb

(Executive Director, New Technology)

Dr. Webb joined the Company in September 2013 as a Non-executive Director. In January 2015, he was appointed an Executive Director, responsible for supporting the Chief Science Officer, Dr. Zhongmin Wei, as the Company was expanding its research and development capability. He now leads the New Technology strategy for the business. He was previously engaged by the Company as a consultant, contracted through StepOut Ltd., a consultancy business he founded in 1995. In this capacity, between 2012 and 2014, he was instrumental in the development of the Company's new business strategy. He previously held various positions at Imperial Chemical Industries, including responsibilities for managing laboratory discovery and field development programmes for its public health pesticide business. His doctorate, in pest biology, was from the London School of Hygiene & Tropical Medicine.

William M. Lewis

(Non-executive Director)

William Lewis joined the Company as a Non-executive Director in April 2015. He also currently serves as Chairman of the Remuneration Committee, and he serves as a member of the Audit Committee. Since June 2014, Mr. Lewis has served as President and CEO of Summit Agro USA, LLC, a joint venture agrochemicals business between Sumitomo Corporation and ISK Biosciences. He previously held senior roles within Arysta LifeScience, Syngenta Crop Protection and Zeneca/ICI.

Board committees

The principal standing committees appointed by the Board are as follows:

Audit Committee

The Audit Committee is chaired by Michael Higgins. James Ede-Golightly stepped down from the committee in November 2016 when he resigned from the Board. In November 2016, William M. Lewis was added as a member of the Committee. The Audit Committee is made up solely of independent non-executive directors.

The Committee provides a forum for reporting by the Group's auditor and reviews the Group's budget and its interim and final financial statements before their submission to the Board. The Committee also monitors the Group's risk management and internal control practices and reports to the Board on these. The Committee advises the Board on the appointment of the external auditor and on its remuneration, both for audit and non-audit work. It also discusses the nature and scope of the audit with the auditor.

The Audit Committee has sole responsibility for assessing the independence of the external auditor, BDO LLP. Each year, the Committee seeks reassurance that the external auditor and its staff have no family, financial, employment, investment or business relationship with the Group. The Committee requires the external auditor and its associates to confirm this in writing, and detail the procedures which the auditor has carried out in order to make this confirmation. The Committee also ensures that all partners engaged in the audit process are rotated at least every five years, and assesses the likely impact on the auditor's independence and objectivity before awarding it any contract for additional services. It is Group policy to require Audit Committee approval for all non-audit services provided by the independent auditor.

The consideration of auditor independence is a standing agenda item at each Audit Committee meeting.

Remuneration Committee

The members of the Remuneration Committee are William Lewis (Chairman) and Michael Higgins. The Remuneration Committee's responsibilities include the following:

- reviewing and approving, or making recommendations to the Board with respect to the compensation of the executive directors and senior management;
- overseeing an evaluation of senior management; and
- overseeing and administering the Group's employee share option scheme and equity incentive plans in operation from time to time.

The Remuneration Committee report is set out on pages 21 to 25.



Corporate governance

Plant Health Care plc has taken note of the UK Corporate Governance Code (“the UK Code”) published in September 2014. The UK Code and associated guidance can be found on the Financial Reporting Council website at www.frc.org.uk/corporate/ukcgcode.cfm. The rules of the London Stock Exchange do not require companies that have securities traded on AIM to formally comply with the UK Code and the Company does not seek to formally comply nor give a statement of compliance. However, the Board is accountable to the Company’s shareholders for good governance and has sought to apply those principles of corporate governance commensurate with the Company’s size.

The Company’s approach is set out below:

Board composition

The Board currently comprises an executive Chairman, who is also currently the interim Chief Executive Officer, one executive director and two non-executive directors. The Board considers both of the non-executives to be independent in judgment and character.

Biographies of the Board members appear on page 16. These indicate the high levels and range of business experience which is essential to oversee effectively a business of the size, complexity and geographical spread of the Group. Concerns relating to the executive management of the Group or the performance of the directors can be raised in confidence by contacting the Senior Independent Director, Michael Higgins, through the Company Secretary.

Board committees

The Board has established audit and remuneration committees, as described on page 17. No separate nominations committee has been established. A Nominations Working Group comprised of non-

executive directors provides advice and guidance on the selection of candidates; the full Board acts as a nominations committee when changes to the Board of directors are proposed.

Workings of the Board

The Board meets on a pre-scheduled basis at least six times each year and more frequently when required. The Board has reserved certain matters to it for decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the Group. This includes matters such as: approval of the Group’s strategic plan; extension of the Group’s activities into new business or geographic areas; any decision to cease to operate all or any material part of the Group’s business; changes relating to the Group’s capital structure; contracts that are material strategically or by reason of size; investments, including the acquisition or disposal of interests in the voting shares of any company or the making of any takeover offer; and the prosecution, defence or settlement of litigation material to the Group.

There is an agreed procedure for directors to take independent professional advice, if necessary, at the Company’s expense. This is in addition to the access which every director has to the Company Secretary, who is charged by the Board with ensuring that Board procedures are followed.

The differing roles of Chairman and Chief Executive are acknowledged. The key functions of the Chairman are to conduct Board meetings and meetings of shareholders and to ensure that all directors are properly briefed in order to take a full and constructive part in Board discussions. The Chief Executive is required to develop and execute business strategies and processes to enable the Group’s business to meet the requirements of its shareholders. Dr. Christopher Richards, Executive Chairman and Interim CEO, is currently filling both of these roles. The Senior

Corporate governance *continued*

Independent Director acts as a point of contact for shareholders and other stakeholders with concerns which have failed to be resolved, or would not be appropriate to be addressed, through the normal channels of the Chairman or Chief Executive. The Senior Independent Director also meets with the other members of the Board without the Chairman present on at least an annual basis in order to evaluate and appraise the performance of the Chairman.

To enable the Board to function effectively and allow directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters. All Board members engage actively with management to provide support in their areas of specific competence; this provides ample opportunity for non-executive directors to understand the business in depth.

In line with the requirements of the UK Code, the Board normally conducts an internal Board performance evaluation on a regular basis. Due to the changes in the board composition during the year, no evaluation took place but will be done during the year.

Re-election of directors

Any director appointed during the year is required under the provisions of the Company's articles of association to retire and seek election by shareholders at the next annual general meeting. The articles also require that one-third of the directors retire by rotation each year and seek re-election at the annual general meeting. The directors required to retire will be those in office longest since their previous re-election. In any event, each director must retire at the third annual general meeting following his appointment or re-appointment in a general meeting. Retiring directors are eligible for re-election by shareholders.

Remuneration of directors

A statement of the Company's remuneration policy and full details of directors' remuneration are set out in the Remuneration Committee report on pages 21 to 25. Executive directors abstain from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package.

Communication

The Company places a great deal of importance on communication with its shareholders. The Company publishes online both an interim statement and its full-year report and accounts. The annual report is mailed to all shareholders and, upon request, to other parties who have an interest in the Group's performance. Regular communication with shareholders also takes place via the Company's website: www.planthealthcare.com/for-investors.

There is regular dialogue with major shareholders, as well as general presentations after the release of the interim and final results. From time to time, these meetings involve the Chairman or non-executive directors. All shareholders have the opportunity to ask questions at the Company's annual general meeting.



Corporate governance *continued*

Risk management and internal controls

The directors recognise that the Group is ambitious and seeking significant growth.

The Board has in place a formal process for identifying, evaluating and managing the significant risks faced by the Group, which complies with the *Revised Guidance for Directors on the Combined Code* published by the Financial Reporting Council.

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system can provide only reasonable, but not absolute, assurance against material misstatement or loss.

There is a formal process in place to regularly review the control systems across the Group to evaluate whether they are designed appropriately to mitigate emerging risks and in anticipation of expected growth. Twice a year, the Chief Financial Officer presents to the Board for discussion and approval a summary of the key internal controls in place during the prior period and proposals for enhancements to these controls in the forthcoming period. Based on this process, the directors believe that the Group has internal control systems in place appropriate to its size and nature.

Remuneration Committee report

The Remuneration Committee is chaired by William Lewis. Michael Higgins is also a member. Both are non-executive directors. The Committee is responsible for determining the contract terms, remuneration and other benefits of the executive directors including the Executive Chairman, and for monitoring the remuneration of first-line executive management. The Committee may call on outside compensation experts as required.

Remuneration policy

It is Group policy to set directors' remuneration levels to attract, incentivise and retain the quality of individuals that the Group requires to succeed in its chosen objectives. It is also Group policy to ensure that there is a strong link between the level of executive directors' remuneration and the performance of the Group in achieving its goals.

Elements of remuneration – executive directors

Chief Executive Officer

In November 2016, Paul Schmidt resigned from the Group. The following comprised the principal elements of the Group's Chief Executive Officer's remuneration for the eleven months to 30 November 2016:

- basic salary and benefits;
- annual bonus (performance-related and discretionary);
- long-term share-based incentives; and
- pension contributions.

Other executive directors

Remuneration for the Group's other executive directors being Dr. Richards as Chairman and Interim Chief Executive Officer with effect from 1 December 2016 and Dr. Webb during 2015 and 2016 comprised of basic salary and benefits as required by local regulations.

Long-term share-based incentives

Each of the executive directors was eligible to participate in the Company's share option schemes and long-term incentive stock award plans. The main features of these plans are:

(a) 2004 Unapproved share option scheme

In July 2004, the Board adopted the Plant Health Care plc Unapproved Share Option Scheme 2004. Under this scheme, the Board could grant options at an exercise price of not less than the market value of a share on the date of award. Options may normally be exercised between three and 10 years from grant. In most cases, vesting is also dependent upon the option holder remaining an eligible employee. In 2014, the scheme reached the tenth anniversary of its approval by shareholders; no further options may be granted. The Company was authorised to award options and shares under these plans up to the greater of 3% of its issued share capital or such number as, when aggregated with any outstanding options converted from the Plant Health Care, Inc. option plans from 1996 and 2001, amounts to no more than 10% of the issued share capital of the Company.



Remuneration Committee report *continued*

(b) Value creation plan

On 2 July 2013, the Company adopted the Plant Health Care plc 2013 Equity Incentive Plan, or the Value Creation Plan. Participants (which include the Executive Chairman, Chief Executive Officer and key members of the Group's senior management team) are entitled to receive a share of the Executive Total Incentive Pool established by the plan. The Executive Total Incentive Pool equals up to 10% of the Equity Value Created. Equity Value Created is defined as the value generated for shareholders in excess of the initial market value of the ordinary shares increased by an 8% annual hurdle, over a four-year Performance Period. The initial market value was 78p (corresponding to the price of the ordinary shares issued in the April 2013 private placement). The Performance Period extends from 16 April 2013 to the Measurement Date (the 20th market trading day after announcement of the Group's financial results for the year ending 31 December 2016 or such shorter period in the event of certain changes of control). The mechanics of the plan accommodate equity issuances, including option awards and ordinary shares issued in new placements or as consideration for acquisitions (by adjusting the Executive Total Incentive Pool by up to 10% of any value generated from additional fundraisings in excess of the issue price of those fundraisings increased by an annual hurdle of 8% (multiplied by the number of shares issued in the additional fundraising) from the date of the fundraising up to the Measurement Date) and the payment of dividends during the Performance Period. The vesting of awards under this plan is generally subject to exercise conditions. The Company may not award options that amount to more than 10% of the issued share capital of the Company.

(c) 2015 Employee Share Option Plan

On 16 June 2015, the Company adopted the Plant Health Care plc 2015 Employee Share Option Plan, or the EMI Plan, which provides for the grant of options to acquire the Company's ordinary shares. Under the EMI Plan, the Company may grant enterprise management incentive options, known as EMI options, to eligible *bona fide* employees who qualify under applicable United Kingdom ("UK") tax law, as well as options that do not qualify as EMI options, or NQOs. Vesting of options is subject to the performance conditions set out in the applicable option agreement and pursuant to the EMI Plan. The Board has the discretion and authority to set and measure the satisfaction of the performance conditions, which under the EMI Plan must be linked to the achievement of challenging financial performance over a period of at least three years, but no more than 10 years, from the date of grant and the enhancement of shareholder value. Performance conditions may be amended, relaxed or waived by the Board provided that any varied performance conditions would be a fairer measure of performance than the original performance conditions and are no more or no less difficult to satisfy than prior to the amendment. At any time, the total market value of the shares that can be acquired upon the exercise of all EMI options under the EMI Plan may not exceed £3 million.

As part of the EMI Plan, the Board has adopted rules governing options awarded to the Company's US employees, or the US Sub-plan to the EMI Plan. The US Sub-plan to the EMI Plan provides for grants of both incentive stock options qualifying under Section 422 of the Internal Revenue Code of 1986, as amended, and non-statutory stock options. The term of an incentive stock option may not exceed 10 years (subject to certain limitations with respect to any employee who owns more than 10% of the voting power of all classes of the Company's outstanding ordinary shares). In the event the option holder ceases to be an employee before he or she exercises the vested portion of the option for any reason other than death, disability or by the employer for cause, the option shall expire three months after the date on which the option holder ceases to be an

Remuneration Committee report *continued*

employee. In the event the option holder ceases to be an employee because of death or disability, the option holder, or his or her personal representative in the event of death, may exercise the vested portion of the option during the 12-month period following the date the option holder ceases to be an employee. In the event that the option holder's employment is terminated for cause by the employer, the option will expire immediately upon the date employment is terminated.

On 16 June 2015, the Company also adopted the Plant Health Care plc 2015 Non-Employee Share Option Plan, or the Non-Employee Option Plan, that provides for the grant of options to acquire ordinary shares to eligible option holders who are not employees. As part of the Non-Employee Option Plan, the Board has adopted rules governing options awarded to individuals who are not employees, or the US Sub-plan to the Non-Employee Option Plan. This sub-plan provides for grants of non-statutory stock options. As of 31 December 2016, no awards were outstanding under the Non-Employee Option Plan or the US Sub-plan to the Non-Employee Option Plan.

(d) Options granted outside option schemes

The Company has granted options to acquire shares pursuant to separate unapproved option agreements to Messrs. Schmidt, Higgins and Lewis and Dr. Webb. Generally, the options may only be exercised while the option holder is a service provider to the Company. In the event that the option holder ceases to be a service provider as a result of injury, ill health or disability, upon the company for which the option holder works ceasing to be a member of the Group, or the transfer of the business that employs the option holder to a person that is not in the Group, the option may be exercised during the six-month period beginning on the date upon which the option holder is no longer a service provider to the Company. Shares allotted under these options rank equally with all other shares in the same class in issue at the date of allotment. If and for so long as the allotted shares are listed or traded on any stock exchange, the Company shall apply for the shares allotted under these options to be admitted to the relevant exchange. In the event of any capitalisation issue, rights issue, consolidation, sub-division, reduction or other variation of the Company's share capital, the number and description of the shares subject to each option or the exercise price of each option shall be varied as the Board determines, provided that it considers such adjustment to be fair and appropriate. Limitations apply to the extent to which any such adjustment may reduce the price at which shares may be purchased pursuant to the exercise of an option and the exercise price for a share to be newly issued on the exercise of an option shall not be reduced below its nominal value.

Pension benefit

The Chief Executive Officer was entitled to participate in the Plant Health Care, Inc. 401(k) Plan. This is a defined contribution plan approved by the US Internal Revenue Service. The main features of the plan are:

- participation is open to all US-based employees who have completed a probationary period after initial employment;
- employees may contribute a percentage of salary to the plan through a payroll withholding scheme;
- in 2016, the Group made matching contributions of up to 2% of compensation to participating employees. In 2017, the Group will continue to match contributions up to 2% of compensation to participating employees;



Remuneration Committee report *continued*

- beginning in 2014, Group contributions vest immediately; and
- the plan is subject to various statutory non-discrimination tests to ensure that it does not favour highly-compensated employees.

Elements of remuneration – non-executive directors

During 2015 and 2016, the remuneration for non-executive directors consisted solely of fees for their services in connection with the Board and Board committees. The non-executive directors receive their fees wholly in cash. In addition, certain of the non-executive directors provide consultancy services to the Group.

Service contracts

During 2015 and 2016, the Company had service contracts with all executive and non-executive directors.

The Group's Chief Executive Officer's employment continued through 30 November 2016 at which time his employment agreement was terminated.

Provisions in the service contracts of other executive directors (including the Executive Chairman/Interim Chief Executive Officer) include:

- termination may be initiated by the Company or the director at any time with three months' written notice;
- the Company may also terminate the agreement with immediate effect by paying a sum in lieu of notice equal to the basic fixed salary the director would have been entitled to receive during the notice period; and
- the Company may also terminate the agreement with immediate effect at any time without notice or payment in lieu of notice for certain circumstances including gross misconduct affecting the business.

Provisions in the service contracts of non-executive directors include:

- each director's appointment may be terminated with no less than three months' prior written notice; and
- each director's appointment may also be terminated with immediate effect for certain circumstances including serious breach or repeated breach of any obligations to the Company; any act of fraud or dishonesty; or a declaration of bankruptcy.

Remuneration Committee report *continued*

Directors' remuneration

For the year ended 31 December 2016, the table below sets forth the compensation paid to the directors and, in the case of Mr. Schmidt, reflects the compensation paid for his services as Chief Executive Officer through November 2016.

		<i>Performance-</i>		<i>Share</i>		
		<i>Base salary</i>	<i>related</i>	<i>Other</i>	<i>option</i>	<i>Total</i>
		<i>and fees</i>	<i>bonus</i>	<i>benefits</i>	<i>benefit</i>	<i>2016</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
						<i>Total</i>
						<i>2015</i>
						<i>\$'000</i>
<i>Executive:</i>						
P Schmidt	<i>Resigned 30 November 2016</i>	484	—	45	—	529
Dr. C Richards*		134	—	—	—	134
Dr. R Webb**		107	—	—	—	107
<i>Non-Executive:</i>						
M Higgins		60	—	—	—	60
J Ede-Golightly	<i>Resigned 30 November 2016</i>	31	—	—	—	31
W Lewis	<i>Appointed 1 April 2015</i>	33	—	—	—	33
		849	—	45	—	894
						1,698

* The 2015 amount included in the table for Dr. Chris Richards represents fees for services provided as a non-executive and executive director in the amount of \$22,074 and \$115,361, respectively.

** The 2015 amount included in the table for Dr. Richard Webb represents fees for services provided as a non-executive and executive director in the amount of \$23,737 and \$98,191, respectively.

Executive salaries

At the time of his resignation, at 30 November 2016, Paul Schmidt had a base salary of \$250,000 (2015: \$250,000) and bonus potential of 100%.

Other benefits

In 2016, the Company contributed to the 401(k) Plan 2% (2015: 2%) of eligible compensation. In 2016, pension expense for the executive directors was \$5,523 (2015: \$5,850).

In 2016, the Company incurred \$19,228 (2015: \$21,157) of medical, dental and life insurance expense on behalf of one director.

Other information

During the year, the Company's share price on AIM ranged between 13.6p and 84.5p. At 31 December 2016, the share price was 14.75p. At 10 April 2017, the last working day prior to the approval of this annual report, the share price was 27.3p.



Report of the directors

The directors present their annual report together with the audited financial statements for the year ended 31 December 2016. See note 19 for discussion of financial risk management objectives and policies, exposure to price, credit, liquidity and cash flow risk.

Results and dividends

The results of the Group for the year are set out on page 31 and show a loss for the year of \$11,217,000 (2015: loss of \$7,720,000).

The directors recommend that no dividend be paid at this time.

Directors

The beneficial interests of the directors in the ordinary share capital of the Company and options to purchase ordinary shares of the Company (including through the value creation plan) as of 31 December 2016 were as follows:

	<i>At 31 December 2016</i>	
	<i>Shares</i>	<i>Options</i>
Dr. C Richards	776,324	1,577,000
Dr. R Webb	761,870	1,203,205
M Higgins	60,000	117,647
J Ede-Golightly	795,111	—
W Lewis	187,960	89,686

None of the directors has any holding in any subsidiary company, nor any material interest in the transactions of the Group.

Substantial shareholders

On 10 April 2017, the directors are aware of the following persons who, directly or indirectly, are interested in 3% or more of the Company's existing Ordinary Share capital:

<i>Name</i>	<i>Percentage of issued share capital*</i>	
	<i>Shares held</i>	
Richard Griffiths**	46,767,979	31.64
Lombard Odier Asset Management	37,074,150	23.93
Blake Holdings Limited**	25,362,429	17.16
Seren Capital Management Limited**	19,697,795	13.33
Boulder River Capital Corporation and its affiliates	10,860,998	7.35
Polar Capital	10,301,838	6.97
Sarossa Plc	7,894,240	5.34
USS	5,531,558	3.74

* The percentages shown are based on the most recent share register analysis or notification.

** Blake Holdings Limited and Seren Capital Management Limited are controlled by Richard Griffiths, hence the interest of Blake Holdings Limited and Seren Capital Management Limited are also included within that of Richard Griffiths.

Report of the directors *continued*

Research and development

The Group continues to invest in R&D activities with an emphasis on the improvement of existing technologies, the formulation of products to meet specific customer needs and the development of proprietary Group's bio-stimulants based on the Company's Harpin platform technology. For further details of the Group's R&D activities, see the Chairman's letter and Strategic report on pages 3 to 15.

Business review

For a discussion of the Group's 2016 performance and future developments, see the Chairman's letter and Strategic report on pages 3 to 15.

Board meetings and attendance

The following table shows the attendance of directors at meetings of the Board, Audit Committee and Remuneration Committee held during the 2016 financial year:

	<i>Board</i>	<i>Audit Committee</i>	<i>Remuneration Committee</i>
Number of meetings held	13	3	2
Dr. C Richards	12	—	2
P Schmidt	13	—	—
Dr. R Webb	13	—	—
M Higgins	13	3	2
J Ede-Golightly	12	2	1
W Lewis	12	—	1

Auditor

All of the directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of its audit and to ensure that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

Going concern

In consideration of the Group's current resources and review of financial forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Annual general meeting

At the forthcoming annual general meeting of the Company, resolutions will be put forward to re-elect Dr. Richard Webb as a director and to re-appoint BDO LLP as the auditor of the Company.

By Order of the Board

Christine Mazzone

Company Secretary

10 April 2017



Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 AIM.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they 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; and
- 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 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.

Independent auditor's report

To the members of Plant Health Care plc

We have audited the financial statements of Plant Health Care plc for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of change in equity, the consolidated statement of cash flows, the Company statement of financial position, Company statement of changes in equity, and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.



Independent auditor's report *continued*

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Julian Frost

(Senior statutory auditor)

For and on behalf of BDO LLP
Statutory auditor
55 Baker Street
United Kingdom

10 April 2017

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

Consolidated statement of comprehensive income

for the year ended 31 December 2016

	<i>Note</i>	<i>2016</i> \$'000	<i>2015</i> \$'000
Revenue	4	6,329	7,508
Cost of sales		(2,436)	(2,825)
Gross profit		3,893	4,683
Research and development expenses		(4,485)	(4,105)
Business development expenses		(954)	(1,155)
Sales and marketing expenses		(2,518)	(2,715)
Administrative expenses		(7,286)	(4,484)
Operating loss	5	(11,350)	(7,776)
Finance income	10	52	95
Finance expense	10	(2)	(2)
Loss before tax		(11,300)	(7,683)
Income Tax credit/(expense)	11	83	(37)
Loss for the year attributable to the equity holders of the parent company		(11,217)	(7,720)
Other comprehensive income:			
Items which will or may be reclassified to profit or loss:			
Exchange difference on translation of foreign operations		1,393	111
Total comprehensive loss for the year attributable to the equity holders of the parent company		(9,824)	(7,609)
Basic and diluted loss per share	12	\$(0.11)	\$(0.11)

The notes on pages 35 to 71 form part of these consolidated financial statements.



Consolidated statement of financial position

at 31 December 2016

	Note	2016 \$'000	2015 \$'000
Assets			
Non-current assets			
Intangible assets	13	2,162	2,435
Property, plant and equipment	14	1,236	1,183
Trade and other receivables	16	131	100
Total non-current assets		3,529	3,718
Current assets			
Inventories	15	1,245	1,391
Trade and other receivables	16	3,284	4,582
Investments	19	5,349	7,491
Cash and cash equivalents		4,727	948
Total current assets		14,605	14,412
Total assets		18,134	18,130
Liabilities			
Current liabilities			
Trade and other payables	17	2,088	3,061
Finance leases	18	8	8
Total current liabilities		2,096	3,069
Non-current liabilities			
Finance leases	18	7	16
Total non-current liabilities		7	16
Total liabilities		2,103	3,085
Total net assets		16,031	15,045
Share capital	21	2,237	1,236
Share premium	22	79,786	71,040
Foreign exchange reserve	22	893	(500)
Accumulated deficit	22	(66,885)	(56,731)
Total equity		16,031	15,045

The consolidated financial statements were approved and authorised for issue by the Board on 10 April 2017.

Dr. C. Richards

Director

Registered No: 05116780 (England and Wales)

The notes on pages 35 to 71 form part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Share capital \$'000	Share premium \$'000	Foreign exchange reserve \$'000	Accumulated deficit \$'000	Total \$'000
Balance at 1 January 2015	1,234	70,895	(611)	(49,871)	21,647
Loss for the year	—	—	—	(7,720)	(7,720)
Exchange difference arising on translation of foreign operations	—	—	111	—	111
Total comprehensive income/(loss)	—	—	111	(7,720)	(7,609)
Shares issued	—	42	—	—	42
Share-based payments	—	—	—	860	860
Options exercised	2	103	—	—	105
Balance at 31 December 2015	1,236	71,040	(500)	(56,731)	15,045
Loss for the year	—	—	—	(11,217)	(11,217)
Exchange difference arising on translation of foreign operations	—	—	1,393	—	1,393
Total comprehensive income/(loss)	—	—	1,393	(11,217)	(9,824)
Shares issued	1,001	8,746	—	—	9,747
Share-based payments	—	—	—	1,063	1,063
Options exercised	—	—	—	—	—
Balance at 31 December 2016	2,237	79,786	893	(66,885)	16,031

The notes on pages 35 to 71 form part of these consolidated financial statements.



Consolidated statement of cash flows

for the year ended 31 December 2016

	<i>Note</i>	<i>2016</i> \$'000	<i>2015</i> \$'000
Cash flows from operating activities			
Loss for the year		(11,217)	(7,720)
Adjustments for:			
Depreciation	14	359	164
Amortisation of intangibles	13	273	272
Share-based payment expense		1,063	860
Finance income	10	(52)	(95)
Finance expense	10	2	2
Income taxes (credit)/expense		(83)	37
Decrease/(increase) in trade and other receivables		1,145	(1,931)
(Gain)/loss on disposal of fixed assets		(14)	14
Decrease/(increase) in inventories		146	(307)
(Decrease)/increase in trade and other payables		(973)	1,229
Income taxes paid		205	(37)
Net cash used in operating activities		(9,146)	(7,512)
Investing activities			
Purchase of property, plant and equipment	14	(469)	(1,063)
Sale of property, plant and equipment		71	—
Finance income	10	52	95
Purchase of investments		(7,918)	(8,933)
Sale of investments		10,060	14,217
Net cash provided by investing activities		1,796	4,316
Financing activities			
Finance expense	10	(2)	(2)
Issue of ordinary share capital		9,747	42
Exercise of options		—	105
Repayment of finance lease principal		(9)	(10)
Net cash provided by financing activities		9,736	135
Net increase/(decrease) in cash and cash equivalents		2,386	(3,061)
Effects of exchange rate changes on cash and cash equivalents		1,393	111
Cash and cash equivalents at the beginning of the period		948	3,898
Cash and cash equivalents at the end of the period		4,727	948

The notes on pages 35 to 71 form part of these consolidated financial statements.

Notes forming part of the Group financial statements

for the year ended 31 December 2016

1. General information

Plant Health Care plc (the “Company”) is a public limited company incorporated in England and Wales. The address of its registered office is 1 Scott Place, 2 Hardman Street, Manchester M3 3AA. The Company and its subsidiaries (together, the “Group”) is a leading provider of proprietary agricultural biological products and technology solutions focused on improving crop performance by activating a growth response and bolstering plant defence mechanisms against both abiotic and biotic stresses. The principal markets of the Company and its subsidiaries are described in Note 9.

2. Accounting policies

Reporting currency

The financial statements are presented in thousands of US Dollars. The directors believe that it is appropriate to use US Dollars as the presentational currency for reporting, since the majority of the Group’s transactions are conducted in that currency. The exchange rates used to convert British Pounds to US Dollars at 31 December 2016 and 2015 were 1.2336 and 1.4802, respectively, and the average exchange rate for the years then ended were 1.3548 and 1.5284, respectively.

The functional currency of the parent company is US Dollars.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively “IFRSs”) issued by the International Accounting Standards Board and as adopted by the European Union and those parts of the Companies Act 2006 which apply to companies preparing their financial statements under IFRSs.

Amounts are rounded to the nearest thousand, unless otherwise stated.

In 2015, the Group changed its operating and reportable segments to align with the way its business is currently managed and to better reflect its evolving research and development activities. Therefore, the Group discloses New Technology as a separate operating and reportable segment. Additional information about the Group’s operating and reportable segments is included in Note 9.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments designated at fair value through the profit and loss.

The principal accounting policies are set out below. The policies have been applied consistently to all the years presented and on a going concern basis.



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

2. Accounting policies *continued*

Standards, amendments and interpretations to published standards effective in 2016 adopted by the Group

A number of new and amended standards have become effective since the beginning of the year. None of the new amendments materially affect the Group.

Standards, amendments and interpretations to published standards not yet effective

There are a number of new standards and amendments to and interpretations of existing standards which have been published and are not yet mandatory and which the Group has decided not to adopt early.

A summary of these standards is given in Note 25 to the financial statements.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Group and the entities controlled by the Group. Control exists when the Group has (i) power over the investee, (ii) exposure, or rights, to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions, balances, revenues and expenses have been eliminated.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Revenue

The Group recognises revenue at the fair value of consideration received or receivable. Sales of goods to external customers are at invoiced amounts less value added tax or local tax on sales. The Group currently generates revenue solely within its Commercial business through the sale of its proprietary and third-party products, as well as from granting certain licenses for the use of its intellectual property. Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

2. Accounting policies *continued*

The Group typically transfers significant risks of ownership and title in the products upon shipment of goods from one of its locations. After the Group transfers title and ships goods to the customer, it typically does not retain significant involvement nor does it have effective control over the goods sold. Therefore, if all other revenue recognition criteria are met, revenue is recognised upon shipment of the goods to the customer. Payment terms range from 30 to 270 days depending on the local custom. This applies to both proprietary and third-party products.

In the limited situation where the Group offers a product rebate to the customer, it records the fair value of the product rebate as a reduction to product revenue. An accrued liability for these product rebates is estimated and recorded at the time the revenues are recorded.

License/milestone payment income is recognised when the Group has no remaining obligations to perform under a non-cancellable contract which permits the user to act freely under the terms of the agreement and the collection of the resulting receivable is reasonably assured. To date the Group has not achieved the performance obligations for any milestone payments.

Goodwill

Goodwill is measured as the excess of the cost of an acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities, plus any direct costs of acquisition for acquisitions before 1 January 2010. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to administrative expenses in the consolidated statement of comprehensive income. The Company performs annual impairment tests for goodwill at the financial year-end.

Other intangible assets

Externally-acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to contractual or other legal rights, and are initially recognised at their fair value.

Expenditure on internally-developed intangible assets (development costs) are 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;



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

2. Accounting policies *continued*

- 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.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss.

Capitalised development costs are amortised over the periods of the future economic benefit attributable to the asset. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income. The Group has not capitalised any development costs to date.

The significant intangibles recognised by the Group and their estimated useful economic lives are as follows:

Licenses – 12 years

Registrations – 5-10 years

Impairment of goodwill and other intangible assets

Impairment tests on goodwill are undertaken annually at the financial year-end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (that is the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are included within administrative expenses in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed.

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

Foreign currency

Foreign currency transactions of individual companies are translated into the individual company's functional currency at the date of transaction. Any differences are recognised in profit or loss.

At the year-end, non-functional currency monetary assets and liabilities are translated at the year-end rate with the differences being recognised in the profit or loss.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

2. Accounting policies *continued*

On consolidation, the results of operations that have a functional currency other than US dollars are translated into US dollars at rates approximating to those ruling when the transactions took place. Statements of financial position are translated at the rate ruling at the end of the financial period. Exchange differences arising on translating the opening net assets at opening rate and the results of operations that have a functional currency other than US dollars at average rate are included within "other comprehensive income" in the consolidated statement of comprehensive income and taken to the foreign exchange reserve within capital and reserves.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

Financial instruments

Trade receivables collectible within one year from the date of invoicing are recognised at invoice value less provision for amounts the collectibility of which is uncertain. Trade receivables collectible after more than one year from the date of invoicing are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Investments comprise short-term investments in notes and bonds having investment grade ratings. Investments are designated as at fair value through profit and loss upon initial recognition when they form part of a group of financial assets which is actively managed and evaluated by key management personnel on a fair value basis in accordance with the Company's documented investment strategy that seeks to improve the rate of return earned by the Company on its excess cash while providing unrestricted access to the funds. The Company's investments are carried at fair value as determined by quoted prices on active markets, with changes in fair values recognised through profit or loss.

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The Group's ordinary shares are classified as equity instruments.



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

2. Accounting policies *continued*

Employee benefits

The Group maintains a number of defined contribution pension schemes for certain of its employees; the Group does not contribute to any defined benefit pension schemes. The amount charged to profit or loss represents the employer contributions payable to the schemes for the financial period.

The expected costs of all short-term employee benefits, including short-term compensated absences, are recognised during the period the employee service is rendered.

Equity share-based payments

The Group operates a number of equity-settled, share-based payment plans, under which it receives services from employees and non-employees as consideration for the Company's equity instruments, in the form of options or restricted stock units ("awards"). The fair value of the award is recognised as an expense, measured as of the grant date using a binomial option pricing model. The total amount to be expensed is determined by reference to the fair value of instruments granted, excluding the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is typically the period over which all of the specified vesting conditions are to be met.

Leased assets: lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the lower of fair value and present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is recognised in profit or loss over the shorter of useful economic life and lease term.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to income over the period of the lease and is calculated so that it represents a constant proportion of the balances of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to income on a straight-line basis over the lease term.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. Cost includes the purchase price and costs directly attributable to bringing the asset into operation. Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment over their expected useful lives. It is calculated at the following rates:

Production machinery	– 10 – 20% per annum
Office equipment	– 20 – 33% per annum
Vehicles	– 20% per annum

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

2. Accounting policies *continued*

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is based upon a weighted average cost method. The Group compares the cost of inventory to its net realisable value and writes down inventory to its net realisable value, if lower than its cost. Cost comprises all costs of purchase and all other costs of conversion. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The inventory provision is based on which products have been determined to be obsolete.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences 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 nor taxable profit; and
- investments in subsidiaries and joint arrangements 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 profit 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 end of the financial period and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Critical accounting estimates and judgments

In preparing its financial statements, the Group makes certain estimates and judgments regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from estimates and assumptions. The estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue

The Group recognises revenue at the fair value of consideration received or receivable. Sales of goods to external customers are at invoiced amounts less value added tax or local tax on sales. The Group currently generates revenue solely within its Commercial business through the sale of its proprietary and third-party products, as well as from granting certain licenses for use of its intellectual property.



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

3. Critical accounting estimates and judgments *continued*

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions have been satisfied:

- the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group typically transfers significant risks of ownership and title in the products upon shipment of goods from one of its locations. After the Group transfers title and ships goods to the customer, it typically does not retain significant involvement nor does it have effective control over the goods sold. Therefore, if all other revenue recognition criteria are met, revenue is recognised upon shipment of the goods to the customer. Payment terms range from 30 to 270 days depending on the local custom.

In the limited situation where the Group offers a product rebate to the customer, it records the fair value of the product rebate as a reduction to product revenue. An accrued liability for these product rebates is estimated and recorded at the time the revenues are recorded.

Licensing arrangements and milestone payments

In addition to the sale of goods, the Group has also granted a limited number of intellectual property licenses to other biotechnology and agricultural companies. The terms of the Group's licensing agreements require delivery of an intellectual property license for use of the Group's intellectual property in either research only, or in research and commercial development of biological products. Payments to the Group under these arrangements may include up-front payments and payments based on the achievement of certain milestones.

Non-refundable upfront payments are generally received upon signing of a licensing agreement. All non-refundable upfront payments received or to be received under these arrangements are recognised when IAS 18 revenue recognition criteria are met, they are receivable; they are non-refundable; and provided they are in substance consideration for a completed separate earnings process.

Milestone payments are recognised as revenue when the performance obligations, as defined in the contracts, are achieved. These milestone payments are generally tied to a specific performance condition and are recognised in full when the performance obligation is met. To date, the Group has not achieved the performance obligations for any milestone payments.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

3. Critical accounting estimates and judgments *continued*

Impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. Additional information on carrying values is included in Note 13.

Impairment of intangible assets (excluding goodwill)

At the end of the financial period, the Group reviews the carrying amounts of its definite lived intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 within administrative expenses in the consolidated statement of comprehensive income. Additional information on carrying values is included in Note 13.

Inventory

The Group reviews the net realisable value of, and demand for, its inventory on a periodic basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include timing and success of future technological innovations, competitor actions, supplier prices and economic trends. Changes in these factors that differ from management's estimates can result in adjustment to the carrying value and amounts charged to income in specific periods. More details on carrying amounts and write down of inventories to net realisable value are included in Note 15.

Provisions

Whilst there are currently no provisions or contingent liabilities, in accordance with IFRS, the Group recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. Application of these accounting principles to provisions estimated requires the Group's management to make determinations about various factual and legal matters beyond its control. The Group reviews outstanding events, developments in legal proceedings if any, and other situations that could indicate an obligation at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of the event, including, where applicable, litigation, claim or assessment, potential costs expected to be incurred related to the event, litigation, claim or assessment, the progress of matters in the event (including the progress after the date of the financial statements but before those statements are issued), the opinions of legal advisers or other specialists, where applicable, experience on similar events and any decision of the Group's management as to how it will respond to the event, litigation, claim or assessment.



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

3. Critical accounting estimates and judgments *continued*

In instances where the criteria for recognising a provision are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements, could have a material effect on the Group's financial position. Additional information on provisions is included in Notes 15 – 17.

4. Revenue

	2016	2015
	\$'000	\$'000
Revenue arises from:		
Proprietary products	3,761	4,535
Third-party products	2,568	2,973
Total	6,329	7,508

5. Operating loss

	Note	2016	2015
		\$'000	\$'000
Operating loss is arrived at after charging/(crediting):			
Share-based payment charge	8	1,063	860
Depreciation	14	359	164
Amortisation of intangibles	13	273	272
Operating lease expense		446	420
(Gain)/loss on disposal of property, plant and equipment		(14)	14
Costs associated with abandoned USA listing		1,247	—
Employee termination costs		267	—
Foreign exchange losses		1,927	473
Auditor's remuneration:			
Amounts for audit of parent company and consolidation		68	116
Amounts for audit of subsidiaries		29	49
Amounts for other services		—	427
Total auditor's remuneration		97	592

Of the \$427,000 of other services in 2015, \$213,000 fees are within other receivables and prepayments at 31 December 2015 (2016: \$nil).

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

6. Staff costs

Staff costs for all employees, including executive directors, comprise:

	2016	2015
	\$'000	\$'000
Wages and salaries	4,523	4,187
Social security and payroll taxes	353	329
Defined contribution pension costs	54	42
Medical and other benefits	230	215
	5,160	4,773
Share-based payments charge	1,063	860
	6,223	5,633

The average number of employees of the Group during the year, including executive directors, was as follows:

	2016	2015
Research	13	10
Development	2	2
Administration	8	8
Sales and Marketing	17	19
	40	39

7. Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, and includes only the directors of the Company. Further disclosures on the remuneration of each individual director are included in the directors' remuneration section of the Remuneration Committee report on page 25.

	2016	2015
	\$'000	\$'000
Base salary, fees and bonuses	599	769
Other short-term employee benefits	19	21
Share-based payments	723	597
Social security and taxes	37	36
Pensions and other post-retirement benefits	6	6
Compensation for loss of office	257	—
	1,641	1,429



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

7. Directors' and key management personnel remuneration *continued*

One executive director who served during the year was eligible to participate in the Group's 401(k) retirement plan (2015: one).

The highest-paid director earned \$234,000 (2015: \$375,000) consisting of an annual salary as well as \$19,000 (2015: \$21,000) of other benefits and \$5,523 (2015: \$5,850) of pension. Compensation for loss of office expense incurred for the director was \$250,000 of annual salary as well as \$15,000 of other benefits and \$5,000 of pension.

8. Share-based payments

The Company operates three equity-settled share-based remuneration schemes for employees: a share option scheme, a value creation plan and an employee share option plan, as described in the "Elements of remuneration" section for executive directors within the Remuneration Committee report on page 25.

(a) Share options

In June 2004, the Company approved the 2004 Unapproved Share Option Scheme (the "Option Plan"). The Option Plan provides for the issuance of options for ordinary share capital of the Group to all eligible employees.

In 2014, the scheme reached the tenth anniversary of its approval by shareholders and no further options may be granted under the Option Plan.

In addition, in limited instances, the Company has granted options to certain management for ordinary share capital of the Company under separate unapproved option agreements.

Valuation of the share options granted during the year ended 31 December 2015 was as follows:

	<i>15 April</i>
	<i>2015</i>
Share options granted	89,686
Weighted average fair value	36p
Assumptions used in measuring fair value:	
Weighted average share price	112p
Exercise price	112p
Expected volatility	41%
Option life (years)	3
Expected vesting period (years)	4.0
Expected dividend yield	0.0%
Risk-free interest rate	0.93%

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

8. Share-based payments *continued*

For valuation of the share options granted in 2015 (no options were granted in 2016):

- The weighted average share price and the expected volatility were determined by reference to the share price of Plant Health Care plc on AIM and the historical share price of Plant Health Care plc on AIM for a three-year period, respectively; and
- The expected vesting period reflects market-based performance conditions for these options and share awards;

(b) Value creation plan

In July 2013, the Group approved the 2013 Value Creation Plan (the "VCP"). The VCP provides for the issuance of restricted stock units and options for ordinary share capital of the Company. The Chairman, CEO and key members of the senior executive team are able to participate. The VCP calculates value generated for shareholders from the point of the April 2013 fundraising over a four-year period, with the plan participants receiving in aggregate up to 10% of value generated above an annual hurdle of 8%, paid in shares valued at that end point.

Valuation of the share options granted under the VCP during the year ended 31 December 2015 was as follows:

	<i>15 April 2015</i>
Share options granted	468,975
Weighted average fair value	33p
Market capitalisation	79,956,274
Valuation hurdle	74,898,120
Assumptions used in measuring fair value:	
Weighted average share price	112p
Exercise price	80 – 111p
Risk-free rate	0.75%
Expected vesting period	2
Option life (years)	10.0
Expected volatility	40.6%
Expected dividend rate	0.0%

For valuation of the VCP in 2015 (no options were granted in 2016):

- The weighted average share price and the expected volatility were determined by reference to the share price of Plant Health Care plc on AIM and the historical share price of Plant Health Care plc on AIM for a one-year period, respectively;
- The expected vesting period reflects 20 trading days after the announcement of the financial results for the year ended 31 December 2016; and
- The valuation hurdle was set as 78p escalated at an 8% hurdle rate to the measurement date.



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

8. Share-based payments *continued*

(c) 2015 Employee Share Option Plan

In June 2015, the Board approved the 2015 Employee Share Option Plan and the 2015 Non-Employee Share Option Plan (the "Plans"). The Plans provide for the issuance of options for ordinary share capital of the Company to both employees and non-employees. The 2015 Employee Share Option Plan provides for the grant of both Enterprise Management Incentive options as well as Non-qualifying Options.

The valuation of the awards granted under the 2015 Employee Share Option Plan during the year ended 31 December 2015 were as follows (no awards were granted for the year ended 31 December 2016):

	16 June 2015	15 October 2015
Share options granted	1,790,000	443,750
Weighted average fair value	31p	25p
Assumptions used in measuring fair value:		
Weighted average share price	107p	89p
Exercise price	107p	89p
Risk-free rate	1.16%	0.94%
Expected vesting period (years)	1.0 – 3.0	1.0 – 3.0
Option life (years)	4.0	4.0
Expected volatility	39.0%	37.0%
Expected dividend rate	0.0%	0.0%

The valuation of the share options granted during the year ended 31 December 2015 was as follows:

- The weighted average share price and the expected volatility were determined by reference to the share price of Plant Health Care plc on AIM and the historical share price of Plant Health Care plc on AIM for the applicable expected vesting period, respectively; and
- The expected vesting period reflects market-based performance conditions for these options.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

9. Segment information

The Group's CODM views, manages and operates the Group's business segments according to its strategic business focuses – Commercial and New Technology. The CODM further analyses the results and operations of the Group's Commercial business on a geographical basis; and therefore the Group has presented separate geographic segments within its Commercial business below: Commercial – Americas (North and South America, other than Mexico); Commercial – Mexico; and Commercial – Rest of World. The Group's Commercial segments are focused on the sale of biological products and are the Group's only revenue generating segments. The Group's New Technology segment is focused on the research and development of the Group's PREtec platform.

The Group has aggregated its United Kingdom and Spain operating segments into its Commercial – Rest of World reportable segment. These two operating segments have been aggregated into the Rest of World reportable segment in accordance with guidance in IFRS 8 as the nature of the products sold, production processes, type of customer, and distribution method are similar. In addition, economic characteristics, including primarily long-term profitability and economic factors in the agricultural industry impacting the pricing of and demand for the Group's products, have been assessed and it has been determined that these operating segments (Spain and the United Kingdom) share similar economic characteristics.



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

9. Segment information *continued*

Below is information regarding the Group's segment loss information for the year ended:

2016

	Americas \$'000	Mexico \$'000	Rest of World \$'000	Elimination \$'000	Total Commercial \$'000	New Technology \$'000	Total \$'000
Revenue*							
Proprietary product sales	1,424	734	1,603	—	3,761	—	3,761
Third-party product sales	53	2,513	2	—	2,568	—	2,568
Inter-segment product sales	1,252	—	—	(1,252)	—	—	—
Total revenue	2,729	3,247	1,605	(1,252)	6,329	—	6,329
Group consolidated revenue	2,729	3,247	1,605	(1,252)	6,329	—	6,329
Cost of sales	(1,556)	(1,620)	(512)	1,252	(2,436)	—	(2,436)
Research and development	—	—	—	—	—	(3,868)	(3,868)
Business development	(954)	—	—	—	(954)	—	(954)
Sales and marketing	(916)	(733)	(869)	—	(2,518)	—	(2,518)
Administration	(293)	(206)	(1,233)	—	(1,732)	(220)	(1,952)
Non-cash expenses:							
Depreciation	(33)	(53)	(7)	—	(93)	(266)	(359)
Amortisation	(255)	—	(18)	—	(273)	—	(273)
Share-based payment	(295)	(5)	—	—	(300)	(631)	(931)
Segment operating (loss)/profit	(1,573)	630	(1,034)	—	(1,977)	(4,985)	(6,962)
Corporate expenses **							
Wages and professional fees							(2,494)
Administration***							(1,894)
Operating loss							(11,350)
Finance income							52
Finance expense							(2)
Loss before tax							(11,300)

* Revenue from one customer within the Americas segment totalled \$1,024,000, or 16% of Group revenues. Revenue from one customer within the RoW segment totalled \$835,000, or 13% of Group revenues.

** These amounts represent public company expenses for which there is no reasonable basis by which to allocate the amounts across the Group's segments.

*** Includes net share-based payment expense of \$132,000 attributed to corporate employees who are not affiliated with any of the Commercial or New Technology segments.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

9. Segment information *continued*

Other segment Information:

	<i>Americas</i>	<i>Mexico</i>	<i>Rest of World</i>	<i>Eliminations</i>	<i>Total Commercial</i>	<i>New Technology</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Segment assets	12,963	1,966	2,115	—	17,044	1,090	18,134
Segment liabilities	1,527	164	92	—	1,783	320	2,103
Capital expenditure	1	79	2	—	82	387	469



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

9. Segment information *continued*

2015

	Americas \$'000	Mexico \$'000	Rest of World \$'000	Elimination \$'000	Total Commercial \$'000	New Technology \$'000	Total \$'000
Revenue*							
Proprietary product sales	2,528	643	1,364	—	4,535	—	4,535
Third-party product sales	77	2,870	26	—	2,973	—	2,973
Inter-segment product sales	1,510	4	60	(1,574)	—	—	—
Total revenue	4,115	3,517	1,450	(1,574)	7,508	—	7,508
Group consolidated revenue	4,115	3,517	1,450	(1,574)	7,508	—	7,508
Cost of sales	(1,963)	(1,781)	(655)	1,574	(2,825)	—	(2,825)
Research and development	—	—	—	—	—	(3,852)	(3,852)
Business development	(1,155)	—	—	—	(1,155)	—	(1,155)
Sales and marketing	(1,272)	(837)	(606)	—	(2,715)	—	(2,715)
Administration	(297)	(226)	(811)	—	(1,334)	(281)	(1,615)
Non-cash expenses:							
Depreciation	(32)	(40)	(5)	—	(77)	(87)	(164)
Amortisation	(255)	—	(17)	—	(272)	—	(272)
Share-based payment	(129)	(4)	—	—	(133)	(526)	(659)
Segment operating (loss)/profit	(988)	629	(644)	—	(1,003)	(4,746)	(5,749)
Corporate expenses **							
Wages and professional fees							(806)
Administration***							(1,221)
Operating loss							(7,776)
Finance income							95
Finance expense							(2)
Loss before tax							(7,683)

* Revenue from one customer within the Americas segment totalled \$1,524,000, or 20% of Group revenues.

** These amounts represent public company expenses for which there is no reasonable basis by which to allocate the amounts across the Group's segments.

*** Includes net share-based payment expense of \$201,000 attributed to corporate employees who are not affiliated with any of the Commercial or New Technology segments.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

9. Segment information *continued*

Other segment information:

	Americas	Mexico	Rest of World	Eliminations	Total Commercial	New Technology	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	13,654	1,822	1,691	—	17,167	963	18,130
Segment liabilities	2,441	183	69	—	2,693	392	3,085
Capital expenditure	88	94	16	—	198	865	1,063

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, property, plant and equipment and intangible assets, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade payables and accrued liabilities.

Geographic information

The Group operates in three principal countries – the United Kingdom (country of domicile), the US and Mexico.

The Group's revenues from external customers by location of operation are detailed below:

	Year ended 31 December 2016		Year ended 31 December 2015	
	Amount \$'000	Percentage	Amount \$'000	Percentage
United Kingdom	1,280	20	1,191	16
United States	1,477	23	2,605	35
Mexico	3,247	51	3,513	47
All other	325	6	199	2
Total	6,329	100	7,508	100

The Group's non-current assets by location of assets are detailed below:

	Year ended 31 December 2016		Year ended 31 December 2015	
	Amount \$'000	Percentage	Amount \$'000	Percentage
United Kingdom	26	1	35	1
United States	3,297	94	3,489	94
Mexico	193	4	141	4
All other	13	1	26	1
Total	3,529	100	3,691	100



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

10. Finance income and expense

	2016 \$'000	2015 \$'000
<i>Finance income</i>		
Interest on deposits and investments	52	95
<i>Finance expense</i>		
Interest on finance leases	(2)	(2)

11. Tax (credit)/expense

	2016 \$'000	2015 \$'000
Current tax on profit for the year	(50)	43
Deferred tax – origination and reversal of timing differences	(33)	(6)
Total tax (credit)/expense	(83)	37

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2016 \$'000	2015 \$'000
Loss before tax	(11,300)	(7,683)
Expected tax credit based on the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(2,260)	(1,555)
Disallowable expenses	57	162
Share-based payment expense per accounts	213	174
Prior period R&D credit	(242)	(160)
Losses available for carryover	2,268	1,463
Losses utilised in the year	—	(530)
Capital allowances in excess of amortisation	(83)	(84)
Other temporary differences	(36)	567
Actual tax (credit)/charge for the year	(83)	37

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

11. Tax expense *continued*

Deferred tax asset

	<i>Deferred taxation</i>
	\$'000
At 1 January 2016	27
Charged to the profit and loss account	33
At 31 December 2016	60

The deferred tax asset comprises of sundry timing differences.

At 31 December 2016, the Group had a further potential deferred tax asset of \$24,192,000, which includes tax losses available to carry forward of \$23,593,000 (being actual federal, foreign and state losses of \$90,780,000) arising from historical losses incurred and other timing differences of \$599,000. This deferred tax asset has not been recognised in the financial statements on the basis that there is insufficient certainty about the timing and availability of suitable profits to utilise these losses.

12. Loss per share

Basic loss per ordinary share has been calculated on the basis of the loss for the year of \$11,217,000 (2015: loss of \$7,720,000) and the weighted average number of shares in issue during the period of 100,369,025 (2015: 71,737,885).

Equity instruments of 8,383,332 (2015: 8,433,332), which includes share options, the Value Creation Plan and the 2015 Employee Share Option Plan, as shown within Note 21, that could potentially dilute basic earnings per share in the future have been considered but not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. This is due to the Group incurring a loss on operations for the year.



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

13. Intangible assets

	<i>Goodwill</i> \$'000	<i>Licenses and registrations</i> \$'000	<i>Trade name and customer relationships</i> \$'000	<i>Total</i> \$'000
Cost				
Balance at 1 January 2015	1,620	3,342	159	5,121
Additions – externally acquired	—	—	—	—
Balance at 31 December 2015	1,620	3,342	159	5,121
Additions – externally acquired	—	—	—	—
Balance at 31 December 2016	1,620	3,342	159	5,121
Accumulated amortisation				
Balance at 1 January 2015	—	2,255	159	2,414
Amortisation charge for the year	—	272	—	272
Balance at 31 December 2015	—	2,527	159	2,686
Amortisation charge for the year	—	273	—	273
Balance at 31 December 2016	—	2,800	159	2,959
Net book value				
At 1 January 2015	1,620	1,087	—	2,707
At 31 December 2015	1,620	815	—	2,435
At 31 December 2016	1,620	542	—	2,162

The intangible asset balances have been tested for impairment using discounted budgeted cash flows of the relevant cash generating units. For the years ended 31 December 2015 and 2016, cash flows are projected over a five-year period with a residual growth rate assumed at 0%. For the years ended 31 December 2015 and 2016, a pre-tax discount factor of 16.4% and 15.0% has been used over the forecast period for the years ended 31 December 2015 and 2016, respectively.

Goodwill

Goodwill comprises of a net book value of \$1,432,000 related to the 2007 acquisition of the assets of Eden Bioscience and \$188,000 related to an acquisition of VAMTech LLC in 2004. The entire amount is allocated to Harpin, a cash generating unit within the Commercial – Americas segment. No impairment charge is considered necessary, and no reasonable possible change in key assumptions used would lead to an impairment in the carrying value of goodwill.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

13. Intangible assets *continued*

Licenses and registrations

These amounts represent the cost of licenses and registrations acquired in order to market and sell the Group's products internationally across a wide geography. These amounts are amortised evenly according to the straight-line method over the term of the license or registration. Impairment is reviewed and tested according to the method expressed above. Licenses and registrations have a weighted average remaining amortisation period of three years. No impairment charge is considered necessary, and no reasonable possible change in key assumptions used would lead to an impairment in the carrying value of licenses and registrations.

14. Property, plant and equipment

	<i>Production machinery</i> \$'000	<i>Office equipment</i> \$'000	<i>Leasehold improvements</i> \$'000	<i>Vehicles</i> \$'000	<i>Total</i> \$'000
Cost					
Balance at 1 January 2015	13	643	—	272	928
Additions	—	345	570	148	1,063
Disposals	—	(151)	—	(68)	(219)
Balance at 31 December 2015	13	837	570	352	1,772
Additions	—	82	337	50	469
Disposals	—	—	—	(72)	(72)
Reclassification	—	97	(97)	—	—
Balance at 31 December 2016	13	1,016	810	330	2,169
Accumulated depreciation					
Balance at 1 January 2015	13	465	—	152	630
Depreciation charge for the year	—	78	38	48	164
Disposals	—	(151)	—	(54)	(205)
Balance at 31 December 2015	13	392	38	146	589
Depreciation charge for the year	—	141	158	60	359
Disposals	—	—	—	(15)	(15)
Reclassification	—	3	(3)	—	—
Balance at 31 December 2016	13	536	193	191	933
Net book value					
At 1 January 2015	—	178	—	120	298
At 31 December 2015	—	448	529	206	1,183
At 31 December 2016	—	480	617	139	1,236



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

14. Property, plant and equipment *continued*

During 2016, it was identified that some fixed assets were not correctly classified. These assets were re-categorised accordingly. There was no impact on depreciation charged.

The net book value of property, plant and equipment includes an amount of \$14,144 (2015: \$21,860) in respect of assets held under finance leases. Depreciation expense includes an amount of \$7,700 (2015: \$7,700) in respect of assets held under finance leases.

15. Inventories

	2016 \$'000	2015 \$'000
Raw materials	30	31
Finished goods and goods for resale	1,215	1,360
	1,245	1,391

The inventory provision amount reversed during the year was \$5,890 (2015: reversal of \$11,000). In 2016, raw materials and finished goods for resale included in cost of sales was \$2.4 million.

16. Trade and other receivables

	2016 \$'000	2015 \$'000
<i>Current:</i>		
Trade receivables	3,124	3,581
Less: provision for impairment	(51)	(62)
Trade receivables, net	3,073	3,519
Other receivables and prepayments	211	908
Tax receivable	—	155
Current trade and other receivables	3,284	4,582
<i>Non-current:</i>		
Trade receivables	71	73
Less: provision for impairment	—	—
Deferred tax asset	60	27
Non-current trade and other receivables	131	100
	3,415	4,682

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

16. Trade and other receivables *continued*

The trade receivable current balance represents trade receivables with a due date for collection within a one-year period. The trade receivable non-current balance represents the present value of trade receivables with a collection period that exceeds one year.

Movements on the provision for impairment of trade receivables are as follows:

	2016 \$'000	2015 \$'000
Balance at the beginning of the year	62	55
Provided	10	12
Receivables written off as uncollectible	(11)	(3)
Foreign exchange	(10)	(2)
Balance at the end of the year	51	62

The gross value of trade receivables for which a provision for impairment has been made is \$52,000 (2015: \$98,000).

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables set out above.

The following is an analysis of the Group's trade and other receivables, both current and non-current, identifying the totals of trade and other receivables which are not yet due and those which are past due but not impaired.

	2016 \$'000	2015 \$'000
Current	2,617	3,303
Past due:		
Up to 30 days	13	3
31 to 60 days	84	14
61 to 90 days	259	163
Greater than 90 days	100	36
Total	3,073	3,519

The main factors used in assessing the impairment of trade receivables are the age of the balances and the circumstances of the individual customer.



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

17 . Trade and other payables

	2016 \$'000	2015 \$'000
Current:		
Trade payables	491	1,651
Accruals	1,542	1,392
Taxation and social security	53	16
Income tax liability	2	2
	2,088	3,061

18 . Finance leases

(a) *Current borrowings*

	2016 \$'000	2015 \$'000
Finance leases	8	8

(b) *Non-current borrowings*

	2016 \$'000	2015 \$'000
Finance leases	7	16

Finance lease obligations are secured by retention of title to the relevant equipment and vehicles.

(c) *Due date for payment:*

The contractual maturity of the Group's financial liabilities on a gross basis is as follows:

	<i>Trade and other payables</i>		<i>Finance leases</i>	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
In less than one year	1,261	2,415	8	8
In more than one year, but less than two years	—	—	7	16
	1,261	2,415	15	24

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

19 . Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that all entities in the Group will be able to continue as going concerns, while maximising shareholder value through the optimisation of its debt and equity structure. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated deficit as disclosed in Notes 21 and 22.

(b) Categories of financial assets and financial liabilities

	<i>Fair value through profit or loss</i>		<i>Loans and receivables</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Financial assets				
Trade and other receivables	—	—	3,073	3,519
Investments	5,349	7,491	—	—
Cash and cash equivalents	—	—	4,727	948
	5,349	7,491	7,800	4,467
			<i>Financial liabilities measured at amortised cost</i>	
			<i>2016</i>	<i>2015</i>
			<i>\$'000</i>	<i>\$'000</i>
Financial liabilities				
Trade and other payables			1,261	2,415
Borrowings due within one year			8	8
Borrowings due after one year			7	16
			1,276	2,439

The amounts disclosed for all of the above financial assets and financial liabilities approximate fair value in all material respects.



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

19 . Financial instruments *continued*

(c) Investments

2016 – Investments

Description	Classification	2016 Value (\$'000)
PNC Money Market Fund	Government	1,517
PNC Ultra Short Bond Fund	Mutual Fund	5,349
		6,866

In 2016 the Group converted its individual bond holdings into a bond mutual fund and a money market fund. The \$1.5 million Money Market Fund is included within cash and cash equivalents in the consolidated statement of financial position.

2015 – Investments

Security type	Moody's rating	Face value \$'000	Coupon rate	Maturity date	2015 Value \$'000
Government	AAA	3,488	0.3% – 5.8%	15/1/16 – 1/2/21	3,510
Corporate*	>Aa3	1,809	0.4% – 2.0%	24/6/16 – 17/8/20	1,804
Corporate*	A1 – A3	1,080	0.9% – 5.7%	16/2/16 – 14/9/18	1,091
Corporate*	Baa1 – Baa2	1,077	0.7% – 6.3%	15/3/16 – 23/11/18	1,086
		7,454			7,491

* Securities within this category have a coupon rate within the range shown or are variable rate securities.

The above instruments are Level 1 in the IFRS 13 fair value measurements hierarchy.

The Group limits its investments to instruments with maturities of less than five years having a rating at or exceeding investment grade in order to limit credit and liquidity risk. These investments are managed by an investment adviser and the portfolio's performance is reviewed by key management personnel. The aim of the portfolio includes both capital preservation and a rate of return that exceeds the rate available through the purchase of money market securities.

(d) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by reference to continuously monitored forecast and actual cash flows. As part of its monitoring, the Group ensures that the financial liabilities due to be paid can be met by existing cash and cash equivalents. Cash equivalents are composed of short-term investment grade securities and are readily marketable and convertible to cash. The Group does not currently generate sufficient cash from its operations to meet its annual funding needs. However, the Group is well funded due to an equity placement in August 2016 and is able to meet its obligations.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

19. Financial instruments *continued*

(e) *Financial risk management objectives*

The Group invests its surplus cash in bank deposits denominated in US Dollars and British Pounds, which earn interest at money market rates, and in short-term investments comprised of notes and bonds with maturities of less than five years and having investment grade ratings. In doing so, the Group exposes itself to fluctuations in money market interest rates and market price fluctuations.

(f) *Market risk*

The Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

The Group is exposed to foreign currency risk from transactions and from translating the monetary net assets of overseas entities denominated in currencies other than functional currency. Transaction exposure arises because affiliated companies undertake transactions in foreign currencies. The Group does not use forward foreign exchange rate contracts to hedge exchange rate risk.

The US Dollar carrying amounts of the Group's material foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<i>Assets</i>		<i>Liabilities</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Euro	206	68	41	24
Pound	1,699	1,402	52	46
Mexican peso	1,343	1,297	164	183

If the exchange rate on uncovered exposures were to move significantly there would be foreign exchange differences on the retranslation of financial assets and liabilities and an impact on the Group's gross profit. A significant change in the British Pound could have a negative impact on the Group's gross profit.

A hypothetical 10% change (positive or negative) in foreign currency exchange rates applicable to our business would have the following effect (increase or decrease) on revenue:

	<i>2016</i>	<i>2015</i>
	<i>\$'000</i>	<i>\$'000</i>
Mexican Peso	325	348
Pound Sterling	128	114



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

19. Financial instruments *continued*

A hypothetical 10% change (positive or negative) in foreign currency exchange rates applicable to our business would have the following effect (increase or decrease) on expenses:

	2016 \$'000	2015 \$'000
Mexican Peso	261	296
Pound Sterling	785	623

(g) Price risk

The Group is exposed to price risk on its investments. To manage the price risk arising from investments in securities, the Group limits its portfolio to include only investment grade securities on active exchanges having maturities of less than five years.

(h) Interest rate risk

The Group is exposed to interest rate risk on its cash and investment balances. To manage the interest rate risk, the Group limits its portfolio to cash and investment grade securities on active exchanges having maturities of less than five years.

If interest rates were to move significantly, finance revenues could be affected. However, this impact would not be material to the Group's financial statements and, therefore, no analysis of the sensitivities has been presented.

The Group is exposed to interest rate risk on its cash deposits, which earn interest at a variable rate of interest.

The Group's borrowings comprise finance leases, which are at fixed rates.

The Group does not utilise any hedging instruments to address interest rate risk.

(i) Credit risk management

The Group's principal credit risk relates to the recovery of trade receivables. In order to manage credit risk, the Group sets limits for customers based on a combination of payment history and third-party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. Balances that are beyond agreed terms, are actively followed up to ensure collection.

The Group sells to a large number of customers across international locations within the US, Europe and Mexico.

Further details on trade receivables, including analysis of bad debts and ageing, are given in Note 16.

The Group manages the credit risk on its investments by limiting investments to notes and bonds with maturities of less than five years having investment grade ratings.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

19. Financial instruments *continued*

The Group believes the credit risk on liquid funds, being cash and cash equivalents, is limited because the counterparties are banks with high-credit ratings assigned by international credit-rating agencies. However, the concentration of credit risk by counterparty does exceed 10% of the overall cash and cash equivalent balance.

The maximum exposure to credit risk on cash balances at the reporting date is the carrying value of the cash balances. The Group ensures that its investments are maintained in high quality investment grade securities to limit credit risk.

20. Subsidiary undertakings

The following were subsidiary undertakings of the Company at 31 December 2016.

<i>Name</i>	<i>Registered addresses</i>	<i>Country of incorporation or registration</i>	<i>Proportion of voting rights and ordinary share capital held</i>	<i>Nature of business</i>
Plant Health Care, Inc.	701 S. Carson Street Suite 200, Carson City, NV 89701	United States (Nevada)	100%	Holding company
Plant Health Care, Inc.		United States (Pennsylvania)	100%*	Sales
Plant Health Care de Mexico S. de R.L. de C.V.	Bodega 26 Avenida Ceylan 959 Colonia Industrial Vallejo 2300 Ciudad de Mexico CDMX, Mexico	Mexico	100%*	Sales
Plant Health Care (UK) Limited	Chess Park Moor Road Unit 30, Chesham HP5 1SD	United Kingdom	100%*	Sales
Plant Health Care España	CL. Serrano, 76 28.612 – Madrid	Spain	100%*	Sales
VAMTech, LLC	2711 Centerville Road Suite 400, Wilmington, DE 19808	United States (Delaware)	100%*	Sales

* Held indirectly.

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration.



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

21. Share capital

(a) Issued share capital

	2016 \$'000	2015 \$'000
Allotted, called up and fully-paid share capital:		
147,822,881 (2015: 71,855,085) ordinary shares at £0.01 each	2,237	1,236

b) Movement in share capital

The movements on issued share capital are as follows:

	Ordinary shares of Plant Health Care plc Number	\$'000
In issue at 1 January 2015	71,709,705	1,234
Shares issued for services rendered	25,880	—
Shares issued	7,500	—
Share options exercised	112,000	2
In issue at 31 December 2015	71,855,085	1,236
Shares issued	75,967,796	1,001
In issue at 31 December 2016	147,822,881	2,237

During the year ended 31 December 2015, the following fully-paid £0.01 ordinary shares in the Company were issued:

- i. 12,000 shares with an aggregate value of \$10,000 were issued for the exercise of share options at an exercise price of £0.53 per share.
- ii. 100,000 shares with an aggregate value of \$95,000 were issued for the exercise of share options at an exercise price of £0.62 per share.
- iii. 25,880 ordinary shares with an aggregate value of \$42,428 were issued to one of the Group's officers in lieu of a cash bonus.
- iv. A former shareholder of Plant Health Care, Inc. was awarded 7,500 Plant Health Care plc shares at nominal value.

During the year ended 31 December 2016, the following fully paid £0.01 ordinary shares in the Company were issued:

- i. 75,967,796 new ordinary shares with net proceeds of \$9,746,312 were issued pursuant to an equity placing at £0.10 per share.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

21. Share capital *continued*

(c) Other equity instruments

The Company had the following other equity instruments in issue at 31 December 2016 and 2015:

	2016 Number	2015 Number
Share awards under the VCP	5,335,544	5,335,544
Share options	3,047,788	3,097,788
	8,383,332	8,433,332

(d) Share options

The Company has issued share options to certain employees under the Plant Health Care plc Unapproved Share Option Scheme 2004. In 2014, the scheme reached the tenth anniversary of its approval by shareholders; no further options may be granted. At the time of its admission to AIM, the Company also agreed to honour outstanding options under the Plant Health Care, Inc. 2001 Equity Incentive Plan. No further options have been or will be issued under that Plan. In addition, in limited instances, the Company has granted options to certain management for ordinary share capital of the Company under separate unapproved option agreements.

The movements on share options are as follows:

	<i>Options over ordinary shares</i>			<i>Weighted average exercise price</i>
	<i>Directors and former directors</i>	<i>Other</i>	<i>Total</i>	
Outstanding at 1 January 2015	445,852	626,500	1,072,352	141p
Awarded	89,686	—	89,686	112p
Exercised	—	(112,000)	(112,000)	61p
Forfeited	—	(8,500)	(8,500)	62p
Outstanding at 31 December 2015	535,538	506,000	1,041,538	147p
Awarded	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	(50,000)	(50,000)	123p
Outstanding at 31 December 2016	535,538	456,000	991,538	148p

Of the total number of options outstanding at 31 December 2016, 702,000 (2015: 494,000) had vested and were exercisable. The weighted average exercise price was 179p (2015: 223p).

The weighted average share price at the dates of exercise for the share options exercised during 2016 was nil (2015: 61p).

The options outstanding at 31 December 2016 have a weighted average remaining life of 2.68 years (2015: 3.53 years) and the range of exercise prices is 53p to 325p (2015: 53p to 325p).



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

21 . Share capital *continued*

(e) Value creation plan

The Chairman, CEO and key members of senior management participate in the VCP.

The movements in value creation plan awards are as follows:

	Directors	Other	Total	Weighted average exercise price
Outstanding at 1 January 2015	2,571,821	2,294,748	4,866,569	76p
Awarded	—	468,975	468,975	93p
Outstanding at 31 December 2015	2,571,821	2,763,723	5,335,554	77p
Awarded	—	—	—	—
Outstanding at 31 December 2016	2,571,821	2,763,723	5,335,544	77p

Of the total number of options outstanding at 31 December 2016 and 2015, none had vested and were exercisable.

The options outstanding at 31 December 2016 have a weighted average remaining life of 0.3 years (2015: 1.3 years) and the range of exercise prices is 55p to 111p (2015: 55p to 111p).

(f) 2015 Employee Share Option Plan

	Directors	Other	Total	Weighted average exercise price
Outstanding at 31 December 2014	—	—	—	—
Awarded	1,790,000	443,750	2,233,750	103p
Forfeited	—	(177,500)	(177,500)	89p
Outstanding as 31 December 2015	1,790,000	266,250	2,056,250	105p
Awarded	—	—	—	—
Forfeited	—	—	—	—
Outstanding as 31 December 2016	1,790,000	266,250	2,056,250	105p

Of the total number of options outstanding at 31 December 2016, 685,000 (2015: nil) had vested and were exercisable.

The options outstanding at 31 December 2016 have a weighted average remaining life of 2.5 years (2015: 3.5 years) and the range of exercise prices is 89p to 107p (2015: 89p to 107p).

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

22 . Reserves

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

<i>Reserve</i>	<i>Description and purpose</i>
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Foreign exchange reserve	Gains/losses on retranslating the net assets of overseas operations.
Accumulated deficit	Cumulative net gains and losses recognised in the consolidated income statement. During the year ended 31 December 2014, the Company transferred the amounts in the share-based payment reserve and reverse acquisition reserve into retained earnings.

23 . Pensions

The Group does not maintain any defined benefit pension plans. The Group does maintain a retirement plan qualified under Section 401(k) of the United States Internal Revenue Code. This plan covers all US employees. In 2016, the Group's pension expense under the scheme was \$41,987 (2015: \$32,360). Mexico has a government-run pension plan to which our operations there must contribute. In 2016, the expense for this plan was nil (2015: nil). Several United Kingdom employees receive contributions to their pension plans. The expense for this was \$12,594 (2015: \$10,028). The total pension liability at the end of the year was \$54,581 (2015: \$42,400).

24 . Leases

Finance leases- as lessee

The Group leases vehicles, production equipment and office equipment on leases classified as finance leases.

Future lease payments are due as follows:

2016

	<i>Minimum lease payments</i>	<i>Interest</i>	<i>Present value</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Not later than one year	9	1	8
Later than one year and not later than five years	8	—	8
	17	1	16



Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

24. Leases *continued*

2015

	<i>Minimum lease payments</i> \$'000	<i>Interest</i> \$'000	<i>Present value</i> \$'000
Not later than one year	9	1	8
Later than one year and not later than five years	17	1	16
	<u>26</u>	<u>2</u>	<u>24</u>

Operating leases

The Group leases all of its properties, as well as office equipment. The terms of property leases vary from country to country and tend to have rent reviews at the end of the lease term for renewal purposes.

The total present values of minimum lease payments are due as follows:

	<i>2016</i> \$'000	<i>2015</i> \$'000
Not later than one year	376	275
Later than one year and not later than five years	971	957
	<u>1,347</u>	<u>1,232</u>

25 . Standards, amendments and interpretations to published standards not yet effective

The IASB and the International Financial Reporting Interpretations Committee ('IFRIC') have issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

IFRS 15 "Revenue from Contracts with Customers" (effective for periods beginning on or after 1 January 2018). This standard is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition, the standard has been endorsed by the EU.

On 13 January 2016, the IASB issued IFRS 16, "Leases," which provides lease accounting guidance. Under the new guidance, lessees will be required to present right-of-use assets and lease liabilities on the statement of financial position. At the lease commencement date, a lessee is required to recognise a lease liability, which is the lessee's discounted obligation to make lease payments arising from a lease, as well as a right of use asset, representing the lessee's right to use, or control the use of, a specified asset for the lease term. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15, "Revenue from Contracts with Customers," at or before the initial application of IFRS 16. IFRS 16 has been endorsed by the EU.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2016

25 . Standards, amendments and interpretations to published standards not yet effective *continued*

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

No other standards or amendments are considered likely to have an effect on the financial statements going forward. Plant Health Care does not anticipate that the adoption of these standards and interpretations will have a material accounting impact on the Group's financial statements.



Company statement of financial position

at 31 December 2016

Company statement of financial position at 31 December 2016:

	Note	2016 \$'000	2015 \$'000
Fixed assets			
Fixed asset investments	33	22,650	28,414
Current assets			
Debtors	35	37	670
Cash at bank and in hand		1,878	99
Total current assets		1,915	769
Creditors: amounts falling due within one year	36	246	622
Net current assets		1,669	147
Total assets less current liabilities		24,319	28,561
Capital and reserves			
Called-up share capital	30	2,237	1,236
Share premium	30	79,786	71,040
Accumulated deficit	30	(57,704)	(43,715)
Shareholders' funds		24,319	28,561

The financial statements were approved and authorised for issue by the Board on 10 April 2017.

Dr. C. Richards
Director

Registered No: 05116780 (England and Wales)

The Group loss for the year includes loss after tax of \$15,052,000 (2015: loss of \$1,527,000), which is dealt with in the financial statements of the parent company.

The notes on pages 74 to 77 form part of these financial statements.

Company statement of changes in equity

	<i>Share capital</i> \$'000	<i>Share premium</i> \$'000	<i>Accumulated deficit</i> \$'000	<i>Total</i> \$'000
Balance at 1 January 2015	1,234	70,895	(43,048)	29,081
Shares issued	—	42	—	42
Share-based payment	—	—	860	860
Exercise of share options	2	103	—	105
Loss in the year	—	—	(1,527)	(1,527)
Balance at 31 December 2015	1,236	71,040	(43,715)	28,561
Shares issued	1,001	8,746	—	9,747
Share-based payment	—	—	1,063	1,063
Loss in the year	—	—	(15,052)	(15,052)
Balance at 31 December 2016	2,237	79,786	(57,704)	24,319

The notes on pages 74 to 77 form part of these financial statements.



Notes forming part of the Company financial statements

for the year ended 31 December 2016

26. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The principal accounting policies, which have been applied consistently, are set out below. Information on the impact of first-time adoption of FRS 102 in the year ended December 2015 is given in Note 38.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. See Note 27.

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- Disclosures in respect of the parent company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

Investments

Fixed asset investments comprise investments by the Company in the shares of subsidiary undertakings and loans to Group undertakings. At the end of each financial period, the directors review the carrying amount of the Company's investments with reference to forecast discounted future cash flows and related estimates and judgments to determine whether there is any indication that those assets have suffered an impairment loss. They are stated at cost less any provision where, in the opinion of the directors, there has been impairment.

Share-based payments

The Company operates a number of equity-settled, share-based payment plans, under which it receives services from employees and non-employees as consideration for the Company's equity instruments, in the form of options or restricted stock units ("awards"). The fair value of the award is recognised as an expense, measured as of the grant date using a binomial option pricing model. The total amount to be expensed is determined by reference to the fair value of instruments granted, excluding the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is typically the period over which all of the specified vesting conditions are to be met.

Notes forming part of the Company financial statements *continued*

for the year ended 31 December 2016

26. Accounting policies *continued*

The Company grants share options and shares under its share-based payment plans directly to employees of its subsidiaries. In accordance with the provisions of the plan, the cost of the share-based payments will be recorded by each subsidiary as an expense, with a corresponding increase in equity as a contribution from the parent.

The Company, over whose shares options are issued, recognises an increase in the investment in the related subsidiary and a credit to accumulated deficit.

Deferred taxation

Deferred tax balances are recognised in respect of timing differences that have originated but not reversed by the balance sheet date. However, where there is uncertainty over the timing of their realisation, deferred tax assets are not recognised.

27. Judgment in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgments:

- At the end of the financial period, the Company reviews the carrying amounts of its fixed asset investments to determine whether there is any indication that those assets have suffered any impairment loss. The recoverable amount is determined based on a value-in-use calculation. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More details are included in Note 32.

28. Loss for the financial year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

29. Share-based payments

See Note 21 of the Group financial statements.

30. Reserves

See Note 22 of the Group financial statements for a description of the nature and purpose of each reserve within owner's equity.

31. Directors' remuneration

The Directors' remuneration for the Company is disclosed in Note 7 of the Group financial statements.



Notes forming part of the Company financial statements *continued*

for the year ended 31 December 2016

32. Staff costs

Staff costs for all employees, including executive directors, comprise:

	2016 \$'000	2015 \$'000
Wages and salaries	280	321
Social security and payroll taxes	32	29
	312	350
Share-based payments charge	833	695
	1,145	1,045

The average number of employees of the Group during the year, including executive directors, was 5 (2015: 5).

33. Fixed asset investments

	<i>Shares in Group undertakings</i> \$'000	<i>Loans to Group undertakings</i> \$'000	<i>Total</i> \$'000
Cost			
Cost at 1 January 2015	16,915	55,384	72,299
Additions, net of repayments	—	293	293
Cost at 31 December 2015	16,915	55,677	72,592
Additions, net of repayments	—	4,529	4,529
Cost at 31 December 2016	16,915	60,206	77,121
Impairments			
Impairments at 1 January 2015	(16,915)	(27,263)	(44,178)
Charge	—	—	—
Impairments at 31 December 2015	(16,915)	(27,263)	(44,178)
Charge	—	(10,293)	(10,293)
Impairments at 31 December 2016	(16,915)	(37,556)	(54,471)
Net book value			
At 31 December 2015	—	28,414	28,414
At 31 December 2016	—	22,650	22,650

The fixed asset investment balances have been tested for impairment using discounted budgeted cash flows, a pre-tax discount rate of 16% (2015: 15%), and performance projections over five years. The calculated net present value in this review is \$22,650,000 (2015: net present value \$49,205,000), which caused an impairment of \$10,293,000 in 2016 (2015: nil).

Notes forming part of the Company financial statements *continued*

for the year ended 31 December 2016

34. Subsidiary undertakings

The subsidiary undertakings of the Company are disclosed in Note 20 of the Group financial statements.

35. Debtors

	2016	2015
	\$'000	\$'000
Prepayments	37	670

All amounts fall due within one year.

36. Creditors

	2016	2015
	\$'000	\$'000
Trade creditors	51	200
Accruals	195	422
Totals	246	622

37. Share capital

The share capital of the Company is disclosed in Note 21 of the Group financial statements.

38. FRS 102

The Company converted to FRS 102 for the year ended 31 December 2015. The policies applied under the entity's previous accounting framework were not materially different to FRS 102 and did not impact equity or profit or loss.

39. Related party transactions

The Company has taken advantage of the exemption allowed by Financial Reporting Standard 102, 'Related Party Transactions', not to disclose any transactions with its wholly-owned subsidiary companies as these are included within the consolidated financial statements of the Group.

On 16 January 2015, the Company assigned to Plant Health Care (UK) Ltd. all its rights, title, interest and benefits in a facility agreement between the Company and Plant Health Care, Inc. in the amount of £10,000,000 to finance certain of the Group's research and design activities.



For your notes



Plant Health Care plc
2626 Glenwood Avenue, Suite 350 • Raleigh, NC 27608 USA
+1 (919) 926 1600 • ir@planthealthcare.com
www.planthealthcare.com