PLANT HEALTH CARE plc

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2010

PLANT HEALTH CARE plc

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Contents

Plant Heath Care was established in 1995 in Pittsburgh (Pennsylvania) in the United States. Its products are aimed at the agriculture industry, through supply and distribution agreements with major agrichemical industry partners. Plant Health Care's products create both environmental and economic benefits for our customers and capitalise upon long-term trends toward natural systems and biological products to promote plant health and growth.

Directors and advisers

Directors	Dr. Dominik Koechlin	*Non-executive Chairman*
	John Brady	*Chief Executive*
	Stephen Weaver	*Finance Director*
	Samuel Wauchope	*Senior Independent Director*
	Dr. David Buckeridge	*Non-executive*
	Jeremy Scudamore	*Non-executive*
Secretary	Andrew C. Wood FCIS	
Registered Office	The Broadgate Tower 20 Primrose Street London EC2A 2RS	
Company number	05116780	
Auditor	BDO LLP 55 Baker Street London W1U 7EU	
Company Solicitor	Reed Smith LLP The Broadgate Tower 20 Primrose Street London EC2A 2RS	
Registrar	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Broker and Nominated Adviser	Evolution Securities Limited 100 Wood Street London EC2V 7AN	

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Myconate, Harpin and AgVeritas are trademarks or trade names which Plant Health Care owns or which others own and license to Plant Health Care for use. Acceleron and Roundup Ready 2 Yield are trademarks of Monsanto Technology, LLC. All other third party trade mark rights are acknowledged.

Chairman's statement

Overview

I am pleased to report Plant Health Care's results for the year ended 31 December 2010.

The year under review included a number of important strategic developments which place Plant Health Care in a stronger position to achieve its goal of becoming one of the world's leading providers of natural technologies for the promotion of plant health and growth. We entered into two new agreements with Syngenta Crop Protection (Syngenta) and others with Legacy Seeds (Legacy) and with Germains Seed Technology (Germains), which we expect to advance the Group's progress to commercialisation and revenues in the coming years. We sold our reclamation business in May 2010 and, since the year end, our US landscape and retail business in January 2011, for a total consideration of $5.1 million, in order to focus on the worldwide agriculture market and to strengthen our financial resources to achieve our strategic goals. Nonetheless, our financial results were disappointing, primarily due to the much lower than expected level of Harpin sales to Monsanto Company (Monsanto), which had a substantial amount of inventory carried forward from 2009. We are pleased to report that Direct Enterprises, Inc. (DEI), a leading distributor of seed treatments in the US, has acquired half of this excess stock and has undertaken to acquire the balance by the end of the year.

The challenge of providing enough food for an ever-increasing population continues to make headline news around the world. Improved agricultural productivity is the key to meeting the forecasted increase in demand for crops and governments around the world are becoming increasingly proactive in seeking products to help improve yields, as demonstrated by Plant Health Care's agreement with the Brazilian government to evaluate the efficacy and economic feasibility of Myconate in Brazilian agriculture, signed in May 2010.

Another driving factor behind the market in which Plant Health Care operates is the need to provide "greener crops" with a smaller environmental footprint. Retailers and consumers have become more active in demanding lower levels of residual chemicals in their food and the soil in which it is grown. The need to minimise environmental impact has always been at the forefront of Plant Health Care's ethos; Harpin and Myconate products leave no residue in the soil or on the crop after harvest.

Our cash and liquid short-term investments balances as of mid-February 2011 are $18.2 million. This strong liquidity position will allow the Group to develop and expand relationships with existing and new partners over the coming years, as well as to continue to invest in formulation and product development of its Harpin and Myconate technology platforms, while our revenue builds.

Financial results

Group sales from continuing operations were $7.1 million (2009: $16.7 million). The reduction in sales was due primarily to Monsanto's excess inventory position, which resulted in an $8.2 million decline in Harpin sales to this customer. Additionally, the Group chose not to continue with its "early order" programmes in Europe and Mexico, which it has implemented in recent years, in order to establish improved pricing and terms of sale for the future.

Gross profit margin from continuing operations was 51% (2009: 67%) with the margin decline being due to the aforementioned reduction in Harpin off-take by Monsanto.

Operating expenses from continuing operations were $11.5 million (2009: $12.9 million), as the Group actively reduced administrative expenses, especially in the area of headcount and overall compensation, while increasing investment levels in field trials and product development.

Chairman's statement *continued*

The resulting operating loss from continuing operations was $7.9 million (2009: loss of $1.8 million).

The net loss for the year was $7.6 million (2009: loss of $1.3 million).

Discontinued operations

We announced, in May 2010, the sale of our reclamation business for a consideration of $0.4 million and, in January this year, the sale of our US landscape and retail business for a consideration of $4.65 million. These discontinued businesses contributed $0.1 million to operating profit in 2010 (2009: loss of $0.6 million).

As was previously indicated, the Board believes that the returns from these businesses did not justify the financial capital and management resource that was required to operate them. Moreover, the businesses are inherently low margin businesses and serve as a distraction of both time and resource from the much higher margin business of licensing the intellectual property estate that underpins our Harpin and Myconate technology platforms, thereby utilising the distribution reach of large multinational companies for getting product to market.

Partnerships

Following these disposals, management is able to focus on developing products for the worldwide agricultural market. Commercial exploitation will be achieved through existing and new partnerships with major industry players at multiple levels in the agricultural value chain who have the ability to achieve distribution of our technologies throughout the world.

Having demonstrated success in our 2010 trial programme in large acreage crops, such as corn, soybeans and potatoes, and in combination with widely-used chemicals, such as fungicides and herbicides, we believe even more strongly that commercialisation of our technologies will be achieved in the future.

Despite the decline in sales to Monsanto in 2010, the recent sale of Monsanto's inventory overhang is expected to have a positive impact on our future potential revenues from Harpin in the US. We are actively engaged in a number of marketing and product development efforts to enhance and expand this commercial relationship.

Two agreements were signed with Syngenta in 2010 to evaluate and potentially develop Harpin in a wide variety of crops and crop protection products. In 2011, Syngenta will be performing its first full year of testing on a wide variety of crops and enter its second year of trials with the world's largest crop protection product, glyphosate. We also signed a four-year agreement with Legacy, one of the leading alfalfa seed companies in the US, granting them the exclusive rights to Harpin and Myconate for the alfalfa market in the US. An exclusive agreement was signed with Germains, part of the Associated British Foods group, to develop and market Plant Health Care's Harpin proteins as a seed treatment for sugar beets worldwide in combination with Germains' seed priming technologies.

Monsanto is one of the major and most influential agrichemical companies in the world. For this reason, it remains an important partner for us and continues to promote Harpin to the downstream agriculture distribution market through a multi-year agreement with DEI to market Harpin. We are also working with Monsanto on new and improved technologies and products.

Chairman's statement *continued*

Product development

Two areas are being targeted in our research and product development programme. First, Plant Health Care is seeking to further improve the utility of its existing Harpin product for both its partners and its downstream grower customers. Formulation development will further improve shelf life and ease of handling both on farm and in seed treatment facilities. Developments in liquid formulations are already showing promise. Secondly, we are investing in the development of the next generation of products from our Harpin technology platform. These are Harpin versions with increased and more specifically targeted bioactivity, designed to contribute to an expanded suite of Harpin products for the future. Several candidates, with great promise to further increase yields in major crops, have already been identified and isolated in the greenhouse. Advanced field trials and development work on these new products will begin during 2011.

Current trading and outlook

As stated above, our strategy is to focus on rolling-out our IP-protected technology platforms with current and new partners during 2011.

Agrichemical companies are forever seeking enhanced product performance, product differentiation and IP protection, all of which can be achieved by combining Myconate and Harpin with traditional crop protection products. A more effective, more targeted product and extended patent life will prevent these products from becoming generics and suffering from a resultant drop in sale price.

It takes time, up to three years, for revenues to be generated from partnership arrangements whilst we work with our partners on the formulations and combinations and on trialling the products ahead of product launch. We recognise that, during this period, our revenues and profitability can be significantly impacted year-on-year until we have a more extensive portfolio of on-market products and a more consistent and diversified flow of partnership revenue. However, by focusing our business strategy, we have ensured that our cash position is strong and the combination of our product pipeline, strong market drivers and the good progress we are making with our partners and potential partners encourages us to look forward to the future with optimism and confidence in our ability to realise our strategy.

In closing, I would like to thank the entire Plant Health Care team for their efforts in 2010 to position the Group for future success.

Dominik Koechlin
Chairman

18 February 2011

Chief Executive's report

The period under review saw a number of positive developments for Plant Health Care. The sales of the US landscape and retail business and of the reclamation business will enable the Group to give its undivided attention to our core strategy of developing partnership arrangements for distributing its IP-protected technology in agriculture. The reclamation and US landscape and retail businesses did not offer shareholders exposure to the maximum potential of Harpin and Myconate due to their low growth and the significant amount of overhead required to guarantee market penetration. Partnering in agriculture offers the potential to reach much larger markets more quickly, by becoming a component in partners' products with large existing market shares and international exposure.

Important new agreements have been signed with Syngenta, Germains, the Brazilian government and Legacy. The strength of existing relationships provides the Company with confidence in its plan to roll-out Harpin and Myconate across worldwide agriculture markets, as well as to attract new partners for further penetrating these global markets.

Technology partnering

Our strategy is to grow the Group by building a strong licensing base by entering into technology partnering agreements. Our Harpin and Myconate technology platforms are the keys to success for Plant Health Care. Harpin improves plant growth and crop yields, enhances disease resistance and improves post-harvest quality, whilst Myconate encourages plant growth and helps crops cope with drought and thereby enhances yield.

Harpin platform

In December 2008, a long-term commercial agreement was signed with Monsanto for the exclusive rights to commercialise Harpin seed treatment technology in corn, soybeans, cotton, canola and selected vegetables. In 2009, Plant Health Care generated significant revenues from purchases of Harpin by Monsanto for their new product launch of Roundup Ready 2 Yield soybeans. As noted in the Chairman's statement, DEI has purchased a large portion of Monsanto's existing inventory and has already moved a large portion of that product into the 2011 seed treatment and foliar markets.

Furthermore, Monsanto is also offering farmers the option to use Harpin as a stand-alone product for soybeans and cotton and, through its relationship with DEI, across all of its soybean seeds. This has greatly increased the possible market size to 35-40 million acres, although ultimate levels of market penetration will depend on a number of market forces that will play out over the next year.

Syngenta has non-exclusive rights to commercialise Harpin in combination with glyphosate and other herbicides for all genetically modified herbicide resistant crops. A second agreement was signed with Syngenta during 2010 to evaluate and potentially develop Harpin in a wide variety of crops and in combination with some of its leading products. 2011 will mark the first full year of testing by Syngenta on a variety of crops.

In May 2010, a four-year agreement was signed with Legacy for the exclusive rights to develop Harpin and Myconate for use in the alfalfa market in the US. Following trials in the first year, the second year of development trials has begun with a focus on non-irrigated, drought susceptible areas, a key strength of our Myconate product.

Chief Executive's report *continued*

During 2010, Plant Health Care also signed an exclusive agreement with Germains to develop and market Plant Health Care's Harpin proteins as a seed treatment for sugar beets worldwide in combination with Germains' seed priming technologies. The combined treatments will have the potential to be used on all sugar beet, which annually occupy more than 10 million acres worldwide. Germains is the leading provider of priming treatments for sugar beet seed with a market share of over 40% in the US, over 35% in the Western and Central European markets and a strong presence elsewhere in the world.

Myconate platform

We are selling Myconate into the potato market in the UK and South Africa, where we have established a strong position. We are using these successes as a launching platform for similar arrangements in major markets, such as the US and Eastern Europe.

Testing programmes for row crops and cereals are in place with a number of major agrichemical and seed companies and further technology partnering agreements are expected to be announced during 2011.

Product development

With the bulk of agrichemicals sold in a liquid state, one of our key programmes has been the development of Harpin into a liquid commercial product. We have made important strides in this area and are working with several large formulation companies to bring this project to a successful completion.

Plant Health Care is currently developing an enhanced and more potent Harpin product pipeline for the future. The first new products are expected to reach the market in three years and will provide enhanced growth activity, as well as more resistance to environmental stress. These new products will offer a quicker and less costly route to market compared with traditional synthetic chemistry. Our research indicates that there is a potential for creating Harpins with greater activity, crop and environmental specificity and synergy with the key crop protection products. We believe that this capability, deployed from our own financial resources and in collaboration with our partners, has the potential to generate a differentiated range of Harpin products that taps into the increasing groundswell of interest in active ingredients with a biological, as opposed to a chemical, base. Furthermore, this work broadens and reinforces our already extensive IP position in Harpins.

In April 2010, Plant Health Care announced the purchase of Bayer CropScience's Myconate intellectual property portfolio and the conclusion of the final details concerning the termination of its previous Myconate agreement. The acquisition of these rights further strengthens the IP surrounding Myconate and extends further the patent life for the product.

Other developments

In October 2010, Plant Health Care licensed its patent-pending Computer Automated Spatial Analysis (CASA) technology to XS, Inc., the North American industry leader for retail sales transaction data collection, analysis and online reporting for the seed, trait and crop protection chemical industry. XS will begin to commercialise the technology in 2012 using Plant Health Care's AgVeritas™ trademark. The technology was developed as a way for the Group to demonstrate to prospective licensing partners the on-farm yield benefit of our proprietary technologies.

Chief Executive's report *continued*

Outlook

As a result of our recent disposals, Plant Health Care is entirely focused on a strategy that enables us to license our IP-protected, yield-enhancing products to the world's largest agrichemical companies. Global agricultural productivity has been able to keep up with rising food demand over recent decades, but a rapidly growing emerging market population and income level has upset the balance. Major changes are needed to grow more food on the same land area without damaging the environment. Plant Health Care has a corporate strategy and product portfolio that is aimed at being a part of the solution by obtaining greater yields from new and existing agricultural acres under all conditions, from the ideal to the most challenging.

John Brady
Chief Executive

18 February 2011

Directors

Dr. Dominik Koechlin
(Non-executive Chairman) (51)
Dr. Koechlin is a Swiss citizen and joined the Board as a non-executive director in January 2009. After starting his career in banking, Dr. Koechlin founded Epsillon AG, a consultancy and corporate financier focused on environmentally-sound management. He then joined Telecom PTT, the leading Swiss telecommunications company, and led it through privatisation to become Swisscom AG.

Dr. Koechlin is a non-executive director of the Swiss companies EGL AG, Swissmetal AG, Clariant AG, chairman of Sunrise AG and a member of the board of trustees of LGT Bank in Lichtenstein. He also serves as non-executive director of several private companies.

John Brady
(Chief Executive) (56)
Mr. Brady is a US national and joined the Group as Chief Executive in 2001. He is responsible for implementing the Group's strategy and for management of the Group's operations.

Prior to joining the Group, Mr. Brady was President and CEO of Alaska Seafood International, a seafood product manufacturing company. Prior to that, he served as Executive Vice President, Operations, for Anderson Clayton Corp, one of the world's largest vertically-integrated cotton companies. Mr. Brady served at Anderson Clayton for 19 years.

Mr. Brady holds an MBA from Arizona State University and a BA in Political Science from the University of Connecticut.

Stephen Weaver
(Finance Director) (57)
Mr. Weaver is a US national and joined the Group as Chief Financial Officer in 2007. He was appointed to the Board in March 2008. He is responsible for managing the finance, human resource and information technology functions of the Group.

Prior to joining the Group, Mr. Weaver was Chief Financial Officer of Xaloy, Inc., an international manufacturing business serving the global plastics industry. Prior to that, Mr. Weaver served consecutively as Vice President and Chief Financial Officer and Senior Vice President and General Manager of Carbide/Graphite Group, Inc., a NASDAQ-listed manufacturing company serving the global steel industry.

Mr. Weaver holds an MBA from Indiana University and a BA in economics from DePauw University.

Samuel Wauchope
(Senior Independent Director) (59)
Mr. Wauchope is a UK citizen and joined the Group as a non-executive director in 2004. A Chartered Accountant, Mr. Wauchope's executive career has involved CEO and executive chairman positions in a number of UK-listed companies, including Acorn Computer Group plc, Oceonics Group plc and Ultrasis plc. Mr. Wauchope now acts as a strategic adviser to growth companies in the technology and cleantech sectors.

Mr. Wauchope is a non-executive director of Progressive European Markets Limited, Landover Wireless Inc. (US) and CTB Group Inc. (US).

Directors *continued*

Dr. David Buckeridge
(Non-executive Director) (51)
Dr. Buckeridge is a UK citizen and joined the Group as a non-executive director in October 2008. Dr. Buckeridge is currently an operating director with Paine & Partners, a US private equity firm. Previously, he spent 20 years with the multinational pharmaceutical company AstraZeneca. Dr. Buckeridge held a number of senior positions during his time at AstraZeneca, including five years running the company's commercial seed business in the US. In 1999, he was appointed a main board director of AstraZeneca's seeds business and subsequently CEO of Advanta, then the largest independent agronomic seeds business in the world.

Dr. Buckeridge is a non-executive director of Icicle Holdings Inc. (US), Icicle Seafoods Inc. (US), NLA FP Limited and Oxitec Limited.

Jeremy Scudamore
(Non-executive Director) (63)
Mr. Scudamore is a UK citizen and joined the Group as a non-executive director in October 2008. Mr. Scudamore worked for 35 years in the life science, agrichemical and specialty chemical businesses of ICI, AstraZeneca and Avecia, latterly as CEO and chairman of the Avecia group. Previously CEO of Zeneca Specialties, Mr. Scudamore led the £1.3 billion buyout from AstraZeneca and successfully restructured the group into a pure biotechnology company.

Mr. Scudamore is a non-executive director of Oxford Catalysts Group PLC and non-executive chairman of Boardlink Group Limited.

Board committees

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

Audit Committee

The Audit Committee is chaired by Sam Wauchope. David Buckeridge is also a member, having replaced Dominik Koechlin following the latter's appointment as Chairman of the Board in April 2010. 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 Remuneration Committee is chaired by Jeremy Scudamore. Mr. Scudamore replaced Dominik Koechlin following the latter's appointment as Chairman of the Board in April 2010. David Buckeridge joined the Committee in succession to Albert Fischer following the latter's retirement from the Board in April 2010. The Committee is responsible for determining the contract terms, remuneration and other benefits for executive directors and senior management. Its policy is to ensure that, through a process of regular review, the Group's remuneration arrangements attract and incentivise the quality of executive management that the Company needs to achieve its goals and grow shareholder value, and are in line with best practice. The Committee may take independent specialist advice to assist it in its work. When required, the Committee is also involved in the selection process for executive directors and approves remuneration before a final offer is made. The Remuneration Committee report is set out on pages 15 to 20.

Corporate governance statement

Plant Health Care plc has taken note of the June 2008 Combined Code on Corporate Governance ("Combined Code") and has applied its principles of corporate governance commensurate with the Company's size, notwithstanding that the rules of the London Stock Exchange do not require companies that have securities traded on AIM to formally comply with the Combined Code.

The Board is accountable to the Company's shareholders for good governance and the statement set out below describes how the principles identified in the Combined Code are applied to the Company.

Board composition

The Board currently comprises a non-executive chairman, two executive directors and three other non-executive directors. The Board considers all of the non-executives to be independent in judgment and character.

Biographies of the Board members appear on pages 9 and 10. 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, Sam Wauchope, through the Company Secretary.

Board committees

The Board has established audit and remuneration committees, as described on page 11. 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 10 times each year and more frequently when required. The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the Group. The schedule 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 and defined in separate statements approved by the Board. 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.

Corporate governance statement *continued*

The Senior 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, Chief Executive or Finance Director. 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.

The Board conducted an internal Board performance evaluation during the year in line with the requirements of the Combined Code. The Board intends to implement the recommendations which arose from this review.

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 15 to 20. 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 an interim statement, as well as its full-year report and accounts. Both are 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 website **www.planthealthcare.com/investor**.

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

Corporate governance statement *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 guidance provided by the document: *Internal Control: Guidance for Directors on the Combined Code*.

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 review regularly the control systems across the Group to ensure that they develop to mitigate emerging risks and in anticipation of expected growth. Twice a year, the Finance Director 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 Jeremy Scudamore. David Buckeridge is also a member. Each is a non-executive director. The Committee is responsible for determining the contract terms, remuneration and other benefits of the executive directors and of the 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.

At the forthcoming annual general meeting, shareholders will be given the opportunity to ask the chairman of the Remuneration Committee questions on any aspect of the Group's remuneration policy.

Elements of remuneration – executive directors

The following comprise the principal elements of executive directors' remuneration:

- basic salary and benefits;
- annual bonus (discretionary);
- long-term share-based incentives;
- pension contributions; and
- post-employment health benefits.

Basic salary and benefits

Salaries are reviewed annually by the Committee. As the level of each individual director's remuneration can be significantly augmented through performance-related bonuses, only in exceptional circumstances will the Committee consider an increase in excess of the general rate of wage inflation for the United States of America. Where such an increase has been awarded, the Committee will publish the reasons behind its decision in the Remuneration Committee report.

In addition to basic salary, each executive director is entitled to the following main benefits:

- up to 20 days holiday per annum;
- coverage under the Company's health insurance plans or a cash payment to cover the director's cost of acquiring medical insurance; and
- coverage under the Company's long-term and short-term disability and group term life insurance plans.

Remuneration Committee report *continued*

Annual bonus

Annual bonuses are payable to each executive director based on achievement of financial, strategic and sustainability objectives, both corporate and personal. For 2010, the directors had bonus potential of between 45% and 65% of their basic salaries; for 2011, the figures are between 70% and 100%. This ensures that there is a significant element of "at risk" pay, which is only available when good results are achieved.

Long-term share-based incentives

Each of the executive directors is eligible to participate in the Company's share option schemes and long-term incentive stock award plan. The Company may 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 described below, amounts to no more than 10% of the issued share capital of the Company. The main features of these plans are:

(a) *Share option schemes*

Prior to the formation of Plant Health Care plc, the then executive directors participated in the Plant Health Care, Inc. Incentive Stock Option plans. Under these plans, options were periodically awarded at the discretion of the board of directors of that company. These plans were effectively frozen at the time of admission to AIM. Outstanding options in Plant Health Care, Inc. were converted into options in Plant Health Care plc bearing the same rights *mutatis mutandis* as under the Plant Health Care, Inc. scheme. No further awards of options will be made under the Plant Health Care, Inc. plans.

In July 2004, the Board of directors adopted the Plant Health Care plc Unapproved Share Option Scheme 2004. Under this scheme, the Board may 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 Company's total shareholder return exceeding that of the AIM All-Share Index for the period from grant to vesting.

(b) *Long-term incentive stock award plan*

In June 2007, the Company adopted the Plant Health Care plc 2007 Long Term Incentive Plan (the "LTIP"). The main features of the plan are:

- all employees of the Company and its subsidiaries are eligible to participate in the LTIP. The Remuneration Committee selects the employees to receive awards and determines the number of ordinary shares subject to a particular award;
- the grantee must pay at least the nominal value per share to receive the stock award;
- the Remuneration Committee determines the period of vesting for any given stock award. Vesting of any stock award is contingent on the fulfilment of challenging performance criteria set by the Committee. The Committee may accelerate the vesting or amend or relax performance conditions, to the extent that conditions which are amended or relaxed will be no more or less difficult to satisfy than when they were originally imposed;

Remuneration Committee report *continued*

- if a grantee terminates employment for any reason prior to vesting of all or a portion of a stock award, the unvested portion must be returned to the Company; and
- the LTIP automatically terminates 10 years from its effective date of 8 June 2007, unless terminated earlier by the Company or extended by the Company with the approval of the shareholders.

Pension contributions

Each of the executive directors is entitled to participate in the Plant Health Care, Inc. 401(k) Plan. This is a defined contribution pension 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;
- the Company contributes an amount up to 3% of compensation, at the discretion of the Board, for all employees eligible to participate;
- vesting of Company contributions is 33% after the first year of service, and 33% and 34% over the next two years of service, respectively; and
- the plan is subject to various statutory non-discrimination tests to ensure that it does not favour highly-compensated employees.

Post-employment health benefits

John Brady's service contract includes a benefit for payment of health benefits during his lifetime, unless he is terminated by the Company for cause, subject to limitations on the annual cost as set forth in the contract.

Elements of remuneration – non-executive directors

The remuneration for non-executive directors consists solely of fees for their services in connection with the Board and Board committees. The non-executive directors receive 50% of their fees in cash and 50% in the form of the Company's ordinary shares.

Service contracts

The Company has service contracts with all executive and non-executive directors. Certain of the non-executive directors contract via their personal service companies. Provisions in the service contracts include:

For executive directors:

- termination may be initiated by either party with a notice period of 12 months;
- if the Company terminates other than for cause, the individual is entitled to a payment equal to 12 months' base salary payment, plus payment for accrued but unused vacation, and *pro rata* cash bonus for the year to date (if targets are being met); and

Remuneration Committee report *continued*

- in the event of termination for cause, the individual would receive only base salary through the date of termination and accrued vacation pay. "For cause" includes fraud or felonious conduct; embezzlement or misappropriation of Company funds or property; refusal, misconduct in or disregard of the performance of the individual's duties and obligations; abandonment or voluntary resignation; death, retirement or permanent disability.

For non-executive directors:

- termination is on not less than one month's written notice; and
- directors may be terminated with immediate effect for serious breach or repeated or continued material breach of any obligations to the Company; any act of dishonest or serious misconduct or conduct which tends to bring the director or the Company into disrepute; or a declaration of bankruptcy.

In addition to the above, the Company's articles of association require that at least one-third of the directors retire by rotation at each annual general meeting. Such retiring directors are eligible for re-election.

Directors' remuneration

The amounts shown are the remuneration of the individual directors who served during the year. The amounts shown reflect compensation only for the period for which they served as directors.

	Base salary and fees $'000	Performance-related bonus $'000	Share-based payments $'000	Other benefits $'000	Total 2010 $'000	Total 2009 $'000
Executive:						
J Brady	338	33	7	50	428	665
S Weaver	218	14	97	37	366	479
Non-executive:						
D Koechlin*	73	—	—	—	73	58
S Wauchope	62	10	—	—	72	62
D Buckeridge	62	—	—	—	62	62
J Scudamore	62	—	—	—	62	62
A Fischer**	22	—	—	—	22	78
T Isler***	—	—	—	—	—	30
	837	57	104	87	1,085	1,496

* Appointed 30 January 2009
** Retired 15 April 2010
*** Retired 5 June 2009

Executive salaries

At 1 January 2009, John Brady had a base salary of $325,000 and bonus potential of $220,000. With effect from 1 March 2010, his salary was increased to $340,000. With effect from 1 January 2011, his bonus potential was increased from $220,000 to 100% of base salary.

Remuneration Committee report *continued*

At 1 January 2009, Stephen Weaver had a base salary of $210,000 and bonus potential of 45%. With effect from 1 March 2010, his salary was increased to $220,000. With effect from 1 January 2011, his bonus potential was increased from 45% to 70% of base salary.

In each case, the increases received by John Brady and Stephen Weaver reflected the exceptional contributions each was making to the development of the Group.

Share-based payments and other benefits
In 2010, the Company accrued a contribution to the 401(k) Plan of 2% (2009: 3%) of eligible compensation. In 2010, pension expense for the executive directors was $10,000 (2009: $14,000).

In 2010, post-employment health benefits for John Brady were $24,000 (2009: $47,000).

In 2010, the Company incurred $103,000 (2009: $251,000) of share-based payment expense.

In 2010, the Company incurred $20,000 (2009: $15,000) of car allowance expense.

In 2010, the Company incurred $34,000 (2009: $31,000) of medical, dental and life insurance expense.

Directors' share-based incentives

Movements in 2009
On 27 April 2009, with regard to 100,000 shares previously awarded to John Brady under the LTIP, the vesting of which was dependent upon the achievement of 2008 performance targets, 40,000 of such shares vested, the balance being forfeited. The share price at the close of the day on which the shares vested was 188p.

On 27 April 2009, with regard to 33,333 shares previously awarded to Steve Weaver under the LTIP, the vesting of which was dependent upon the achievement of 2008 performance targets, 23,000 of such shares were deemed earned, the balance being forfeited. The earned shares will vest between the date of approval of these financial statements and 23 May 2012.

On 5 June 2009, John Brady was awarded 85,000 ordinary shares under the LTIP. The stock award will vest, subject to certain performance and service conditions, between the announcement of the Company's final results for the year ended 31 December 2011 and 30 June 2012.

On 5 June 2009, Steve Weaver was awarded 58,333 ordinary shares under the LTIP. The stock award will vest, subject to certain performance and service conditions, between the announcement of the Company's final results for the year ended 31 December 2011 and 30 June 2012.

Movements in 2010
On 12 February 2010, with regard to 33,334 shares previously awarded to Steve Weaver under the LTIP, the vesting of which was dependent upon the achievement of 2009 performance targets, 18,832 of such shares were deemed earned, the balance being forfeited. The earned shares will vest between the date of approval of these financial statements and 23 May 2012.

Remuneration Committee report *continued*

On 11 March 2010, John Brady was awarded 58,000 ordinary shares under the LTIP. The stock award will vest, subject to certain performance conditions, between the announcement of the Company's final results for the year ended 31 December 2012 and 30 June 2013.

On 11 March 2010, Steve Weaver was awarded 55,000 ordinary shares under the LTIP. The stock award will vest, subject to certain performance conditions, between the announcement of the Company's final results for the year ended 31 December 2012 and 30 June 2013.

On 31 March 2010, with regard to 100,000 shares previously awarded to John Brady under the LTIP, the vesting of which was dependent upon the achievement of 2009 performance targets, 10,000 of such shares vested, the balance being forfeited. The share price at the close of the day on which the shares vested was 222p.

Further information related to shares issued to directors during the year is detailed in Note 8 to the financial statements.

Interests in share-based incentives

(a) *Options*

The interests of the directors in share options over the ordinary shares of the Company at 31 December 2010 are set out below:

	No of options	*Exercise price £*	*Expiry date*
J Brady	**175,000**	**0.37**	20 August 2011
	918,975	**0.37**	4 March 2014
	56,025	**0.71**	4 March 2014
	1,150,000		

(b) *Awards under the Long Term Incentive Plan*

The interests of the directors in share awards under the Long Term Incentive Plan at 31 December 2010 are set out below:

	No of shares	*Vesting dates*
J Brady	50,000	From announcement of 2010 results to 30 June 2011
	85,000	From announcement of 2011 results to 30 June 2012
	58,000	From announcement of 2012 results to 30 June 2013
S Weaver	66,832	From announcement of 2010 results to 23 May 2012
	33,333	From announcement of 2010 results to 30 June 2011
	58,333	From announcement of 2011 results to 30 June 2012
	55,000	From announcement of 2012 results to 30 June 2013

There were no movements in the above holdings from 1 January 2011 to the date of this report.

Other information

During the year, the Company's share price on AIM ranged between 58p and 239p. At 31 December 2010, the share price was 65.5p. At 17 February 2011, the last working day prior to the approval of this Annual Report, the share price was 59.5p.

PLANT HEALTH CARE plc

Report of the directors

FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their annual report together with the audited financial statements for the year ended 31 December 2010.

Results and dividends

The results of the Group for the year are set out on page 28 and show a loss for the year of $7,553,000 (2009: loss of $1,346,000).

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

Principal activities, review of business and future developments

Details of the Group's principal activities and a review of business and future developments are included in the Chairman's statement and Chief Executive's report on pages 3 to 8.

Directors

The directors of the Company at the end of the year and their beneficial interests in the ordinary share capital of the Company, options to purchase ordinary shares of the Company and LTIP share awards were as follows:

	At 31 December 2010			*At 1 January 2010*		
	Shares	***Options***	***LTIP***	*Shares*	*Options*	*LTIP*
D Koechlin	**157,484**	**—**	**—**	121,866	—	—
J Brady	**64,395**	**1,150,000**	**193,000**	54,395	1,150,000	235,000
S Weaver	**—**	**—**	**213,498**	—	—	173,000
S Wauchope	**89,426**	**—**	**—**	73,028	—	—
D Buckeridge	**88,552**	**—**	**—**	74,963	—	—
J Scudamore	**86,051**	**—**	**—**	47,462	—	—

Further details of the directors' share options and awards under the LTIP are shown in the Remuneration Committee report on pages 15 to 20.

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

Report of the directors *continued*

Substantial shareholders

On 17 February 2011, the Company had been notified of the following holdings representing in excess of 3% of the Company's ordinary shares:

Name	*Shares held*	*Percent of issued share capital**
Gartmore Investment Limited	6,393,152	12.08
Pictet Asset Management S.A.	5,350,508	10.11
Boulder River Capital Corporation	3,200,000	6.12
Henderson Global Investors Limited	2,763,493	5.24
Credit Suisse	2,727,290	5.21
Generation Investment Management LLP	2,355,000	5.26
Aviva plc and its subsidiaries	2,328,481	5.27
Branco Weiss	2,196,954	5.24
Universities Superannuation Scheme Limited	2,102,500	3.90
Funds managed by AXA SA for Framlington	1,804,463	4.02

* The percentages shown are based on the issued share capital at the date of notification.

Research and development

The Group continues to invest in research and development activities with an emphasis on the commercialisation of existing technologies, the formulation of products to meet specific customer needs and the development of new products based on the Company's Harpin technology.

Business review

For a discussion of the Group's 2010 performance, see the Chairman's statement and the Chief Executive's report on pages 3 to 8.

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 of these relate to Group financial performance and to the Group's progress in proving and exploiting its key natural technologies.

The KPI's for financial performance include revenue, gross profit and margin, and operating profit/(loss). These KPI's indicate the volume of work the Group has undertaken, as well as the efficiency and profitability with which this work has been delivered.

The KPI's for financial performance for the year ended 31 December 2010, with comparatives for the year ended 31 December 2009, are set out below:

	2010	*2009 As restated*
Revenue ($'000)	**$7,085**	$16,678
Gross profit ($'000)	**$3,589**	$11,097
Gross profit margin	**50.7%**	66.5%
Operating loss ($'000)	**($7,875)**	($1,828)

PLANT HEALTH CARE plc

Report of the directors *continued*

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

Principal risks and uncertainties

There are a number of potential risks and uncertainties which have been identified within the business which could have a material impact on the Group's longer-term performance. The key areas of risk identified by the Board are summarised below:

Liquidity risk

See Note 21(d) for the Group's consideration of liquidity risk.

Technology and commercialisation risk

There are technology and commercialisation risks associated with the Group's proprietary products and its partners. If the Group's key technologies do not perform as favourably as anticipated or are not received as well as forecasted in the marketplace, the Group's financial results would be adversely affected. To mitigate this risk, the Group has prioritised its strategic focus on a select group of partnerships and has worked closely with key partners and potential partners to continue to review, evaluate and develop its technologies to ensure continued innovation and commercial viability through research, field trials and consumer feedback.

Credit risk

Due to the difficult global economic conditions, the level of credit risk related to the Group's unsecured trade receivables has increased. Inability to collect on the Group's unsecured trade receivables would result in bad debt expense or legal costs which would adversely affect the Group's financial results. The Group has addressed this risk by utilising a formal credit policy, monitoring and restricting further shipments to customers with overdue payments, and holding monthly credit review meetings.

Group oversight

The Group is dependent on a small management team. The result is a risk that the departure of key members of the management team may result in the Group's inability to adequately perform against its strategic plan. This could adversely impact the Group's financial performance. To address this, the Group has an active Board of directors, which meets a minimum of 10 times each year to discuss all aspects of the Group's performance and strategy.

Financial instruments

The Group uses various financial instruments, including loans, equity, 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 Company's involvement in financial instruments is given in Note 21 to the financial statements.

Report of the directors *continued*

Charitable and political contributions

During the year, the Group made the following contributions:

	2010	*2009*
Charitable	**$2,000**	$1,000

Board meetings and attendance

The following table shows the attendance of directors at meetings of the Board and Audit and Remuneration Committees held during the 2010 financial year.

	Board	*Audit Committee*	*Remuneration Committee*
Number of meetings held	**11**	**3**	**5**
D Koechlin	**11**	**1**	—
J Brady	**11**	—	—
S Weaver	**11**	—	—
S Wauchope	**11**	**3**	—
D Buckeridge	**9**	**2**	**2**
J Scudamore	**10**	—	**5**
A Fischer*	**3**	—	**3**

* Retired 15 April 2010

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.

Annual general meeting

At the forthcoming annual general meeting of the Company, resolutions will be put forward to re-elect Samuel Wauchope and Stephen Weaver, who retire by rotation, and to re-appoint BDO LLP as auditor to the Company.

By Order of the Board

Andrew C. Wood FCIS
Company Secretary

18 February 2011

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 the Alternative Investment Market, and the rules of the Channel Islands Stock Exchange.

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 at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

Independent auditor's report

TO THE SHAREHOLDERS OF PLANT HEALTH CARE PLC

We have audited the financial statements of Plant Health Care plc for the year ended 31 December 2010 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flow, the Company balance sheet, 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 Auditing Practices Board's (APB'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 ASB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2010 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report *continued*

Matters on which we are required to report by exception

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.

Iain Henderson
(senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
55 Baker Street, London
United Kingdom

18 February 2011

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 2010

	Note	**2010 $'000**	*2009 $'000 As restated (Note 12)*
Revenue	4	**7,085**	16,678
Cost of sales		**(3,496)**	(5,581)
Gross profit		**3,589**	11,097
Distribution costs		**(3,133)**	(2,737)
Research and development expenses		**(2,166)**	(1,658)
Administrative expenses		**(6,165)**	(8,530)
Operating loss	5	**(7,875)**	(1,828)
Finance income	10	**239**	1,203
Finance expense	10	**(13)**	(54)
Loss before tax		**(7,649)**	(679)
Income tax expense	11	**(40)**	(85)
Net loss from continuing operations		**(7,689)**	(764)
Profit/(loss) of discontinued operations, net of tax	12	**136**	(582)
Loss for the year		**(7,553)**	(1,346)
Other comprehensive (loss)/income:			
Exchange difference on translation of foreign operations		**(152)**	95
Total comprehensive loss for the year		**(7,705)**	(1,251)
Net loss attributable to:			
Owners of the parent		**(7,559)**	(1,331)
Non-controlling interest		**6**	(15)
		(7,553)	(1,346)
Total comprehensive loss attributable to:			
Owners of the parent		**(7,711)**	(1,236)
Non-controlling interest		**6**	(15)
		(7,705)	(1,251)
Basic and diluted loss per share	13	**$(0.14)**	$(0.03)
Basic and diluted loss per share from continuing operations	13	**$(0.15)**	$(0.02)

The notes on pages 32 to 67 form part of these financial statements.

Consolidated statement of financial position

AT 31 DECEMBER 2010

	Note	**2010 $'000**	2009 $'000
Assets			
Non-current assets			
Intangible assets	14	**3,564**	4,045
Property, plant and equipment	15	**476**	688
Trade receivables	17	**123**	949
Total non-current assets		**4,163**	5,682
Current assets			
Inventories	16	**1,675**	1,599
Trade and other receivables	17	**7,581**	13,576
Investments	21	**4,982**	3,729
Cash and cash equivalents		**8,054**	12,171
Total current assets		**22,292**	31,075
Assets in disposal groups classified as held for sale	12	**1,949**	—
Total assets		**28,404**	36,757
Liabilities			
Current liabilities			
Trade and other payables	18	**2,615**	4,493
Borrowings	19	**42**	62
Provisions	20	**166**	278
Total current liabilities		**2,823**	4,833
Non-current liabilities			
Borrowings	19	**10**	59
Provisions	20	**141**	117
Total non-current liabilities		**151**	176
Liabilities directly associated with assets in disposal groups classified as held for sale	12	**560**	—
Total liabilities		**3,534**	5,009
Total net assets		**24,870**	31,748
Capital and reserves attributable to owners of the Company			
Share capital	23	**944**	940
Share premium	24	**50,270**	49,934
Reverse acquisition reserve	24	**10,548**	10,548
Share-based payment reserve	24	**2,329**	1,842
Foreign exchange reserve	24	**(593)**	(441)
Retained earnings	24	**(38,788)**	(31,229)
		24,710	31,594
Non-controlling interests	24	**160**	154
Total equity		**24,870**	31,748

The financial statements were approved and authorised for issue by the Board on 18 February 2011.

J Brady
Director

Registered No: 05116780 (England and Wales)

The notes on pages 32 to 67 form part of these financial statements.

Consolidated statement of changes in equity

AT 31 DECEMBER 2010

	Share capital $'000	*Share premium $'000*	*Reverse acquisition reserve $'000*	*Share-based payment reserve $'000*	*Foreign exchange reserve $'000*	*Retained earnings $'000*	*Total $'000*	*Non-controlling interests $'000*	*Total equity $'000*
Balance at 1 January 2009	821	34,102	10,548	1,220	(536)	(29,898)	**16,257**	169	**16,426**
Total comprehensive income	—	—	—	—	95	(1,331)	**(1,236)**	(15)	**(1,251)**
Shares issued	108	16,018	—	—	—	—	**16,126**	—	**16,126**
Share-based payments	—	—	—	622	—	—	**622**	—	**622**
Options and warrants exercised	11	510	—	—	—	—	**521**	—	**521**
Placement costs	—	(696)	—	—	—	—	**(696)**	—	**(696)**
Balance at 31 December 2009	940	49,934	10,548	1,842	(441)	(31,229)	**31,594**	154	**31,748**
Total comprehensive income	—	—	—	—	(152)	(7,559)	**(7,711)**	6	**(7,705)**
Shares issued	1	159	—	—	—	—	**160**	—	**160**
Share–based payments	—	—	—	487	—	—	**487**	—	**487**
Options exercised	3	177	—	—	—	—	**180**	—	**180**
Balance at 31 December 2010	944	50,270	10,548	2,329	(593)	(38,788)	**24,710**	160	**24,870**

The notes on pages 32 to 67 form part of these financial statements.

PLANT HEALTH CARE plc

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	*2010 $'000*	*2009 $'000 As restated (Note 12)*
Cash flows from operating activities			
Loss before tax		**(7,553)**	(1,346)
Adjustments for:			
Depreciation	15	**212**	222
Amortisation of intangibles	14	**244**	510
Impairment of intangibles	14	**272**	—
Share-based payment expense		**487**	622
Finance revenue	10	**(239)**	(1,203)
Finance costs	10	**13**	58
Loss on sale of property, plant and equipment		**—**	66
Income taxes expense		**40**	85
Decrease/(increase) in trade and other receivables		**5,225**	(6,244)
(Increase)/decrease in inventories		**(665)**	954
Decrease in trade and other payables		**(1,183)**	(927)
Decrease in provisions		**(88)**	(106)
Income taxes paid		**(93)**	(85)
Net cash used in operating activities		**(3,328)**	(7,394)
Investing activities			
Purchase of property, plant and equipment		**(143)**	(268)
Expenditure on externally-acquired intangible assets	14	**(175)**	(469)
Disposal of discontinued operations, net of cash	12	**223**	–
Finance revenue	10	**239**	1,203
Purchase of investments		**(5,291)**	(7,499)
Sale of investments		**4,038**	3,770
Net cash used in investing activities		**(1,109)**	(3,263)
Financing activities			
Interest paid	10	**(13)**	(58)
Issue of ordinary share capital		**160**	15,441
Exercise of options and warrants		**180**	510
Repayment of borrowings		**(69)**	(200)
Net cash provided by financing activities		**258**	15,693
Net (decrease)/increase in cash and cash equivalents		**(4,179)**	5,036
Effects of exchange rate changes on cash and cash equivalents		**62**	(117)
Cash and cash equivalents at beginning of period		**12,171**	7,252
Cash and cash equivalents at end of period		**8,054**	12,171

The notes on pages 32 to 67 form part of these financial statements.

Notes forming part of the Group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

1. General information

Plant Health Care plc ("the Company") is a public limited company incorporated in England. The address of its registered office is set out on page 2. 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 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.

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 (IASB) as adopted by the European Union and those parts of the Companies Act 2006 which apply to companies preparing their financial statements under IFRSs.

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.

Standards, amendments and interpretations to published standards effective in 2010 adopted by the Group

Amendments to IAS 27: Consolidated and Separate Financial Statements

This amendment affects in particular the treatment of non-wholly-owned subsidiaries. Transactions which increase or decrease the Group's interest in a subsidiary without altering control will no longer give rise to changes in the carrying value of the subsidiary's assets or liabilities (including its associated goodwill) and will not give rise to a gain or loss. Any difference between the consideration paid or received and the adjustment to the carrying value of the non-controlling interest will be recognised directly in equity. In addition, total comprehensive income must now be attributed to owners of the parent and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance. Previously, unfunded losses in such subsidiaries would be attributed entirely to the Group.

The amendment does not require the restatement of previous transactions and has had no effect on the current financial year.

None of the other standards or amendments effective from periods beginning 1 January 2010 have a material impact on the financial statements.

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 Company has decided not to adopt early.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Accounting policies *continued*

A summary of these standards and their probable impact on the Company is given at Note 28 to the financial statements.

Basis of consolidation

On 6 July 2004, Plant Health Care plc became the legal parent company of Plant Health Care, Inc. in a share-for-share transaction. The former shareholders of Plant Health Care, Inc. became the majority shareholders of Plant Health Care plc. Further, the continuing operations and executive management of Plant Health Care plc were those of Plant Health Care, Inc.

This combination was accounted for as a reverse acquisition with Plant Health Care, Inc., the legal acquiree, being treated as the acquirer. Under this method the assets and results of Plant Health Care plc were combined with the assets, liabilities and results of Plant Health Care, Inc. from the date of combination. There was no adjustment to the carrying values of the assets and liabilities in Plant Health Care, Inc. to reflect their fair value at the date of combination. No goodwill arose on this combination.

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

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.

Non-controlling interests

For business combinations completed on or after 1 January 2010, the Group has the choice, on a business combination by business combination basis, to initially recognise any non-controlling interest in the acquiree at either acquisition date fair value or, as was required prior to 1 January 2010, at the non-controlling interest's proportionate share of the acquiree's net assets. The Group has not elected to take the option to use fair value in acquisitions completed to date.

From 1 January 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the Group. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Accounting policies *continued*

Revenue

Revenue comprises sales of goods to external customers and revenues generated through the commercialisation of the Group's technology (fee income). Sales of goods to external customers are at invoiced amount less value added tax or local taxes on sales and are recognised at the point that the customer takes legal title to the goods sold. Fee income is recognised when the Company has no remaining obligations to perform under a non-cancellable contract which permits the user to act freely under the terms of the agreement.

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.

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.

Expenditures 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;
- 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.

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.

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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Accounting policies *continued*

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.

Foreign currency

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

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.

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Financial instruments

Trade receivables collectible within one year from 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 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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Accounting policies *continued*

Investments comprise short-term investments in notes and bonds having investment grade ratings. These assets are actively managed and evaluated by key management personnel on a fair value basis in accordance with a documented investment strategy. They 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.

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

Share-based payments issued to employees include share options and stock awards under a long-term incentive plan. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the date of grant is recognised as an expense with a corresponding increase in equity on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and be adjusted for the effect of non-market-based vesting conditions.

Leased assets

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 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.

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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Accounting policies *continued*

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:

Leasehold improvements	–	over the lesser of the asset's useful life or the length of the lease
Production machinery	–	10 – 20% per annum
Office equipment	–	20 – 33% per annum
Vehicles	–	20% per annum

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and all other costs of conversion.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet 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 jointly-controlled entities 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.

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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Accounting policies *continued*

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned, or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

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.

PLANT HEALTH CARE plc

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

3. Critical accounting estimates and judgments *continued*

Impairment of intangible assets (excluding goodwill)

At the end of the financial period, the Group reviews the carrying amounts of its 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.

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. More information on carrying values is included in Note 14.

Useful lives of intangible assets

Intangible assets are amortised over their useful lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue and are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to income in specific periods. More details on carrying values are included in Note 14.

Inventory

The Company 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 16.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

3. Critical accounting estimates and judgments *continued*

Receivables

The Company reviews the net recoverable value of its accounts receivable on a periodic basis to provide assurance that recorded accounts receivable are stated net of any required provision for impairment. Factors that could impact recoverability include the financial propriety of customers and related 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 gross balances and provisions made are included in Note 17.

Warranty claims

Prior to 1 January 2010, the Group offered a three-year warranty on certain of its products in the US. The cost of future warranty claims was estimated during the period the sales were made. As the warranty is no longer offered, no additional warranty accruals were recorded during the period. The potential for claims on prior year sales expires on 31 December 2012 and has been reserved for. The Group estimated the amount and cost of future warranty claims by using historical warranty claim information, as well as any recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include the successful growth rate of plant material to which the Group's product is applied and the cost of the plant material covered under the claim. More details on carrying values are disclosed in Note 20.

4. Revenue

Revenue arises from:

	2010 $'000	*2009 as restated $'000 (Note 12)*
Sale of goods	**6,389**	11,126
Fee income	**696**	5,552
	7,085	16,678

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

5. Operating loss

Operating loss is arrived at after charging:

	Note	**2010** **$'000**	2009 $'000
Share-based payment expense	6	**487**	622
Depreciation	15	**212**	222
Amortisation of intangibles	14	**244**	510
Impairment of intangibles	14	**272**	—
Operating lease expense		**528**	520
Loss on disposal of property, plant and equipment		**—**	66
Foreign exchange losses		**120**	—

	2010 **$'000**	2009 $'000
Auditor's remuneration:		
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**88**	89
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	**58**	83
Total auditor's remuneration	**146**	172

6. Staff costs

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

	2010 **$'000**	2009 $'000
Wages and salaries	**5,249**	6,203
Social security and payroll taxes	**450**	579
Defined contribution pension costs	**115**	205
Medical and other benefits	**405**	499
	6,219	7,486
Share-based payments expense	**487**	622
	6,706	8,108

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

	2010	2009
Administration	**31**	32
Distribution	**34**	38
Research and development	**5**	6
	70	76

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

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 are all 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 18.

	2010 $'000	*2009 $'000*
Base salary, fees and bonuses	**894**	1,134
Other short-term employee benefits	**53**	50
Share-based payments	**104**	251
Pensions and other post-retirement benefits	**34**	61
	1,085	1,496

The two executive directors who served during the year were eligible to participate in the Group's 401(k) retirement plan (2009: two).

For the highest-paid director information, refer to page 18.

8. Share-based payment

The Company operates two equity-settled share-based remuneration schemes for employees: a share option scheme and a long-term incentive stock award plan, as described in the "Elements of remuneration" section for executive directors within the Remuneration Committee report starting on page 15.

Valuation of the share options granted during the year ended 31 December 2010 was as follows:

	15 March	*15 April*	*15 September*	*15 October*
Share options granted	12,500	1,500	10,500	4,000
Weighted average fair value	139p	125p	76p	53p
Assumptions used in measuring fair value:				
Weighted average share price	225p	208p	121.75p	86.5p
Exercise price	225p	222.5p	111.85p	86p
Expected volatility	65%	65%	65%	65%
Option life (years)	10	10	10	10
Expected vesting period (years)	4.5	4.5	4.5	4.5
Expected dividend yield	Nil	Nil	Nil	Nil
Risk-free interest rate	2.85%	2.86%	1.94%	1.80%

PLANT HEALTH CARE plc

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

8. Share-based payment *continued*

Valuation of the share options granted during the year ended 31 December 2009 was as follows:

	15 April	*15 October*
Share options granted	28,000	19,500
Weighted average fair value	98p	167p
Assumptions used in measuring fair value:		
Weighted average share price	157.5p	269p
Exercise price	154p	254p
Expected volatility	65%	65%
Option life (years)	10	10
Expected vesting period (years)	4.5	4.5
Expected dividend yield	Nil	Nil
Risk-free interest rate	2.56%	2.65%

Valuation of the long-term incentive awards granted during the year ended 31 December 2010 was as follows:

	11 March
Shares awarded	388,000
Weighted average fair value	126p
Assumptions used in measuring fair value:	
Expected volatility	49%
Expected vesting period (years)	3
Expected dividend yield	Nil
Risk-free interest rate	2.92%

Valuation of the long-term incentive awards granted during the year ended 31 December 2009 was as follows:

	5 June
Shares awarded	518,333
Weighted average fair value	114p
Assumptions used in measuring fair value:	
Expected volatility	49%
Expected vesting period (years)	3
Expected dividend yield	Nil
Risk-free interest rate	2.95%

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

8. Share-based payment *continued*

For valuation of both the share options granted and LTIP shares awarded, in 2010 and 2009:

- The expected volatility was determined by reference to the historical share price of Plant Health Care plc for a three-year period;
- The expected vesting period reflects market-based performance conditions for these options and share awards; and
- Fair values were calculated using the binomial option pricing model.

9. Segment information

The segregation shown within the segment analysis below has been re-aligned to provide greater consistency with the manner in which management internally monitors and reports on the Group's performance. The Products segment includes the revenue and costs associated with the sale of all inventory items produced and sold by the Group. The Partnering segment includes the revenue and costs associated with all technology agreements pursued and entered into by the Group.

Refer to the Chairman's statement and the Chief Executive's report on pages 3 to 8 for more information on the segments of the business and to Note 21(i) for discussion related to the Group's credit risk management.

	Year ended 31 December 2010 $'000	*Year ended 31 December 2009 $'000*
Revenue		
Products	**13,680**	15,176
Partnering	**1,109**	9,112
Elimination of intra-Group revenue	**(1,653)**	(1,074)
	13,136	23,214
Discontinued operations	**(6,051)**	(6,536)
Consolidated revenue	**7,085**	16,678
Segment operating loss		
Products	**481**	(73)
Partnering	**(3,955)**	3,405
Elimination	**52**	(80)
Unallocated corporate expenses*	**(4,316)**	(5,657)
	(7,738)	(2,405)
Discontinued operations	**(137)**	577
Consolidated operating loss	**(7,875)**	(1,828)

* These expenses relate to public company expenses, such as directors' fees, legal fees, share-based payment expense and other corporate expenses.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

9. Segment information *continued*

External revenue by location of customer is as follows:

2010

	USA $'000	*Mexico $'000*	*Europe and other $'000*	*Total $'000*
Revenue				
External sales	1,502	2,431	3,152	7,085

2009

	USA $'000	*Mexico $'000*	*Europe and other $'000*	*Total $'000*
Revenue				
External sales	10,312	2,640	3,726	16,678

Other segment information:

2010

	Products $'000	*Partnering $'000*	*Unallocated/ Elimination* $'000*	*Held for sale $'000*	*Total $'000*
Segment assets	9,502	7,611	9,342	1,949	28,404
Segment liabilities	1,849	447	678	560	3,534
Capital expenditure	143	—	—	—	143
Non-cash expenses:					
Depreciation	174	—	23	15	212
Amortisation	27	217	—	—	244
Share-based payment	46	181	233	27	487

2009

	Products $'000	*Partnering $'000*	*Unallocated/ Elimination* $'000*	*Held for sale $'000*	*Total $'000*
Segment assets	12,789	9,808	14,160	—	36,757
Segment liabilities	3,616	253	1,140	—	5,009
Capital expenditure	249	—	19	—	268
Non-cash expenses:					
Depreciation	193	—	29	—	222
Amortisation	293	217	—	—	510
Share-based payment	105	213	304	—	622

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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

9. Segment information *continued*

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.

Unallocated assets and liabilities include assets and liabilities attributable to the general entity, including cash and short-term investments, property plant and equipment, income tax payable, borrowings and trade payables and accrued expenses.

All material non-current assets are located in the US.

10. Finance income and expense

	2010 $'000	*2009 $'000*
Finance income		
Interest on deposits and investments	**239**	249
Exchange rate gains	**—**	954
	239	1,203
Finance expense		
Finance leases	**9**	13
Notes payable	**4**	12
Unwinding of discount on provisions	**—**	29
Total interest expense	**13**	54

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

11. Tax expense

The tax expense is comprised of corporation tax and income tax on profits and was $40,000 (2009: $85,000).

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:

	2010 $'000	*2009 $'000*
Loss before tax – continuing operations	**(7,649)**	(679)
Profit/(loss) before tax – discontinued operations	**136**	(582)
	(7,513)	(1,261)
Expected tax credit based on the standard rate of corporation tax in the UK of 28% (2009: 28%)	**(2,104)**	(353)
Disallowable (income)/expenses	**(72)**	63
Utilisation of previously-unrecognised tax losses	**—**	(327)
Share-based payment expense per accounts	**136**	177
Share-based payment expense per tax returns	**(420)**	(184)
Losses in year not relieved against current tax	**2,065**	461
Amortisation of intangibles	**(36)**	(6)
Other temporary differences	**471**	254
Actual tax charge for the year	**40**	85

At 31 December 2010, the Group had a potential deferred tax asset of $15,005,000, which includes tax losses available to carry forward of $14,572,000 (being actual losses of $54,910,000) arising from historical losses incurred, anticipated tax relief on share-based payments of $213,000 and other timing differences of $220,000.

12. Discontinued operations

In May 2010, the Group sold the trade, assets and liabilities relating to its subsidiary, PHC Reclamation, Inc. In January 2011, it sold the trade and certain assets and liabilities of its US landscape and retail business. The results of these businesses for 2010 are shown under "Profit/(loss) of discontinued operations, net of tax" in the consolidated statement of comprehensive income. In accordance with IFRS 5, the comparatives for the year ended 31 December 2009 are restated to reflect the same treatment of these businesses.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

12. Discontinued operations *continued*

(a) PHC Reclamation: profit on disposal

In May 2010, the Group sold the trade and those assets and liabilities relating to its subsidiary, PHC Reclamation, Inc., for cash consideration of $225,000.

The post-tax loss on disposal of discontinued operations was determined as follows:

	2010 $'000
Cash received	**225**
Deferred consideration receivable	**160**
	385
Cash disposed of	**(82)**
Net assets disposed of (other than cash):	
Property, plant and equipment	**(79)**
Trade and other receivables	**(292)**
Trade and other payables and other financial liabilities	**68**
Profit on disposal of discontinued operations	**—**

During the year, $80,000 of the deferred consideration was received.

(b) US landscape and retail: assets and liabilities classified as held for sale

The following major classes of assets and liabilities related to the US landscape and retail business have been classified as held for sale in the consolidated statement of financial position as at 31 December 2010:

	Year ended 31 December 2010 $'000
Property, plant and equipment	**64**
Intangible assets	**140**
Trade and other receivables	**1,180**
Inventory	**565**
	1,949
Trade and other payables	**560**

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

12. Discontinued operations *continued*

Profit/(loss) on discontinued operations

(c) The profit/(loss) of both discontinued operations, net of tax, was determined as follows:

	Reclamation $'000	Landscape/retail business $'000	Total $'000
2010			
Revenue	414	5,637	6,051
Expense other than finance costs	(420)	(5,494)	(5,914)
Finance costs	(1)	—	(1)
Tax expense	—	—	—
	(7)	143	136
2009			
Revenue	1,306	5,230	6,536
Expense other than finance costs	(1,195)	(5,918)	(7,113)
Finance costs	(5)	—	(5)
Tax expense	—	—	—
	106	(688)	(582)

Earnings per share from discontinued operations

	2010 ***$***	*2009* *$*
Basic earnings/(loss) per share	**0.00**	(0.01)
Diluted earnings/(loss) per share	**0.00**	(0.01)

(d) Cash flows on discontinued operations

Cash flows attributable to operating, investing and financing activities of the above discontinued operations equal:

	Year ended 31 December 2010 $'000	*Year ended 31 December 2009 $'000*
Operating inflows	**71**	103
Investing inflows	**72**	30
Financing inflows	—	—

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

13. Loss per share

Basic loss per ordinary share has been calculated on the basis of the loss for the year of \$7,553,000 (2009: loss of \$1,346,000) and the weighted average number of shares in issue during the period of 52,800,972 (2009: 49,731,214). Basic loss per share from continuing operations has been calculated with a numerator of \$7,689,000 loss (2009: \$764,000) and basic earnings/(loss) per share from discontinued operations has been calculated with a numerator of \$136,000 (2009: \$582,000 loss). The weighted average number of shares used in the above calculation is the same as for total basic loss per ordinary share. Equity instruments of 3,683,998 (2009: 3,613,749), which includes share options and LTIPs as shown within Note 23, 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 continuing operations for the year.

14. Intangible assets

	Goodwill $'000	*Licenses and registrations $'000*	*Trade name and customer relationships $'000*	*Total $'000*
Cost				
Balance at 1 January 2009	1,620	2,837	159	4,616
Additions – externally acquired	—	469	—	469
Balance at 31 December 2009	1,620	3,306	159	5,085
Additions – externally acquired	—	175	—	175
Less disposal group classified as held for sale	—	(379)	—	(379)
Balance at 31 December 2010	1,620	3,102	159	4,881
Accumulated amortisation				
Balance at 1 January 2009	—	506	24	530
Amortisation charge for the year	—	506	4	510
Balance at 31 December 2009	—	1,012	28	1,040
Amortisation charge for the year	—	233	11	244
Impairment	—	152	120	272
Less disposal group classified as held for sale	—	(239)	—	(239)
Balance at 31 December 2010	—	1,158	159	1,317
Net book value				
At 31 December 2009	1,620	2,294	131	4,045
At 31 December 2010	1,620	1,944	—	3,564

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

14. Intangible assets *continued*

The intangible asset balances have been tested for impairment using discounted budgeted cash flows, a pre-tax discount rate of 18% and performance projections over five years with residual growth assumed at 2%.

Goodwill

Goodwill comprises 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 Partnering 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.

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. During the year, certain registrations were deemed to be impaired and were fully written down, including an impairment charge of $152,000. This was due to the sale of the US landscape and retail business as discussed in Note 12. The entire remaining value associated with licenses and registrations has been allocated to the Group's Partnering segment.

Trade name and customer relationships

These amounts represent the cost assigned to the trade names of products and customer lists acquired via the Eden acquisition. As the Group executes its strategy to develop the Partnering segment by entering into licensing deals, often with exclusivity clauses, with major industry players, the value associated with the product names and customer lists has been determined to be impaired and an impairment charge of $120,000 has been recorded.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

15. Property, plant and equipment

	Leasehold improvements $'000	*Production machinery $'000*	*Office equipment $'000*	*Vehicles $'000*	*Total $'000*
Cost					
Balance at 1 January 2009	37	627	589	442	1,695
Additions	1	—	94	173	268
Transfer of assets	—	(71)	71	—	—
Disposals	—	—	—	(146)	(146)
Balance at 31 December 2009	38	556	754	469	1,817
Additions	—	—	42	101	143
Disposals	—	—	(103)	(136)	(239)
Assets held for sale	—	(540)	—	—	(540)
Balance at 31 December 2010	38	16	693	434	1,181
Accumulated depreciation					
Balance at 1 January 2009	13	438	306	230	987
Depreciation charge for the year	4	36	96	86	222
Transfer of assets	—	(6)	6	—	—
Disposals	—	—	—	(80)	(80)
Balance at 31 December 2009	17	468	408	236	1,129
Depreciation charge for the year	4	19	107	82	212
Disposals	—	—	(55)	(105)	(160)
Assets held for sale	—	(476)	—	—	(476)
Balance at 31 December 2010	21	11	460	213	705
Net book value					
At 31 December 2009	21	88	346	233	688
At 31 December 2010	17	5	233	221	476

The net book value of property, plant and equipment includes an amount of $117,000 (2009: $172,000) in respect of assets held under finance leases. Depreciation expense includes an amount of $27,000 (2009: $39,000) in respect of assets held under finance leases.

All 2010 disposals relate to the disposal of the reclamation business (see Note 12).

PLANT HEALTH CARE plc

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

16. Inventories

	2010	2009
	$'000	$'000
Raw materials	**123**	317
Finished goods and goods for resale	**1,552**	1,282
	1,675	1,599

The write-down of inventory to net realisable value recognised as an expense during the year was $346,000 (2009: $46,000).

17. Trade and other receivables

	2010	2009
	$'000	$'000
Current:		
Trade receivables	**8,838**	14,493
Less: provision for impairment	**(1,560)**	(1,578)
Trade receivables, net	**7,278**	12,915
Other receivables and prepayments	**303**	661
Current trade and other receivables	**7,581**	13,576
Non-current:		
Trade receivables	**123**	949
Less: provision for impairment	**—**	—
Non-current trade and other receivables	**123**	949
	7,704	14,525

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:

	2010	2009
	$'000	$'000
Balance at the beginning of the year	**1,578**	805
Provided	**75**	799
Receivables written off as uncollectible	**(20)**	(26)
Reclassified as held for sale	**(73)**	—
Balance at the end of the year	**1,560**	1,578

The gross value of trade receivables for which a provision for impairment has been made is $3,139,000 (2009: $4,314,000).

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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

17. Trade and other receivables *continued*

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.

	2010 $'000	*2009 $'000*
Current	**3,557**	13,424
Past due:		
Up to 30 days	**169**	279
31 to 60 days	**3,709**	348
61 to 90 days	**52**	—
Greater than 90 days	**217**	474
Total	**7,704**	14,525

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

18. Trade and other payables

	2010 $'000	*2009 $'000*
Trade payables	**842**	1,368
Accruals	**1,616**	2,428
Deferred income	**39**	526
Taxation and social security	**118**	171
	2,615	4,493

19. Borrowings

(a) Current borrowings

	2010 $'000	*2009 $'000*
Notes payable	**22**	24
Finance leases	**20**	38
	42	62

PLANT HEALTH CARE plc

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

19. Borrowings *continued*

(b) Non-current borrowings

	2010 $'000	2009 $'000
Notes payable	—	27
Finance leases	**10**	32
	10	59

Notes payable are unsecured.

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:

	Trade and other payables		*Notes payable*		*Finance leases*	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
In less than one year	**2,615**	4,551	**30**	28	**24**	38
In more than one year, but less than two years	—	—	—	28	**10**	22
In more than two years, but less than five years	—	—	—	—	—	10
	2,615	4,551	**30**	56	**34**	70

20. Provisions

	Warranty $'000	Post-employment insurance benefits $'000	Total $'000
Balance at 1 January 2010	278	117	395
Provided	—	24	24
Utilised in year	(112)	—	(112)
Balance at 31 December 2010	166	141	307
Due within one year or less	166	—	166
Due after more than one year	—	141	141
	166	141	307

Warranty claims are expected to be paid out over the remaining two years of the warranty period.

Post-employment insurance benefits relate to one employee and are payable upon termination of employment, unless termination is for cause, and continue for the employee's lifetime.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

21. 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 retained earnings as disclosed in Notes 23 and 24.

(b) Categories of financial assets and financial liabilities

	Fair value through profit or loss		*Loans and receivables*	
	2010 $'000	*2009 $'000*	***2010 $'000***	*2009 $'000*
Financial assets				
Trade and other receivables	—	—	**7,704**	14,525
Investments	**4,982**	3,729	—	—
Cash and cash equivalents	—	—	**8,054**	12,171
	4,982	3,729	**15,758**	26,696

	Financial liabilities measured at amortised cost	
	2010 $'000	*2009 $'000*
Financial liabilities		
Trade and other payables	**2,615**	4,493
Borrowings due within one year	**42**	62
Borrowings due after one year	**10**	59
	2,667	4,614

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 2010

21. Financial instruments *continued*

(c) Investments

Security type	*Moody's rating*	*Face value ($'000)*	*Coupon rate*	*Maturity date*	*2010 Value ($'000)*
Government	AAA	1,900	0.4% – 3.0%	31/3/11 – 30/11/13	1,918
Corporate*	>Aa3	1,666	0.2% – 5.4%	5/5/11 – 15/9/15	1,680
Corporate*	A1 – A3	775	0.4% – 6.4%	15/1/11 – 20/5/14	803
Corporate*	Baa1 – Baa2	200	0.4% – 3.0%	1/3/11 – 13/6/13	206
Corporate**	Unrated	124	0.9% – 1.2%	15/9/11 – 15/3/13	124
Other	>AA1	250	0.5% – 1.8%	28/11/11 – 15/9/14	251
		4,915			4,982

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

** Unrated securities are subjected to the credit and quality review of the investment adviser prior to inclusion within the portfolio.

The above instruments are Level 1 in the IFRS 7 fair value measurements hierarchy.

The Group limits its investments into 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. As the Group does not currently generate sufficient cash from its operations to meet its annual funding needs, it may be required to seek additional cash from its shareholders or lenders to fund its operations. Further, while the Group does not expect to need to raise capital in the foreseeable future, the current economic environment may result in an increased challenge related to the raising of additional capital.

(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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

21. Financial instruments *continued*

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

	Assets		*Liabilities*	
	2010 $'000	*2009 $'000*	***2010 $'000***	*2009 $'000*
Euro	**1,352**	1,298	**215**	242
Pound	**897**	3,092	**98**	958
Peso	**1,317**	1,028	**337**	400

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. 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 on a variable rate of interest.

The Group's borrowings comprise notes payable and finance leases, which are at fixed rates or are non-interest bearing.

The Group does not utilise any hedging instruments to address interest rate risk. The Group believes that the discount rate utilised to determine the present value of the notes materially represents the market interest rate.

(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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

21. Financial instruments *continued*

(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 upon 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. During 2009, the Group had one customer, Monsanto, within its Partnering segment, which was responsible for approximately 40% of the Group's 2009 total sales. The trade receivable for Monsanto was current at the end of 2009 and represented approximately 49% of the Group's total gross trade receivable balance. During 2010, there was no dependence on any one customer or any customer representing more than 10% of the Group's total sales, including sales made by discontinued operations. The Monsanto receivable at the end of 2010 was $4.7 million, representing 47% of the Group's total gross receivables, of which $2.1 million has been subsequently collected prior to the issuance of this report. The remaining balance is considered current.

Further details on trade receivables, including analysis of bad debts and ageing, are given in Note 17.

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.

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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

22. Subsidiary undertakings

The following were subsidiary undertakings of the Company at 31 December 2010.

Name	*Country of incorporation or registration*	*Proportion of voting rights and ordinary share capital held*	*Nature of business*
Plant Health Care, Inc.	USA (Nevada)	100%	Holding company
Plant Health Care, Inc.***	USA (Pennsylvania)	100%*	Manufacturing and sales
PHC Reclamation, Inc.**	USA (Nevada)	100%*	Non-trading
Plant Health Care de Mexico S. de R.L. de C.V.	Mexico	80%*	Sales
Plant Health Care (UK) Limited	United Kingdom	100%*	Sales
Plant Health Care BV	Netherlands	100%*	Sales
Plant Health Care España	Spain	100%*	Sales
VAMTech, LLC	USA (Delaware)	100%*	Manufacturing

* Held indirectly.

** In May 2010, the Group sold the trade and those assets and liabilities relating to this subsidiary.

*** Subsequent to the year end, in January 2011, the Group sold the trade and those assets and liabilities relating to this subsidiary.

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

23. Share capital

(a) Authorised and issued share capital

	2010 **$'000**	2009 $'000
Authorised share capital: 500,000,000 ordinary shares at £0.01 each	**8,984**	8,984
Allotted, called up and fully-paid share capital: 52,922,782 (2009: 52,648,993) ordinary shares at £0.01 each	**944**	940

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

23. Share capital *continued*

(b) Movement in share capital

The movements in issued share capital are as follows:

	Ordinary shares of Plant Health Care plc	
	Number	*$'000*
In issue at 1 January 2009	**44,858,991**	821
Placement of shares	**7,000,000**	106
Shares issued for services received	**51,048**	1
Share options exercised	**507,250**	8
LTIP awards vested	**40,000**	1
Shares issued as a signing bonus	**15,000**	—
Warrants exercised	**176,704**	3
In issue at 31 December 2009	**52,648,993**	940
Shares issued for services received	**66,041**	1
Share options exercised	**197,748**	3
LTIP awards vested	**10,000**	—
In issue at 31 December 2010	**52,922,782**	944
Share options exercised	**37,500**	1
In issue at the date of this report	**52,960,282**	945

During the year ended 31 December 2009, the following fully-paid 1p ordinary shares in the Company were issued:

i. 7,000,000 new ordinary shares with an aggregate value of $15,214 were issued pursuant to an equity placing at £1.50 per share.

ii. 176,704 shares with an aggregate value of $151,000 were issued for the exercise of share warrants at an exercise price of 52p per share.

iii. 51,048 shares with an aggregate value of $157,000 were issued to certain non-executive directors in lieu of cash payments for fees.

iv. 507,250 shares with an aggregate value of $370,000 were issued for the exercise of share options at exercise prices ranging from 37p per share to 127.5p per share.

v. 40,000 shares with an aggregate value of $574 were issued for the vesting of LTIPs.

vi. 15,000 shares with an aggregate value of $248 were issued as a signing bonus.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

23. Share capital *continued*

During the year ended 31 December 2010, the following fully-paid 1p ordinary shares in the Company were issued:

i. 66,041 shares with an aggregate value of $160,000 were issued to certain non-executive directors in lieu of cash payments for fees.

ii. 197,748 shares with an aggregate value of $181,000 were issued for the exercise of share options at exercise prices ranging from 37p per share to 122.5p per share.

iii. 10,000 shares with an aggregate value of $152 were issued for the vesting of LTIP shares.

During the period 1 January 2011 to the date of this report, the following additional shares of 1p each were issued.

i. 37,500 shares with an aggregate value of $22,000 were issued for the exercise of share options at an exercise price of 37p per share.

(c) Other equity instruments

The Company had the following other equity instruments in issue at 31 December 2010:

	2010	*2009*
	No	*No*
Share options	**2,577,500**	2,780,748
Share awards under the Long Term Incentive Plan	**1,106,498**	833,000
	3,683,998	3,613,748

(d) Share options

The Company issues share options to certain employees under the Plant Health Care plc Unapproved Share Option Scheme 2004. 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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

23. Share capital *continued*

The movements on share options are as follows:

	Options over ordinary shares			*Weighted average exercise price*
	Directors	*Other*	*Total*	*price*
Outstanding at 1 January 2009	1,577,500	1,685,998	3,263,498	83p
Awarded	—	47,500	47,500	195p
Exercised	—	(507,250)	(507,250)	46p
Forfeited	—	(23,000)	(23,000)	314p
Retirement of director	(202,500)	202,500	—	47p
Outstanding at 31 December 2009	1,375,000	1,405,748	2,780,748	90p
Awarded	—	28,500	28,500	166p
Exercised	—	(197,748)	(197,748)	59p
Forfeited	—	(34,000)	(34,000)	281p
Retirement of director	(225,000)	225,000	—	49p
Outstanding at 31 December 2010	1,150,000	1,427,500	2,577,500	91p

Of the total number of options outstanding at 31 December 2010, 2,194,500 (2009: 2,217,248) had vested and were exercisable. The weighted average exercise price was 59p (2009: 46p).

The weighted average share price at the dates of exercise for the share options exercised during 2010 was 188p (2009: 186p).

The options outstanding at 31 December 2010 have a weighted average remaining life of 3.8 years (2009: 4.8 years) and the range of exercise prices is 37p to 325p (2009: 37p to 325p).

From 1 January 2011 to the date of this report, 37,500 share options have been exercised.

From 1 January 2011 to the date of this report, 50,500 share options have been forfeited.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

23. Share capital *continued*

(e) Share awards under long-term incentive plan

The Company awards shares to certain employees under the Plant Health Care plc 2007 Long Term Incentive Plan. Upon the vesting of these LTIPs, they are immediately exercised at an exercise price of 1p.

The movements on LTIP share awards are as follows:

		Share awards	
	Directors	*Other*	*Total*
Outstanding at 1 January 2009	375,000	50,000	425,000
Awarded	143,333	375,000	518,333
Vested	(40,000)	—	(40,000)
Forfeited	(70,333)	—	(70,333)
Outstanding at 31 December 2009	408,000	425,000	833,000
Awarded	113,000	275,000	388,000
Vested	(10,000)	—	(10,000)
Forfeited	(104,502)	—	(104,502)
Outstanding at 31 December 2010	406,498	700,000	1,106,498

The share awards granted vest, subject to certain performance and service conditions, over the period from the date of approval of these financial statements to 30 June 2013.

The share price at the date of vesting of LTIPs during 2010 was 222p (2009: 188p).

The LTIPs outstanding at 31 December 2010 have a weighted average remaining life of 1.72 years (2009: 2.09 years).

From 1 January 2011 to the date of this report, 230,000 LTIPs have been forfeited.

24. Reserves

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

Reserve	*Description and purpose*
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Reverse acquisition reserve	Reserve recognised in the share-for-share exchange transaction accounted for as a reverse acquisition by the Group.
Share-based payment reserve	Cumulative net cost of equity-settled share-based payment transactions.
Foreign exchange reserve	Gains/losses on retranslating the net assets of overseas operations.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.
Non-controlling interest	Cumulative net profit or loss attributable to minority shareholders.

PLANT HEALTH CARE plc

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

25. 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 substantially all US employees. In 2010, the Group's pension expense under the scheme was $79,000 (2009: $132,000). Mexico has a government-run pension plan to which our operations there must contribute. In 2010, the expense for this plan was $36,000 (2009: $73,000).

26. Leases

Finance leases

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

Future lease payments are due as follows:

2010	*Minimum lease payments $'000*	*Interest $'000*	*Present value $'000*
Not later than one year	24	3	20
Later than one year and not later than five years	10	1	10
	34	4	30
2009			
Not later than one year	44	6	38
Later than one year and not later than five years	36	4	32
	80	10	70

Operating leases

The Group leases all of its properties, as well as office equipment and vehicles. 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. Vehicle operating leases are for a fixed term with a fair value buy-out option at the end of the lease term.

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

	2010 $'000	*2009 $'000*
Not later than one year	**440**	400
Later than one year and not later than five years	**1,176**	1,088
	1,616	1,488

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

27. Subsequent events

On 14 January 2011, the Group announced that it had completed the disposal of its US landscape and retail business to Lebanon Seaboard Corporation, Pennsylvania, for a cash consideration of approximately $4.65 million. As a result of the disposal, the Group realised a net profit of approximately $2.2 million after reorganisation costs and transaction expenses of approximately $1.1 million. This net profit will be included within the 2011 financial results.

	$'000
Cash received	4,250
Deferred consideration receivable	400
Total consideration	4,650
Net assets disposed of:	
Property, plant and equipment	(64)
Inventory	(555)
Trade receivables	(1,135)
Intangible assets	(140)
Trade payables	563
	(1,331)
Reorganisation costs and transaction expenses	(1,109)
Pre-tax profit on disposal of discontinued operations	2,210

The reorganisation costs comprise severance costs of approximately $647,000 and costs related to the shut-down of the manufacturing facilities following the above sale of $156,000. Transaction expenses comprise consulting and legal costs of $306,000.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 and which the Group has decided not to adopt early.

Those likely to affect the Group include:

- Revised IAS 24 Related Party Disclosures (Revision to IAS 24) (Effective for periods beginning on or after 1 January 2011). This revision is yet to be endorsed by the EU. The revision concerns the previous disclosure and the definition of a related party. Management are still assessing the impact of this revision.

- IFRS 9 Financial Instruments (Replacement of IAS 39) (Effective for periods beginning on or after 1 January 2013). This revision is yet to be endorsed by the EU. This standard will eventually replace IAS 39 in its entirety. Management are still assessing the impact of this revision.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

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

- Classification of Rights Issues (Amendment to IAS 32) (Effective for periods beginning on or after 1 February 2010). This amendment is yet to be endorsed by the EU. The amendment addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. The amendment requires that, provided the entity offers the rights to all of its existing owners of the same class of its own non-derivative equity instruments, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. Management are still assessing the impact of this amendment.

No other standards or amendments are considered likely to have an effect on the financial statements going forward.

Company balance sheet

AT 31 DECEMBER 2010

	Note	**2010 $'000**	2009 $'000
Fixed assets			
Fixed asset investments	33	**54,830**	55,199
Current assets			
Debtors	35	**16**	78
Cash at bank and in hand		**1,498**	2,057
		1,514	2,135
Creditors: amounts falling due within one year	36	**153**	548
Net current assets		**1,361**	1,587
Provision for liabilities	37	**141**	117
Net assets		**56,050**	56,669
Capital and reserves			
Called-up share capital	23	**944**	940
Share premium	39	**50,270**	49,934
Reverse acquisition reserve	39	**14,455**	14,455
Share-based payment reserve	39	**2,029**	1,542
Retained earnings	39	**(11,648)**	(10,202)
Shareholders' funds		**56,050**	56,669

The financial statements were approved and authorised for issue by the Board on 18 February 2011.

J Brady
Director

Registered No: 05116780 (England and Wales)

The notes on pages 69 to 72 form part of these financial statements.

PLANT HEALTH CARE plc

Notes forming part of the Company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

29. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with the applicable United Kingdom Accounting Standards. The principal accounting policies, which have been applied consistently, are set out below.

Investments

Fixed asset investments comprise investments by the Company in the shares of subsidiary undertakings and loans to Group undertakings. They are stated at cost less any provision where, in the opinion of the directors, there has been impairment.

Share-based payments

Share options and share awards under the Long Term Incentive Plan are classified as equity-settled share-based payments and, as such, are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the date of grant is recognised as an expense with a corresponding increase in equity on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and be adjusted for the effect of non-market-based vesting conditions. Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received. The fair value of equity instruments is calculated using the binomial option pricing model.

The Company grants share options and shares under its long-term incentive plan 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 reserves.

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.

30. 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. The Group loss for the year includes a loss after tax of $1,446,000 (2009: loss of $1,706,000), which is dealt with in the financial statements of the parent company.

31. Share-based payment

See Note 23 of the Group financial statements.

Notes forming part of the Company financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

32. Directors' remuneration

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

33. Fixed asset investments

	Shares in Group undertakings $'000	*Loans to Group undertakings $'000*	*Total $'000*
Cost			
At 1 January 2009	15,825	21,314	37,139
Additions	371	17,689	18,060
At 31 December 2009	16,196	39,003	55,199
Additions	384	—	384
Net repayments	—	(753)	(753)
At 31 December 2010	16,580	38,250	54,830

Additions relate to the portion of the share-based payment charge relating to those options and LTIPs issued to employees of subsidiary companies.

34. Subsidiary undertakings

The subsidiary undertakings of the Company are disclosed in Note 22 of the Group financial statements.

35. Debtors

	2010 $'000	*2009 $'000*
Prepayments	**16**	78

All amounts fall due within one year.

36. Creditors

	2010 $'000	*2009 $'000*
Trade creditors	**58**	16
Accruals	**95**	532
	153	548

Notes forming part of the Company financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

37. Provision

	Post-employment insurance benefits $'000
Balance at 1 January 2010	117
Provided	24
Balance at 31 December 2010	141
Due after more than one year	141

The provision relates to post-employment insurance benefits for one employee and are payable upon termination of employment, unless termination is for cause, and continue for the employee's lifetime.

38. Share capital

The share capital of the Company is disclosed in Note 23 of the Group financial statements.

39. Reserves

	Share premium $'000	*Reverse acquisition reserve $'000*	*Share-based payment reserve $'000*	*Retained earnings $'000*
Balance at 1 January 2009	34,102	14,455	920	(8,496)
Shares issued or exchanged	16,018	—	—	—
Share-based payments	—	—	622	—
Options and warrants exercised	510	—	—	—
Placement costs	(696)	—	—	—
Loss in the year	—	—	—	(1,706)
Balance at 31 December 2009	49,934	14,455	1,542	(10,202)
Shares issued	159	—	—	—
Share-based payments	—	—	487	—
Exercise of share options	177	—	—	—
Loss in the year	—	—	—	(1,446)
Balance at 31 December 2010	50,270	14,455	2,029	(11,648)

PLANT HEALTH CARE plc

Notes forming part of the Company financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2010

40. Company reconciliation of movements in shareholders' funds

	2010 $'000	*2009 $'000*
Total recognised loss relating to the year	**(1,446)**	(1,706)
Shares issued	**160**	16,127
Exercise of share options	**180**	520
Share-based payment charge	**487**	622
Placement costs	**—**	(696)
Net (decrease)/increase in shareholders' funds	**(619)**	14,867
Opening shareholders' funds	**56,669**	41,802
Closing shareholders' funds	**56,050**	56,669

Produced by Portman Lodge Limited

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