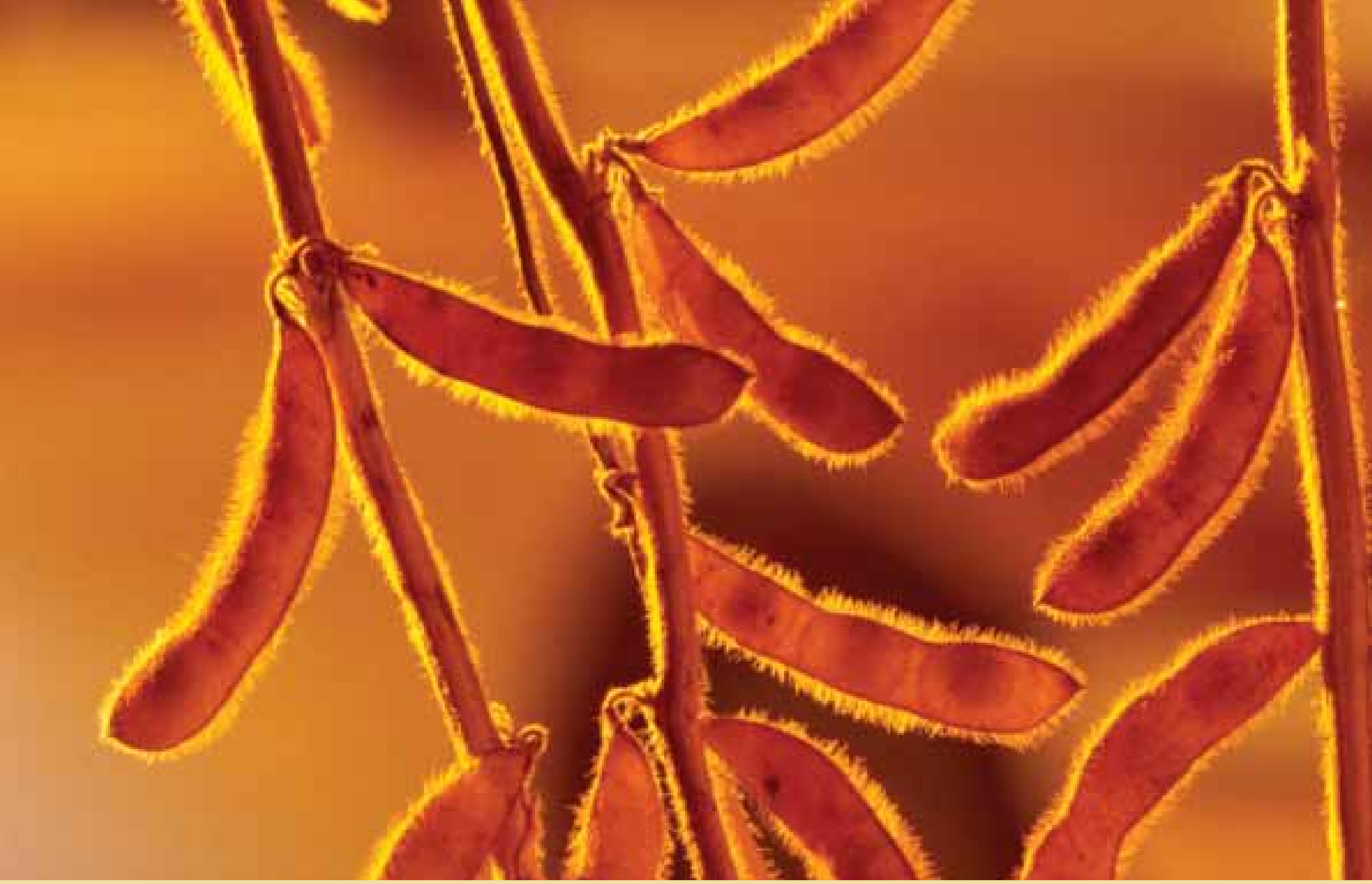

PLANT HEALTH CARE plc

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2009

Contents

Plant Heath Care was established in 1995 in Pittsburgh (Pennsylvania) in the United States. Its products are aimed at the agriculture and commercial landscaping industries, through both direct sales and 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 advisors

Directors	Dr. Albert Fischer	*Non-executive Chairman*
	John Brady	*Chief Executive*
	Stephen Weaver	*Finance Director*
	Samuel Wauchope	*Senior Independent Director*
	Dr. David Buckeridge	*Non-executive*
	Dr. Dominik Koechlin	*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 Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0GA	
Broker and Nominated Advisor	Evolution Securities Limited 100 Wood Street London EC2V 7AN	

Trademarks:
Myconate, Harpin, N-Hibit, PreTect and VAMTech 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 trademark rights are acknowledged.

Chairman's statement

Overview

2009 saw Plant Heath Care make significant strategic and financial progress, despite the difficult economic environment. In particular, our long-term contractual relationship with Monsanto Company ("Monsanto") generated its first significant revenues as Monsanto purchased supplies of our Harpin product ahead of the 2010 launch of its seed treatment package, Acceleron for use on soybeans in the United States. Harpin is a key component of Acceleron.

The sales under this contract helped the Company generate its first ever profitable half year and reduce significantly the overall loss for the full year. Further, discussions with potential partners for both Harpin, on other crops and by other application methods, and our Myconate technology are making good progress. We are in a strong cash position; our successful capital raising of £10.5 million in May contributing toward a year-end balance on cash and short-term investments of $15.9 million.

Financial results

Group sales for the period were $23.2 million (2008: $19.9 million), driven by our Harpin revenues which more than compensated for the effects of the recession that were felt right across our traditional business. Our gross profit margin grew from 53.6% to 54.4%, despite the decrease in the margins on products as a result of the adverse economic climate.

Operating expenses were $15.0 million (2008: $14.7 million). An exchange gain of $1 million, as we transferred sterling receipts from our capital raising into US dollars, helped reduce the loss before tax to $1.3 million (2008: loss of $4.2 million). A more detailed commentary on the financial results is provided in the Chief Executive's report.

Strategy

We continue to focus on our sustainable, naturally-derived technologies and products delivering yield enhancement and plant health protection to growers. Our most effective route to market will normally be through collaborative partnerships with some of the largest agrichemical and seed companies in the world. In certain niche areas we will also work with mid-market specialist partners and, where crops or plants cover smaller acreage, we may choose to access markets directly.

Demand for yield-enhancing products is as strong as it has ever been and is expected to continue to grow apace. For Plant Health Care, this demand is evidenced by the level of interest being shown by prospective partners in our two key technologies, Harpin and Myconate. Throughout the year, our team has worked closely with a number of these parties, testing the technologies both as a foliar spray and in combination with their existing products, most of which are already well established. At the time of writing, we are in promising discussions with a number of parties in relation to new partnering agreements for both Harpin and Myconate and we expect to conclude additional agreements during the 2010 financial year.

During the year, we continued to invest in our IP-protected technologies in order to extend their reach in the marketplace by addressing new crops and by creating new application methods and formulations, and to prove their efficacy and value to the end customer through extensive trialling programmes. Much of this trialling activity is now done under commercial confidentiality agreements with prospective partners. In 2010, we will extend this investment programme to further develop our Harpin pipeline with the goal of bringing to market a new generation of products within the next 36 months to extend our market reach.

Chairman's statement *continued*

Dual listing

The Board has approved a proposal to apply to list Plant Health Care shares on the Channel Islands Stock Exchange, alongside our current listing on London's AIM market. This proposed dual listing of our shares on a regulated market will allow certain investors who do not have the authority to invest in AIM stocks to have access to our shares. Importantly, it will also bring the Company within the governance of the UK Takeover Panel.

Current trading and outlook

2009 was a year of both challenges and opportunities, but also a year of achievement. The economic conditions made trading more challenging for all, but the future of Plant Health Care's business is underpinned by the growing demand for food crops, which will continue to outstrip available acreage. There is a growing need and demand in the market for yield-enhancing and plant health protection products and, with Harpin being sold to growers in significant quantity for the first time, we believe that your Company is in a strong position to take advantage of that need and demand. Our priority is clear; we will translate our potential into financial success and take the necessary steps to becoming a globally significant plant health company.

Although it is early in the year and is therefore too soon to comment in detail on the revenue potential for 2010, your Board is confident that further partnering agreements will be entered into during the year. However, as previously indicated, as relationships with the Company's major customers have developed, it has become clear that, in the future, they will increasingly seek to align their purchasing of product more closely with its use. We are therefore being more cautious on sales in 2010 and beyond, anticipating that a percentage of sales to partners previously expected to fall in the year prior to the product use are now likely to fall into the year of use.

With all of the progress made during the past two years and the market forces supporting us, your Board has confidence in the Company's prospects for the years ahead.

This statement is my last as Chairman of Plant Health Care. After nine years in the role, I will retire from the Board at the conclusion of the forthcoming annual general meeting. I will be succeeded as Chairman by Dominik Koechlin, who joined our Board in January 2009 and who has already made a strong contribution to our deliberations over the past year.

It has been a privilege to serve as your Chairman. I believe that Plant Health Care has a very bright future. Going forward, the Company will continue to strive to achieve its potential and to create value for all stakeholders by becoming a market-leading supplier of natural products.

The performance of the business is a result of the quality and commitment of the executive team we have assembled, the hard work of all the Plant Health Care staff and the dedicated support from our advisors. I would like to take this opportunity to thank them all. Whilst my time with the Company will end in the spring of this year, I will remain an ardent supporter of Plant Health Care and I wish the team continued success in the years ahead.

Dr. Albert Fischer
Chairman

12 February 2010

Chief Executive's report

I am pleased to report another year of increased sales at Plant Health Care, alongside a positive operational performance. We achieved a number of important milestones during 2009, including our first ever six month period of profitable trading. We have also taken important steps towards our strategic goals by developing our relationships with our partners, in particular by achieving first significant sales of our Harpin product through our relationship with Monsanto.

Technology partnering

The exploitation of our technologies and products through partnerships is, without question, the key to generating transformational value for shareholders and I am delighted to report on a year which augurs well for 2010 and beyond.

Our naturally-derived technologies, Harpin and Myconate, have been on the radar of a number of established players in the market for the past few years. We are now seeing real traction, not least because our first partnering agreement to commercialise Harpin is exceeding all expectations.

Unlike in previous years, there are few field trials to report. Rather than conducting trials on an independent basis, the results of which were used to demonstrate the efficacy of our technologies, we now more commonly work with possible commercial partners. These parties include representatives from all of our stated target market segments; major agrichemical companies, seed companies and mid-market specialty companies. The results of our field trials are therefore subject to confidentiality agreements.

Harpin

In December 2008, we announced to the market that we had entered into an agreement with Monsanto for the commercialisation of our Harpin-based technology as a seed treatment in major row crops and vegetables. The initial order, placed in January 2009 by Monsanto, was to cover four to five million acres of soybeans. However, the order was subsequently increased twice to a level which, according to Monsanto, will enable deployment on approximately eight to ten million acres.

These 2009 purchases by Monsanto are to support their roll-out of Roundup Ready 2 Yield soybeans for 2010 planting in North America. Soybeans were planted on 76 million acres in North America this year, according to the United States Department of Agriculture, and consequently there is significant growth potential for use on this crop in North America alone. We are also working closely with Monsanto towards rolling-out Harpin in other markets and on the other crops covered by their contract over the next few years.

Whilst this first partnership agreement for Harpin is still in its infancy, prospects are very bright indeed. Monsanto is one of the world's largest seed companies and our agreement is not only an endorsement of the quality and potential of our technology, but provides the basis for significant additional applications.

In addition to Harpin's application as a seed treatment on the major row crops and vegetables, Plant Health Care is in discussions with a number of parties concerning the use of Harpin both on other crops, such as rice and alfalfa, and as a foliar spray in combination with herbicides and fungicides. These discussions relate to potential agreements of significant value and therefore take time to conclude, but your Board remains confident of announcing its second Harpin agreement during 2010.

Chief Executive's report *continued*

Myconate

Myconate is the second of our flagship technologies and its prospects also remain encouraging. This technology works by stimulating the colonisation of plant roots and, during 2009, our team ran large scale evaluation programmes on major row crops and cereals with a group of the largest agrichemical and seed companies. In addition to these collaborative trials, we continued to undertake independent field tests, with a particular focus on crops which are grown on smaller acreage. In February 2010, Plant Health Care announced the results of independent tests, conducted during the period under review, of Myconate and Harpin's application on sugar cane in Louisiana, USA. The results demonstrated that when Myconate and Harpin were applied, both separately and in combination, the boost in sugar production per acre was some 19-23%.

Interest since the trials has been reinforced and detailed discussions in relation to partnering agreements are ongoing. Post the period end, in February 2010, the Company received an order for Myconate from a major regional soybean seed company. This order followed a number of years of collaborative trials. Whilst this order will not have a material impact on earnings, it is an encouraging development and the latest validation of our Myconate technology.

We referred in September to our discussions concerning the termination of our agreement with Bayer CropScience. These discussions are ongoing.

Direct sales

Agriculture

In 2009, direct Harpin sales were $0.8 million. We are currently in a transitional phase in regard to such product sales, as we had to give up the right to direct sales of certain Harpin products as a condition of our partnering agreement with Monsanto. Looking ahead, the revenue from our existing agreement for Harpin and anticipated future partnership agreements is expected to exceed many times over the revenue that would have been possible for us by direct sales activity in the US agriculture market, at greater margin and with less operating expense required to support the business.

Outside of the USA, where our product and customer profiles are different, we saw a steady performance in Europe, where sales held up at $3.7 million, despite the difficult economic conditions. In Mexico, whilst sales were flat in local currency terms, they were hit hard by the devaluation of the peso and, in dollar terms, were down 18% at $2.6 million.

Horticulture and Turf

Sales within our Horticulture and Turf business in the USA are highly sensitive to the state of the United States housing market (both new builds and home improvements), the very weak performance of which is widely known. In consequence, our sales for the year were down 26% at $5.2 million as our distributors saw their own sales drop and reacted by de-stocking. As it is difficult to see any material improvement in the economic conditions, we are not expecting an improvement in this business in 2010, and continue to rein in costs until better times are seen.

Chief Executive's report *continued*

However, I am delighted to record that, in August 2009, we announced the expansion of our partnership with The Scotts Company. This expansion will see us supply Scotts, which is the world's leading retailer in the consumer lawn and garden industry, with a natural, biologically-enhanced fertiliser which is scheduled to be available to consumers in selected regional markets in 2010 and nationally in 2011.

Financials

Sales and gross margin

Group sales for the period were $23.2 million (2008: $19.9 million). Our gross margin was $12.6 million, 54.4% of revenue. This compares with 2008 when we generated a gross margin of $10.6 million (53.6%). Our sales of Harpin (whether direct or via our partnerships) generate a significantly greater gross margin than direct sales of other products, where the economic difficulties of 2009 led to some pricing and margin pressure.

Operating costs

Our total operating costs in 2009 were $15.0 million (2008: $14.7 million). The relatively flat total masks two significant changes: increased investment in the development, commercialisation and support activities associated with our partnering business, offset by reductions in costs associated with our direct sales activities, as we recognised the impact of the economic downturn on that aspect of our overall business.

Cash

In 2009, we absorbed $7.4 million (2008: $2.9 million) of cash in operations, largely as a result of the sales to Monsanto being very much in the final quarter of the year, and the licence fee associated with these sales being payable at the end of the contract year (i.e. payment of the licence fee in the second half of 2010 relates to sales made in the second half of 2009). Accordingly, year-end trade and other receivables have grown to $14.5 million (2008: $8.1 million). We anticipate the first year effect of this pattern to be exceptional, although, as our partnering business grows, we would expect to see some increase in accounts receivable.

In May 2009, in anticipation of this working capital requirement and of our plan to increase spending on product development, we raised some £10.5 million (before expenses) by placing 7.5 million new shares at a small discount to the then market price. This placing was well supported by our major shareholders.

At 31 December 2009, cash and short-term liquid investments totalled $15.9 million (2008: $7.3 million).

Chief Executive's report *continued*

Board and management

In recent years, we have added to the knowledge and skills of our team by bringing in new senior managers and I believe that we have a top quality executive team.

At the non-executive level, Albert Fischer will retire from his role as Chairman in 2010 and it is to him that I would like to pay particular tribute. Albert has made a significant contribution to our Company over the past nine years and has provided the executive team with the support needed to develop and grow our organisation. On behalf of the team at Plant Health Care, I would like to thank Albert and wish him well in his future endeavours. I look forward to working with Dominik Koechlin, who is replacing Albert, in taking the Company forward.

Outlook

The world we live in is changing and I believe that it will change more over the next 25 years than it has in many generations. The challenges that must be confronted revolve around food supplies, energy and water.

These challenges are already evident, with food riots in Africa, the Americas and Asia in recent years. A growing population and a swelling middle class in the emerging economies are combining to exert added pressure on food supplies.

With minimal growth in available farming acreage, technologies like Harpin and Myconate will form part of the solution. Our focus will be to ensure that Plant Health Care remains well positioned and that our existing and future partnering agreements see us deliver against our strategy of returning value to our shareholders by realising the potential of our naturally-derived, sustainable technologies.

John Brady
Chief Executive

12 February 2010

Directors

Dr. Albert Fischer (Non-executive Chairman) (52)
Dr. Fischer is a Dutch citizen and joined the Group as non-executive Chairman in 2001. In 2008, Dr. Fischer was appointed managing director of Yellow&Blue Investment Management B.V. to lead Yellow&Blue Clean Energy Investments, a Netherlands-based venture capital fund active in the clean energy world, founded by Nuon, a major energy provider in the Netherlands. Previously, he was managing partner and co-founder of Planet Capital, an independent advisory firm in clean energy technology. Before that, Dr. Fischer was a partner with Greenpartners and PYMWYMIC, an investment firm focused on businesses that integrate the values of a socially and environmentally sustainable society into their day-to-day business practices. Prior to that, Dr. Fischer served in various senior functions at Elsevier Science, a subsidiary of Reed Elsevier plc, one of the world's largest providers of scientific and technical information products.

Dr. Fischer is also a non-executive director of German company P21 GmbH.

Dr. Fischer will stand down as Chairman and director following the forthcoming annual general meeting. He will be replaced as Chairman by Dr. Dominik Koechlin (see page 10).

John Brady (Chief Executive) (55)
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) (56)
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.

Plant Health Care plc

Directors *continued*

Samuel Wauchope (Senior Independent Director) (58)
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 advisor to growth companies in the technology and cleantech sectors.

Mr. Wauchope is non-executive chairman of Evergreen Securities plc and a non-executive director of Progressive European Markets Limited and of Landover Wireless Inc. (USA).

Dr. David Buckeridge (Non-executive Director) (50)
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 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 United States. In 1999, he was appointed as a main board director of AstraZeneca's seeds business and then CEO of Advanta, then the largest independent agronomic seeds business in the world.

Dr. Buckeridge is non-executive chairman of Archimica Cooperatief U.A. (the Netherlands) and a non-executive director of Icicle Holdings Inc. (USA), Icicle Seafoods Inc. (USA), NLA FP Limited and Oxitec Limited.

Dr. Dominik Koechlin (Non-executive Director) (50)
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 and Clariant AG and of LGT Bank in Lichtenstein. He also serves as non-executive director of several private companies.

Dr. Koechlin will succeed Dr. Fischer as Chairman when the latter stands down as Chairman and director following the forthcoming annual general meeting.

Jeremy Scudamore (Non-executive Director) (62)
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 chief executive officer and chairman of the Avecia group. Previously chief executive officer 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 currently senior independent director of ARM Holdings plc, 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. Dominik Koechlin is also a member, having replaced Thomas Isler following the latter's retirement from the Board at the 2009 annual general meeting. 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 Company'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 their remuneration, both for audit and non-audit work. It also discusses the nature and scope of the audit with the auditor.

Remuneration Committee

The Remuneration Committee is chaired by Dominik Koechlin, having replaced Thomas Isler following the latter's retirement from the Board at the 2009 annual general meeting. The other current members are Albert Fischer and Jeremy Scudamore. Mr. Scudamore joined the Committee on 5 June 2009. Mr. Wauchope was a member of the Committee between 1 January 2009 and 5 June 2009. 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 16 to 22.

Corporate governance statement

In June 2008, the Financial Reporting Council published a revised Combined Code on Corporate Governance ("the Combined Code").

Plant Health Care plc has taken note of the 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.

Board composition

The Board currently comprises a non-executive chairman, two executive directors and four other non-executive directors.

The Board considers all of the non-executives to be independent in judgment and character, while acknowledging the following departure from the Combined Code's anticipated criteria for independence: while serving as a non-executive director of Plant Health Care, Inc., Albert Fischer was granted options for his services to that company. At flotation, these options were exchanged for options in Plant Health Care plc. The Company will not make any further awards of options to non-executive directors.

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 Company 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; major (over $1 million) bids by PHC Reclamation; 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. The Secretary 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.

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 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 performance of the Board and its committees was kept under review throughout the year. Drawing on the experience of the new intake of non-executive directors, Board and committee processes were subjected to continuous challenge and improvement. In addition to the role of the Chairman being re-appraised in the context of succession planning, the Chief Executive was the subject of a 360° performance review led by the Chairman. The non-executive directors also met without the presence of executive directors to discuss the general progress of the Company under the current leadership.

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 16 to 22. 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.

Corporate governance statement *continued*

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.

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.

The Company utilises an internal audit function. The Audit Committee of the Board is involved with the establishment of the scope and focus of the audit function and receives a report as to its findings as warranted and at each Audit Committee meeting.

Auditor independence

The Audit Committee has sole responsibility for assessing the independence of the external auditor, BDO LLP. The Committee has had due regard to the document published in May 2003 by the Institute of Chartered Accountants in England and Wales *Reviewing Auditor Independence: Guidance for Audit Committees*. Each year the Committee:

- seeks reassurance that the external auditor and their staff have no family, financial, employment, investment or business relationship with the Company. To this end, the Committee requires the external auditor and their associates to confirm this in writing, and detail the procedures which the auditor has carried out in order to make this confirmation;
- checks that all partners engaged in the audit process are rotated at least every five years;

Corporate governance statement *continued*

- assesses the likely impact on the auditor's independence and objectivity before awarding them any contract for additional services. It is Company policy to require Audit Committee approval for all non-audit services provided by the independent auditor; and
- has as a standing agenda item at each Audit Committee meeting, the consideration of auditor independence.

Remuneration Committee report

The Remuneration Committee is chaired by Dominik Koechlin and includes Albert Fischer and Jeremy Scudamore as members. 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 also 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. 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 2009, the directors had bonus potential of between 45% and 68% of their basic salaries; for 2010, the figures are between 45% and 65%. 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 of the Company's Board of directors 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 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. Prior to 1 January 2009, Sam Wauchope received 100% of his fees in cash.

Prior to the creation of Plant Health Care plc, the then non-executive directors participated in the Plant Health Care, Inc. Incentive Stock Option plans described above. Albert Fischer holds such options (now converted to options over shares in Plant Health Care plc). No options have been granted to non-executives since the formation of Plant Health Care plc and no further options will be granted to non-executives.

Remuneration Committee report *continued*

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
- 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.

Remuneration Committee report *continued*

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 2009 $'000	Total 2008 $'000
Executive:						
J Brady	**338**	**142**	**111**	**74**	**665**	885
S Weaver*	**218**	**84**	**140**	**37**	**479**	390
D Marx**	—	—	—	—	—	87
Non-executive:						
A Fischer	**78**	—	—	—	**78**	75
S Wauchope	**62**	—	—	—	**62**	64
D Buckeridge***	**62**	—	—	—	**62**	8
R Chanson**	—	—	—	—	—	28
T Isler*****	**30**	—	—	—	**30**	54
D Koechlin****	**58**	—	—	—	**58**	—
J Scudamore***	**62**	—	—	—	**62**	8
	908	**226**	**251**	**111**	**1,496**	1,599

* Appointed 28 March 2008
** Retired 6 June 2008
*** Appointed 30 October 2008
**** Appointed 30 January 2009
***** Retired 5 June 2009

Executive salaries

At 1 January 2008, John Brady had a base salary of $300,000 and bonus potential of $200,000. With effect from 1 April 2008 and 1 January 2010, his salary was increased to $325,000 and $340,000, respectively. With effect from 1 January 2009, John Brady's bonus potential was increased to $220,000.

Stephen Weaver joined the Board as Finance Director on 28 March 2008, at which date he had a base salary of $200,000 and annual bonus potential of 40% of base salary. With effect from 1 January 2009 and 1 January 2010, his salary was increased to $210,000 and $220,000, respectively. Further, effective 1 January 2009, his bonus potential was increased from 40% to 45% 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 Company.

Share-based payments and other benefits

In 2009, the Company accrued a contribution to the 401(k) Plan of 3% (2008: 3%) of eligible compensation. In 2009, pension expense for the executive directors was $14,000 (2008: $14,000).

Remuneration Committee report *continued*

In 2009, post-employment health benefits for John Brady were $47,000 (2008: $47,000).

In 2009, the Company incurred $251,000 (2008: $464,000) of share-based payment expense.

In 2009, the Company incurred $15,000 (2008: $18,000) of car allowance expense.

In 2009, the Company incurred $31,000 (2008: $30,000) of medical, dental and life insurance expense.

Directors' share-based incentives

Movements in 2008

On 1 April 2008, with regard to 100,000 shares previously awarded to John Brady under the LTIP, the vesting of which was dependent upon the achievement of 2007 performance targets, 20,000 of such shares vested, the balance being forfeited. The share price at the close of the day on which the shares vested was 275p.

On 1 April 2008, with regard to 100,000 shares previously awarded to Steve Weaver under the LTIP, the vesting of 33,333 of which shares was dependent upon the achievement of 2007 performance targets, 25,000 of such shares were deemed earned and will vest on 23 May 2010, the balance being forfeited. 66,667 of these shares can be earned based on the achievement of 2008 and 2009 performance targets.

On 1 April 2008, Steve Weaver was awarded 33,333 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 2010 and 30 June 2011.

On 12 May 2008, John Brady exercised 50,000 options at 37p. The share price at the close of the day on which the options were exercised was 341p.

On 16 June 2008, John Brady was awarded 50,000 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 2010 and 30 June 2011.

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 100,000 shares previously awarded to Steve Weaver under the LTIP, the vesting of 33,333 of which shares was dependent upon the achievement of 2008 performance targets, 23,000 of such shares were deemed earned and will vest on 23 May 2010, the balance being forfeited. 33,334 of these shares can be earned based on the achievement of 2009 performance targets.

Remuneration Committee report *continued*

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.

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 2009 are set out in the following table:

	No of options	*Exercise price £*	*Expiry date*
A Fischer	**37,500**	**0.37**	18 November 2011
	37,500	**0.37**	18 November 2012
	37,500	**0.37**	1 March 2014
	75,000	**0.74**	23 March 2014
	37,500	**0.37**	15 June 2014
J Brady	**175,000**	**0.37**	20 August 2011
	918,975	**0.37**	4 March 2014
	56,025	**0.71**	4 March 2014
	1,375,000		

(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 2009 are set out below:

	No of shares	*Vesting dates*
J Brady	100,000	From announcement of 2009 results to 31 March 2010
	50,000	From announcement of 2010 results to 30 June 2011
	85,000	From announcement of 2011 results to 30 June 2012
S Weaver	81,334	23 May 2010
	33,333	From announcement of 2010 results to 30 June 2011
	58,333	From announcement of 2011 results to 30 June 2012

There were no movements in the above holdings from 1 January 2010 to the date of this report.

Other information

During the year, the Company's share price on AIM ranged between 149p and 277p. At 31 December 2009, the share price was 211p. At 11 February 2010, the last working day prior to the approval of this Annual Report, the share price was 192p.

Report of the directors

FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their annual report together with the audited financial statements for the year ended 31 December 2009.

Results and dividends

The results of the Group for the year are set out on page 30 and show a loss for the year of $1,346,000 (2008: loss of $4,281,000).

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 the 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 2009			*At 1 January 2009*		
	Shares	***Options***	***LTIP***	*Shares*	*Options*	*LTIP*
A Fischer	**153,696**	**225,000**	—	133,036	225,000	-
J Brady	**54,395**	**1,150,000**	**235,000**	14,395	1,150,000	250,000
S Weaver	—	—	**173,000**	—	—	125,000
S Wauchope	**73,028**	—	—	52,232	—	—
D Buckeridge	**74,963**	—	—	—	—	—
D Koechlin *	**121,866**	—	—	—	—	—
J Scudamore	**47,462**	—	—	—	—	—

* Appointed 30 January 2009

Thomas Isler also served on the Board until his resignation on 5 June 2009.

Further details of the directors' share options and awards under the LTIP are shown in the Remuneration Committee report on pages 16 to 22.

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*

FOR THE YEAR ENDED 31 DECEMBER 2009

Substantial shareholders

On 12 February 2010, 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**
Pictet Asset Management S.A.	4,535,900	9.70
Boulder River Capital Corporation	3,200,000	6.12
Aviva plc and its subsidiaries	2,328,481	5.27
Generation Investment Management LLP	2,355,000	5.26
Branco Weiss	2,196,954	5.24
Credit Suisse	2,727,290	5.21
Gartmore Investment Limited	2,660,652	5.08
Funds managed by AXA SA for Framlington	1,804,463	4.02
Universities Superannuation Scheme Limited	2,102,500	3.90

* 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 and formulation of products to meet specific customer needs.

Business review

For a discussion of the Group's 2009 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 2009, with comparatives for the year ended 31 December 2008, are set out below:

	2009	*2008*
Revenue ($'000)	**$23,214**	$19,851
Gross profit ($'000)	**$12,641**	$10,631
Gross profit margin	**54.4%**	53.6%
Operating loss ($'000)	**($2,406)**	($4,097)

The improvement made in the KPI's is indicative of the solid performance the Group has delivered in the implementation of its strategy, as discussed within the Chairman's statement and the Chief Executive's report.

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 20 (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. 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. 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. However, 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. The main purpose of these financial instruments is to raise finance for the Group's operations.

Information on the risks associated with the Company's involvement in financial instruments is given in Note 20 to the Financial Statements.

Report of the directors *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

Charitable and political contributions

During the year, the Group made the following contributions:

	2009	*2008*
Charitable	**$1,000**	$9,000

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 2009 financial year.

	Board	*Audit Committee*	*Remuneration Committee*
Number of meetings held	**15**	**3**	**4**
A Fischer	15	—	4
J Brady	15	—	—
S Weaver	15	—	—
S Wauchope	15	3	3
D Buckeridge	12	—	—
T Isler*	8	1	3
D Koechlin**	10	2	1
J Scudamore	14	—	1

* Resigned 5 June 2009
** Appointed 30 January 2009

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 their 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 John Brady, who retires by rotation, and to re-appoint BDO LLP as auditor to the Company.

By Order of the Board

Andrew C. Wood FCIS
Company Secretary

12 February 2010

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.

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

We have audited the financial statements of Plant Health Care plc for the year ended 31 December 2009 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 auditor

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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report *continued*

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

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

12 February 2010

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 2009

	Note	**2009 $'000**	2008 $'000
Revenue	4	**23,214**	19,851
Cost of sales		**(10,573)**	(9,220)
Gross profit		**12,641**	10,631
Distribution costs		**(4,144)**	(5,140)
Research and development expenses		**(1,946)**	(1,269)
Administrative expenses		**(8,957)**	(8,319)
Operating loss	5	**(2,406)**	(4,097)
Finance income	10	**1,203**	184
Finance expense	10	**(58)**	(306)
Loss before tax		**(1,261)**	(4,219)
Income tax expense	11	**(85)**	(62)
Net loss for the year		**(1,346)**	(4,281)
Other comprehensive income/(loss):			
Exchange difference on translation of foreign operations		**95**	(657)
Total comprehensive loss for the year		**(1,251)**	(4,938)
Net loss attributable to:			
Owners of the parent		**(1,331)**	(4,219)
Non-controlling interest		**(15)**	(62)
		(1,346)	(4,281)
Total comprehensive loss attributable to:			
Owners of the parent		**(1,236)**	(4,875)
Non-controlling interest		**(15)**	(63)
		(1,251)	(4,938)
Basic and diluted loss per share ($)	12	**(0.03)**	(0.09)

The notes on pages 34 to 64 form part of these financial statements.

Consolidated statement of financial position

AT 31 DECEMBER 2009

	Note	*2009* $'000	*2008* $'000
Assets			
Non-current assets			
Intangible assets	13	**4,045**	4,086
Property, plant and equipment	14	**688**	708
Trade receivables	16	**949**	1,260
Total non-current assets		**5,682**	6,054
Current assets			
Inventories	15	**1,599**	2,499
Trade and other receivables	16	**13,576**	6,790
Investments	20	**3,729**	—
Cash and cash equivalents		**12,171**	7,252
Total current assets		**31,075**	16,541
Total assets		**36,757**	22,595
Liabilities			
Current liabilities			
Trade and other payables	17	**4,493**	5,347
Borrowings	18	**62**	218
Provisions	19	**278**	431
Total current liabilities		**4,833**	5,996
Non-current liabilities			
Borrowings	18	**59**	103
Provisions	19	**117**	70
Total non-current liabilities		**176**	173
Total liabilities		**5,009**	6,169
Total net assets		**31,748**	16,426
Capital and reserves attributable to owners of the Company			
Share capital	22	**940**	821
Share premium	23	**49,934**	34,102
Reverse acquisition reserve	23	**10,548**	10,548
Share-based payment reserve	23	**1,842**	1,220
Foreign exchange reserve	23	**(441)**	(536)
Retained earnings	23	**(31,229)**	(29,898)
		31,594	16,257
Non-controlling interests	23	**154**	169
Total equity		**31,748**	16,426

The financial statements were approved and authorised for issue by the Board on 12 February 2010.

J Brady

Director

Registered No: 05116780 (England and Wales)

The notes on pages 34 to 64 form part of these financial statements.

Consolidated statement of changes in equity

AT 31 DECEMBER 2009

	Share capital $'000	*Share premium $'000*	*Share-based acquisition reserve $'000*	*Foreign payment reserve $'000*	*Exchange reserve $'000*	*Retained earnings $'000*	*Total $'000*	*Non-controlling interests $'000*	*Total equity $'000*
Balance at 1 January 2008	809	33,451	11,016	580	121	(25,679)	**20,298**	231	**20,529**
Total comprehensive income	—	—	—	—	(657)	(4,219)	**(4,876)**	(62)	**(4,938)**
Shares issued	10	579	—	—	—	—	**589**	—	**589**
Repurchase of minority interest's shares by subsidiary	—	—	(468)	—	—	—	**(468)**	—	**(468)**
Share-based payments	—	—	—	640	—	—	**640**	—	**640**
Options exercised	2	72	—	—	—	—	**74**	—	**74**
Balance at 31 December 2008	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**

The notes on pages 34 to 64 form part of these financial statements.

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 $'000	2008 $'000
Cash flows from operating activities			
Loss before tax		**(1,261)**	(4,219)
Adjustments for:			
Depreciation	14	**222**	215
Amortisation of intangibles	13	**510**	251
Finance revenue	10	**(1,203)**	(184)
Finance costs	10	**58**	306
Share-based payment expense		**622**	640
Loss on sale of property, plant and equipment		**66**	75
Income taxes paid		**(85)**	(62)
Increase in trade and other receivables		**(6,244)**	(1,504)
Decrease in inventories		**954**	304
(Decrease)/Increase in trade and other payables		**(927)**	1,754
Decrease in provisions		**(106)**	(472)
Net cash flows used in operating activities		**(7,394)**	(2,896)
Investing activities			
Purchase of property, plant and equipment		**(268)**	(97)
Expenditure on internally-developed intangible assets	13	**(469)**	(55)
Proceeds on sale of property, plant and equipment		**—**	27
Finance revenue	10	**1,203**	184
Purchase of investments		**(7,499)**	—
Sale of investments		**3,770**	559
Net cash (used in)/provided by investing activities		**(3,263)**	618
Financing activities			
Interest paid	10	**(58)**	(306)
Issue of ordinary share capital		**15,441**	591
Exercise of options and warrants		**510**	72
Repayment of borrowings		**(200)**	(162)
Repurchase of minority interest's shares by subsidiary		**—**	(468)
Net cash provided by/(used in) financing activities		**15,693**	(273)
Net increase/(decrease) in cash and cash equivalents		**5,036**	(2,551)
Effects of exchange rate changes on cash and cash equivalents		**(117)**	(451)
Cash and cash equivalents at beginning of period		**7,252**	10,254
Cash and cash equivalents at end of period		**12,171**	7,252

The notes on pages 34 to 64 form part of these financial statements.

Notes forming part of the Group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 adopted by the Group

Amendments to IAS 1: Presentation of Financial Statements: A Revised Presentation:

As a result of the application of this amendment, the Group has elected to present a single statement of comprehensive income; previously it presented an income statement and the statement of recognised income and expense. In addition, a statement of changes in equity is now presented as a primary statement where previously the information was included in a note. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements.

Adoption of IFRS 8: Operating Segments:

The Group has adopted IFRS 8 as a mandatory requirement that requires the Group to adopt a 'management approach' in the identification of its operating segments and its reporting on their financial performance.

None of the other standards or amendments effective for periods beginning 1 January 2009 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 2009

2. Accounting policies *continued*

A summary of these standards and their probable impact on the Company is given in Note 27 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.

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.

Revenue

Revenue comprises sales of goods to external customers, performance against service contracts, which relate to land reclamation activities (service income), and revenues generated through the commercialisation of the Company'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. Service income is recognised as the services are performed over the term of the contract. 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.

Notes forming part of the Group financial statements *continued*

2. Accounting policies *continued*

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to contractual or other legal rights.

Expenditures on internally-developed intangible assets (research and 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 and loss.

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

Licenses	–	12 years
Developed technology	–	15 years
Trade name and customer relationships	–	15 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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

2. Accounting policies *continued*

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

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.

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 and 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.

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 adjusted for the effect of non-market-based vesting conditions.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

2. Accounting policies *continued*

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.

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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

2. Accounting policies *continued*

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.

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.

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 13.

Notes forming part of the Group financial statements *continued*

3. Critical accounting estimates and judgments *continued*

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 13.

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 15.

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 16.

Warranty claims

The Group offers a three-year warranty on certain of its products in the US. The Group estimates the amount and cost of future warranty claims for its current period sales. These estimates are used to record warranty provisions for current period product shipments. The Company uses 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 Company's product is applied and the cost of the plant material covered under the claim. More details on carrying values are disclosed in Note 19.

4. Revenue

Revenue arises from:

	2009 $'000	2008 $'000
Sale of goods	**17,662**	17,960
Service contracts and fee income	**5,552**	1,891
	23,214	19,851

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

5. Operating loss

Operating loss is stated after charging:

	Note	2009 $'000	2008 $'000
Share-based payment expense	6	**622**	640
Depreciation	14	**222**	215
Amortisation	13	**510**	251
Operating lease expense		**520**	535
Loss on disposal of property, plant and equipment		**66**	75

	2009	2008
Auditor's remuneration:		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**78**	78
Fees payable to the Company's auditor and their associates for other services:	**94**	113
Tax services	**12**	19
Total fees for other services	**106**	132
Total auditor's remuneration	**184**	210

6. Staff costs

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

	2009 $'000	2008 $'000
Wages and salaries	**6,203**	6,222
Social security and payroll taxes	**579**	651
Defined contribution pension costs	**205**	133
Medical and other benefits	**499**	479
	7,486	7,485
Share-based payments expense	**622**	640
	8,108	8,125

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

	2009	2008
Administration	**32**	32
Distribution	**38**	44
Research and development	**6**	5
	76	81

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

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 20.

	2009 $'000	*2008 $'000*
Base salary, fees and bonuses	**1,134**	1,157
Other short-term employee benefits	**50**	60
Share-based payments	**251**	464
Pensions and other post-retirement benefits	**61**	65
	1,496	1,746

The two (2008: three) executive directors who served during the year were eligible to participate in the Group's 401(k) retirement plan.

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 16.

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

	15 October	*15 April*
Share options granted	19,500	28,000
Weighted average fair value	167p	98p
Assumptions used in measuring fair value:		
Weighted average share price	269p	157.5p
Exercise price	254p	154p
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	2.65%	2.56%

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

8. Share-based payment *continued*

Valuation of the share options granted during the year ended 31 December 2008 was as follows:

	15 October	*29 September*	*15 April*	*1 April*	*31 March*
Share options granted	17,500	50,000	123,000	52,000	105,000
Weighted average fair value	171p	205p	160p	133p	128p
Assumptions used in measuring fair value:					
Weighted average share price	258p	315p	320.5p	265.5p	259.5p
Exercise price	250p	317.25p	325p	267.5p	267.5p
Expected volatility	70%	70%	45%	45%	45%
Option life (years)	10	10	10	10	10
Expected vesting period (years)	4.5	4.5	4.5	4.5	4.5
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate	4.44%	4.17%	4.08%	4.07%	3.95%

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%

Valuation of the long-term incentive awards granted during the year ended 31 December 2008 was as follows:

	16 June	*1 April*
Shares awarded	50,000	83,333
Weighted average fair value	253p	113p
Assumptions used in measuring fair value:		
Expected volatility	49%	45%
Expected vesting period (years)	3	3.24
Expected dividend yield	Nil	Nil
Risk-free interest rate	5.38%	4.44%

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

8. Share-based payment *continued*

For valuation of both the share options granted and LTIP shares awarded, in 2009 and 2008:

- 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 Group views, manages, and operates its business according to geographical segments. This allows for a focused approach regarding local regulations and the requirements of the customer base for each segment. Revenue is generated from the sale of agricultural products across all geographic segments. Horticulture and Turf and fee and service income is only generated in the USA segment.

Details of customers who account for greater than 10% of the Group's total revenues are provided in Note 20.

2009

	USA $'000	Mexico $'000	Europe $'000	Elimination $'000	Total $'000
Revenue					
External sales	16,848	2,640	3,726	—	23,214
Inter-segment sales	1,074	—	—	(1,074)	—
Total revenue	17,922	2,640	3,726	(1,074)	23,214
Segment operating (loss)/profit	1,083	(132)	(234)	103	820
Unallocated corporate expenses*					(3,226)
Operating loss					(2,406)
Finance income					1,203
Finance expense					(58)
Tax expense					(85)
Loss for the year					(1,346)

* These expenses relate to public company expenses, such as directors' fees, legal fees, share-based payment expense and other corporate expenses. Any expenses, such as depreciation, specifically attributable to a segment are included in the segment operating (loss)/profit.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

9. Segment information *continued*

Other segment information:

	USA *$'000*	*Mexico* *$'000*	*Europe* *$'000*	*Unallocated/ Elimination** *$'000*	*Total* *$'000*
Segment assets	30,050	1,428	5,279	—	36,757
Segment liabilities	3,367	400	1,242	—	5,009
Capital expenditure	176	28	64	—	268
Non-cash expenses:					
Depreciation	134	42	46	—	222
Amortisation	494	3	13	—	510
Share-based payment	263	34	21	304	622

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

2008

	USA *$'000*	*Mexico* *$'000*	*Europe* *$'000*	*Elimination* *$'000*	*Total* *$'000*
Revenue					
External sales	12,892	3,241	3,718	—	19,851
Inter-segment sales	1,226	37	453	(1,716)	—
Total revenue	14,118	3,278	4,171	(1,716)	19,851
Segment operating (loss)/profit	(1,229)	(189)	166	342	(910)
Unallocated corporate expenses*					(3,187)
Operating loss					(4,097)
Finance income					184
Finance expense					(306)
Tax expense					(62)
Loss for the year					(4,281)

* 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 2009

9. Segment information *continued*

Other segment information:

	USA *$'000*	*Mexico* *$'000*	*Europe* *$'000*	*Unallocated/ Elimination** *$'000*	*Total* *$'000*
Segment assets	16,208	1,625	4,760	2	22,595
Segment liabilities	3,982	473	738	976	6,169
Capital expenditure	16	—	154	(73)	97
Non-cash expenses:					
Depreciation	150	17	26	22	215
Amortisation	251	—	—	—	251
Share-based payment	122	32	22	464	640

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

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.

10. Finance income and expense

	2009 ***$'000***	*2008* *$'000*
Finance income		
Interest on deposits and investments	**249**	184
Exchange rate gains	**954**	—
	1,203	184
Finance expense		
Finance leases	**17**	25
Revolving credit agreement	**—**	39
Notes payable	**12**	21
Unwinding of discount on provisions	**29**	63
Total interest expense	**58**	148
Exchange rate losses	**—**	158
	58	306

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

11. Tax expense

The tax expense is comprised of corporation tax and income tax on profits and was $85,000 (2008: $62,000).

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:

	2009 $'000	2008 $'000
Loss before tax	**(1,261)**	(4,219)
Expected tax credit based on the standard rate of corporation tax in the UK of 28% (2008: 28.5%)	**(353)**	(1,203)
Disallowable expenses/(income)	**63**	(61)
Utilisation of previously-unrecognised tax losses	**(327)**	(49)
Financial statement share-based payment expense	**177**	182
Tax returns share-based payment expense	**(184)**	(214)
Losses in year not relieved against current tax	**461**	960
Amortisation of intangibles	**(6)**	(2)
Other temporary differences	**254**	450
Different tax rates applied in overseas jurisdictions	**—**	(1)
	85	62

At 31 December 2009, the Group had a potential deferred tax asset of $13,707,000, which includes tax losses available to carry forward of $11,917,000 (being actual losses of $42,562,000 at a blended global tax rate of 28%) arising from historic losses incurred, anticipated tax relief on share-based payments of $1,630,000 and other timing differences of $160,000.

12. Loss per share

Basic loss per ordinary share has been calculated on the basis of the loss attributable to equity holders of the parent of $1,331,000 (2008: loss of $4,219,000) and the weighted average number of shares in issue during the periods of 49,731,214 (2008: 44,748,407). Equity instruments of 3,613,749 (2008: 3,865,202), which includes share options, warrants and share awards as shown within Note 22, 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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

13. Intangible assets

	Goodwill $'000	Licenses and registrations $'000	Developed technology $'000	Trade name and customer relationships $'000	Total $'000
Cost					
Balance at 1 January 2008	1,620	2,639	143	159	4,561
Additions – internally developed	—	—	55	—	55
Balance at 31 December 2008	1,620	2,639	198	159	4,616
Additions – internally developed	—	469	—	—	469
Balance at 31 December 2009	1,620	3,108	198	159	5,085
Accumulated amortisation					
Balance at 1 January 2008	—	254	12	13	279
Amortisation chargefor the year	—	228	12	11	251
Balance at 31 December 2008	—	482	24	24	530
Amortisation charge for the year	—	497	9	4	510
Balance at 31 December 2009	—	979	33	28	1,040
Net book value					
At 31 December 2008	1,620	2,157	174	135	4,086
At 31 December 2009	1,620	2,129	165	131	4,045

Goodwill has been tested for impairment using discounted budgeted cash flows, using a pre-tax discount rate of 15% and performance projections over five years with residual growth assumed at 2% and has been determined not to be impaired at 31 December 2009. The entire value of the goodwill has been allocated to the Group's USA segment.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

14. Property, plant and equipment

	Leasehold improvements $'000	Production machinery $'000	Office equipment $'000	Vehicles $'000	Total $'000
Cost					
Balance at 1 January 2008	188	861	1,078	473	2,600
Additions	—	7	48	42	97
Disposals	(151)	(241)	(537)	(73)	(1,002)
Balance at 31 December 2008	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
Accumulated depreciation					
Balance at 1 January 2008	146	614	692	220	1,672
Depreciation charge for the year	5	54	96	60	215
Disposals	(138)	(230)	(482)	(50)	(900)
Balance at 31 December 2008	13	438	306	230	987
Depreciation charge for the year	4	36	96	86	222
Transfer of assets	—	(43)	43	—	—
Disposals	—	—	—	(80)	(80)
Balance at 31 December 2009	17	431	445	236	1,129
Net book value					
At 31 December 2008	24	189	283	212	708
At 31 December 2009	21	125	309	233	688

The net book value of property, plant and equipment includes an amount of $172,000 (2008: $173,000) in respect of assets held under finance leases. Depreciation expense includes an amount of $39,000 (2008: $60,000) in respect of assets held under finance leases.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

15. Inventories

	2009 $'000	2008 $'000
Raw materials	**317**	1,151
Finished goods and goods for resale	**1,282**	1,348
	1,599	2,499

The inventory values included a write-down of inventory to net realisable value of $46,000 (2008: $1,000).

16. Trade and other receivables

	2009 $'000	2008 $'000
Current:		
Trade receivables	**14,493**	6,891
Less: provision for impairment	**(1,578)**	(446)
Trade receivables, net	**12,915**	6,445
Other receivables and prepayments	**661**	345
Current trade and other receivables	**13,576**	6,790
Non-current:		
Trade receivables	**949**	1,619
Less: provision for impairment	**—**	(359)
Non-current trade and other receivables	**949**	1,260
	14,525	8,050

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:

	2009 $'000	2008 $'000
Balance at the beginning of the year	**805**	775
Provided	**799**	306
Receivables written off as uncollectible	**(26)**	(282)
Unused amounts reversed	**—**	6
Balance at the end of the year	**1,578**	805

The gross value of trade receivables for which a provision for impairment has been made is $4,314,000 (2008: $1,620,000).

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

16. Trade and other receivables *continued*

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

The following is an analysis of the Company'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.

	2009 $'000	*2008 $'000*
Current	**13,424**	7,350
Past due:		
Up to 30 days	**279**	313
31 to 60 days	**348**	57
61 to 90 days	**—**	92
Greater than 90 days	**474**	238
Total	**14,525**	8,050

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

17. Trade and other payables

	2009 $'000	*2008 $'000*
Trade payables	**1,368**	1,792
Accruals	**2,428**	2,770
Deferred income	**526**	571
Taxation and social security	**171**	214
	4,493	5,347

18. Borrowings

(a) Current borrowings

	2009 $'000	*2008 $'000*
Notes payable	**24**	166
Finance leases	**38**	52
	62	218

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

18. Borrowings *continued*

(b) Non-current borrowings

	2009 $'000	2008 $'000
Notes payable	**27**	51
Finance leases	**32**	52
	59	103

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*	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
In less than one year	**4,551**	5,347	**28**	181	**38**	69
In more than one year, but less than two years	—	—	**28**	28	**22**	46
In more than two years, but less than five years	—	—	—	28	**10**	21
	4,551	5,347	**56**	237	**70**	136

19. Provisions

	Onerous contracts $'000	Warranty $'000	Post-employment insurance benefits $'000	Total $'000
Balance at 1 January 2009	162	269	70	501
Provided	—	279	47	326
Utilised in year	(162)	(270)	—	(432)
Balance at 31 December 2009	—	278	117	395
Due within one year or less	—	278	—	278
Due after more than one year	—	—	117	117
	—	278	117	395

Warranty claims are expected to be paid out over the warranty period of up to three years.

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 2009

20. 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 22 and 23.

(b) Categories of financial assets and financial liabilities

	Fair value through profit or loss		*Loans and receivables*	
	2009 $'000	*2008 $'000*	***2009 $'000***	*2008 $'000*
Financial assets				
Trade and other receivables	—	—	**14,525**	8,050
Investments	**3,729**	—	—	—
Cash and cash equivalents	—	—	**12,171**	7,252
	3,729	—	**26,696**	15,302

	Financial liabilities measured at amortised cost	
	2009 $'000	*2008 $'000*
Financial liabilities		
Trade and other payables	**4,493**	5,347
Borrowings due within one year	**62**	218
Borrowings due after one year	**59**	103
	4,614	5,668

The amounts disclosed for all of the above financial assets and financial liabilities, with the exception of investments, are at book value, which approximates fair value in all material respects. Investments are carried at fair value as determined by quoted prices in active markets.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

20. Financial Instruments *continued*

(c) Investments

Security type	*Moody's rating*	*Face value ($'000)*	*Coupon rate*	*Maturity date*	*2009 Value ($'000)*
Government	AAA	911	0.8% – 3.3%	30/9/10 – 29/9/14	913
Corporate*	>Aa3	1,242	1.3% – 5.5%	5/5/11 – 19/9/14	1,244
Corporate*	A1 – A3	798	2.0% – 7.3%	2/8/10 – 20/5/14	798
Corporate*	Baa1 – Baa3	249	4.5% – 6.8%	15/1/10 – 31/1/13	249
Corporate*	Unrated	275	1.1% – 2.9%	15/4/11 – 17/12/12	275
Other AA1		50	1.9%	19/11/12	50
Other**	Unrated	200	0.2% – 0.3%	6/4/10 – 5/11/10	200
		3,725			3,729

* 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 advisor prior to inclusion within the portfolio.

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 advisor 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 2009

20. 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*	
	2009	*2008*	***2009***	*2008*
	$'000	*$'000*	***$'000***	*$'000*
Euro	**1,298**	1,434	**242**	316
Pound	**3,092**	912	**958**	422
Peso	**1,028**	1,128	**400**	493

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) 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.

20. Financial Instruments *continued*

The Group sells to a large number of customers across each of its geographic segments in the USA, Europe and Mexico. The Group has one customer, Monsanto, within its USA segment, which is responsible for approximately 40% of the Group's 2009 total sales. The trade receivable for Monsanto was current at year end and represented approximately 49% of the Group's total gross trade receivable balance. No one other customer represents more than 10% of the Group's total sales.

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

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

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 2009

21. Subsidiary undertakings

The following were subsidiary undertakings of the Company at the end of the year:

	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%*	Contracting and consulting
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

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

22. Share capital

(a) Authorised and issued share capital

	2009 $'000	*2008 $'000*
Authorised share capital:		
500,000,000 ordinary shares of £0.01 each	**8,984**	8,984
Allotted, called up and fully-paid share capital:		
52,648,993 (2008: 44,858,991) ordinary shares of £0.01 each	**940**	821

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

22. Share capital *continued*

(b) Movement in share capital

The movements on issued share capital are as follows:

	Ordinary shares of Plant Health Care plc	
	Number	*$'000*
In issue at 1 January 2008	44,214,229	809
Shares exchanged for minority interest in subsidiary	510,000	10
Shares issued for services received	13,262	—
Share options exercised	101,500	2
LTIP awards vested	20,000	—
In issue at 31 December 2008	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
Signing bonus	15,000	—
Warrants exercised	176,704	3
In issue at 31 December 2009	52,648,993	940
Share options exercised	37,500	1
In issue at the date of this report	52,686,493	941

During the year ended 31 December 2008, the following fully-paid 1p ordinary shares in the Company were issued:

i. 510,000 new ordinary shares with an aggregate value of $518,000 were issued pursuant to the acceptance of an exchange offer for minority shares in Plant Health Care, Inc.

ii. 13,262 shares with an aggregate value of $71,000 were issued to certain non-executive directors in payment of fees.

iii. 101,500 shares with an aggregate value of $74,000 were issued for the exercise of share options at exercise prices ranging from 37 pence per share to 62 pence per share.

iv. 20,000 shares with an aggregate value of $397 were issued for the vesting of LTIPs.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

22. Share capital *continued*

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 52 pence per share.

iii. 51,048 shares with an aggregate value of $157,000 were issued to certain non-executive directors in payment of 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 37 pence per share to 127.5 pence 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.

During the period from 1 January 2010 to the date of this report, the following additional shares of 1p each were issued:

i. 37,500 shares with an aggregate value of $23,000 were issued for the exercise of share options post year end, at an exercise price of 37 pence per share.

(c) Other equity instruments

The Company had the following other equity instruments in issue at 31 December 2009:

	2009 No	*2008 No*
Warrants	—	176,704
Share options	**2,780,748**	3,263,498
Share awards under the Long Term Incentive Plan	**833,000**	425,000
	3,613,748	3,865,202

(d) Warrants

The Company had no warrants outstanding at 31 December 2009. The warrants outstanding at 31 December 2008 were exercised on 4 November 2009.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

22. Share capital *continued*

(e) 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.

The movements on share options are as follows:

	Options over ordinary shares			*Weighted average exercise price*
	Directors	*Other*	*Total*	*price*
Outstanding at 1 January 2008	1,837,500	1,179,998	3,017,498	57p
Awarded	—	347,500	347,500	294p
Exercised	(50,000)	(51,500)	(101,500)	37p
Retirement of director	(210,000)	210,000	—	48p
Outstanding at 31 December 2008	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

Of the total number of options outstanding at 31 December 2009, 2,217,248 (2008: 2,643,498) had vested and were exercisable. The weighted average exercise price was 46p (2008: 44p).

The weighted average share price at the dates of exercise for the share options exercised during 2009 was 186p (2008: 373p).

The options outstanding at 31 December 2009 have a weighted average remaining life of 4.8 years (2007: 5.3 years) and the range of exercise prices is 37p to 325p (2008: 37p to 325p).

From 1 January 2010 to the date of this report, 37,500 share options have been exercised.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

22. Share capital *continued*

(f) 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.

The movements on LTIP share awards are as follows:

		Share awards	
	Directors	*Other*	*Total*
Outstanding at 1 January 2008	300,000	100,000	400,000
Awarded	83,333	50,000	133,333
Vested	(20,000)	—	(20,000)
Forfeited	(88,333)	—	(88,333)
Appointment of Stephen Weaver as Finance Director	100,000	(100,000)	—
Outstanding at 31 December 2008	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

The share awards granted vest, subject to certain performance and service conditions, over the period from 31 March 2010 to 30 June 2012.

23. 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 income statement.
Non-controlling interest	Cumulative net profit or loss attributable to minority shareholders.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

24. 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 2009, the Company's pension expense under the scheme was $132,000 (2008: $116,000).

25. 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:

2009	*Minimum lease payments $'000*	*Interest $'000*	*Present value $'000*
Not later than one year	44	6	38
Later than one year and not later than five years	36	4	32
	80	10	70
2008			
Not later than one year	69	17	52
Later than one year and not later than five years	67	15	52
	136	32	104

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:

	2009 $'000	*2008 $'000*
Not later than one year	**400**	234
Later than one year and not later than five years	**1,088**	197
	1,488	431

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

26. Notes supporting cash flow statement

Significant non-cash transactions are as follows:

	2009 $'000	*2008 $'000*
Operating activities		
Equity consideration for services rendered	**157**	71
Financing activities		
Assets acquired under finance leases	**—**	52

27. 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 2 January 2009 and which the Group has decided not to adopt early.

Those likely to affect the Group include:

- Revised IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2009). This standard has been endorsed by the EU. This amendment affects, in particular, the acquisition of subsidiaries achieved in stages and disposals of interests, with significant differences in the accounting depending on whether or not control is obtained as a result of the transaction, or where a transaction results only in a change in the percentage of a controlling interest. This could be applicable if the Company made piecemeal acquisitions or disposals in the future, which is not anticipated.

- Amendment to IAS 27 Consolidated and Separate Financial Statements (effective for periods beginning on or after 1 July 2009). This amendment has been endorsed by the EU. This amendment requires prospective application and could result in a change in differences where acquisitions or disposals of subsidiaries are made in stages. This could be applicable if the Company made piecemeal acquisitions or disposals in the future, which is not anticipated.

- Improvements to IFRSs (generally effective for accounting periods beginning on or after 1 January 2010). These improvements have been endorsed by the EU. These improvements will result in clarification of the requirements of IFRSs and elimination of inconsistencies between standards. Management is still assessing the impact of these improvements.

- 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.

27. 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.

Those not likely to have a material affect on the Group's financial statements:

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009). This amendment has been endorsed by the EU.
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning 1 July 2009). This IFRIC has yet to be endorsed by the EU.
- IFRIC 18 Transfer of Assets from Customers (effective for transfers from customers on or after 1 July 2009). This IFRIC has yet to be endorsed by the EU.
- Amendment to IFRS 2 Share-based Payment Transactions (effective for periods beginning on or after 1 January 2010). This amendment has yet to be endorsed by the EU.
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective for periods beginning on or after 1 January 2010). This amendment has yet to be endorsed by the EU.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for periods on or after 1 April 2010). This IFRIC has yet to be endorsed by the EU.

Company balance sheet

AT 31 DECEMBER 2009

	Note	2009 $'000	2008 $'000
Fixed assets			
Fixed asset investments	32	**55,199**	37,139
Current assets			
Debtors	34	**78**	41
Cash at bank and in hand		**2,057**	5,128
		2,135	5,169
Creditors: amounts falling due within one year	35	**(665)**	(506)
Net current assets		**1,470**	4,663
Net assets		**56,669**	41,802
Capital and reserves			
Called-up share capital	22	**940**	821
Share premium	37	**49,934**	34,102
Reverse acquisition reserve	37	**14,455**	14,455
Share-based payment reserve	37	**1,542**	920
Retained earnings	37	**(10,202)**	(8,496)
Shareholders' funds		**56,669**	41,802

The financial statements were approved and authorised for issue by the Board on 12 February 2010.

J Brady
Director

Registered No: 05116780 (England and Wales)

The notes on pages 66 to 68 form part of these financial statements.

Notes forming part of the Company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2009

28. 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, share awards under the Long Term Incentive Plan and warrants 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 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 Interpretation, the cost of the share-based payments will be recorded by each subsidiary as compensation expense, with a corresponding increase in equity as a contribution from the parent.

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.

29. 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 $1,706,000 (2008: loss of $2,706,000), which is dealt with in the financial statements of the parent company.

30. Share-based payment

See Note 22 of the consolidated financial statements.

31. Directors' remuneration

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

Notes forming part of the Company financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

32. Fixed asset investments

	Shares in Group undertakings $'000	*Loans to Group undertakings $'000*	*Total $'000*
Cost			
At 1 January 2008	15,307	19,532	34,839
Additions	518	1,782	2,300
At 31 December 2008	15,825	21,314	37,139
Additions	371	17,689	18,060
At 31 December 2009	16,196	39,003	55,199

The directors do not consider that any provision is required against the cost of these investments.

33. Subsidiary undertakings

The subsidiary undertakings of the Company are disclosed in Note 21 of the Group financial statements.

34. Debtors

	2009 $'000	*2008 $'000*
Prepayments	**78**	41

All amounts fall due within one year.

35. Creditors

	2009 $'000	*2008 $'000*
Trade creditors	**16**	112
Accruals	**649**	394
	665	506

All amounts, other than the post-employment insurance benefit amounts shown in Note 19, fall due for payment within one year.

36. Share capital

The share capital of the Company is disclosed in Note 22.

Notes forming part of the Company financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2009

37. Reserves

	Share premium $'000	*Reverse acquisition reserve $'000*	*Share-based payment reserve $'000*	*Retained earnings $'000*
Balance at 1 January 2008	33,451	14,455	456	(5,790)
Shares issued or exchanged	579	—	—	—
Share-based payments	—	—	464	—
Options exercised	72	—	—	—
Loss in the year	—	—	—	(2,706)
Balance at 31 December 2008	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)

38. Company reconciliation of movements in shareholders' funds

	2009 $'000	*2008 $'000*
Total recognised loss relating to the year	**(1,706)**	(2,706)
Shares issued or exchanged	**16,127**	591
Exercise of share options	**520**	72
Share-based payment charge	**622**	464
Placement costs	**(696)**	—
Net increase/(decrease) in shareholders' funds	**14,867**	(1,579)
Opening shareholders' funds	**41,802**	43,381
Closing shareholders' funds	**56,669**	41,802

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