PLANT HEALTH CARE plc

PLANT HEALTH CARE plc

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Contents

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

Directors and advisers

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

* On 27 February 2012, Nomura Code Securities Limited (1 Carey Lane, London EC2V 8AE) was appointed as nominated adviser and broker to the Company.

Trademarks:
Myconate, Harpin and Proact are trademarks or trade names which Plant Health Care owns or which others own and license to Plant Health Care for use. All other third party trade mark rights are acknowledged.

Chairman's statement

I am pleased to report Plant Health Care's results for the year ended 31 December 2011.

Overview

As of 2012, the world's population is estimated to be nearly seven billion, growing at an annual rate of 1.2 per cent ("%"). Challenges facing farmers and growers relying on finite land and an increasingly strained supply of water are clear. Meeting these challenges will require a range of initiatives and technologies to enhance the yield of crops, both basic food crops and row crops supporting animal protein production, for the world's rapidly growing middle class.

Plant Health Care has the patented technology and the proven products to help address this economic and societal dilemma. The challenge for the Board and management is to generate shareholder value by successfully bringing these products to market across large agricultural areas by leveraging the existing industry supply chain.

Strategy

Our strategy for commercialising our natural platform technologies, Harpin and Myconate, allows Plant Health Care to take advantage of the various routes to market and opportunities for generating revenue and shareholder returns. Our approach has three distinct but complementary strands.

First, we develop and prove the efficacy of our natural technologies. This process begins in the laboratory before moving to greenhouse testing and then our own and independent field trials. This process has been on-going for a number of years, and we have successfully demonstrated to the market the efficacy of Harpin and Myconate across a range of crops and via a number of application methods. Testing continues to extend the scope of our opportunities on further crops and working in conjunction with existing products. As part of proving the product, and as a means of creating market awareness and acceptance, we will, where appropriate, introduce the product through distributors into closely-targeted markets. Use by farmers via this approach is important in order to prove that Harpin and Myconate perform in the field and can generate support from growers. These sales provide short-term revenue but, more importantly, demonstrate to our potential large-scale partners the effectiveness and potential demand for our technologies. This approach resulted in our signing major agreements with INCOTEC and Alexin in 2011.

Second, we develop partnerships with major agrichemical and seed companies and work with them to make sales for crops grown on very large acreage via their established sales channels. We seek to partner with a number of companies, splitting up the rights to the use of our patented technologies (by application method, by crop and by territory) in order to secure the best partners in each situation and also to mitigate the risk of over-dependence on one crop or customer. Partnering with a major company, where our natural technologies are used in combination with their existing offerings, provides these large players with a differentiator for which they can charge a higher price and achieve more profitable sales, whilst offering Plant Health Care access to a market share it could not hope to achieve alone. It is this approach which has led to our current partnerships with Monsanto, Syngenta and others, including those with INCOTEC and Alexin, newly established in 2011.

Whilst the long-term benefits of partnering will prove transformational, it is important to stress that developing successful programmes to the stage of significant sales takes time. The companies with whom we already partner, and those with whom we will partner in the future, rigorously test our technologies, perhaps in combination with their existing products.
If there are new combinations or products resulting, they may require expert formulation

and then registration, and market launches are progressed cautiously. It is a process which will almost always take two to three years, and in complex cases even longer, but the reward comes in the 'lifetime value' of these partnering relationships which, while time intensive with limited returns in the early years, in the long term will enable us to generate very substantial revenue at high margin for many years ahead.

Finally, we ensure that Plant Health Care is already responding to the needs we expect our customers and partners to have in the years ahead. We are already working to develop future generations of our natural technologies, which deliver more benefit and stronger results. In doing so and building for tomorrow, we are seeking to future proof our platform of natural, yield-enhancing agricultural technologies, whilst also locking in the potential to deliver returns for our shareholders for the long term.

Progress

The year saw significant progress in each of the three key elements of our strategy towards our goal of profitability, as reported in more detail in the Chief Executive's report.

We have seen very significant growth in on-ground, defined as end-user application, sales of Harpin which, in the USA alone, rose approximately 40% in 2011 and, as a result of in-hand distributor orders, we expect 2012 on-ground sales to more than triple 2011 levels. On-ground sales of Harpin have also grown rapidly in Mexico and South Africa as a result of initiatives in those markets. Both countries experienced roughly 50% growth in on-ground sales in 2011, and we expect this to accelerate by 70% in 2012.

As a result of technical collaboration and excellent field trial results, we are well advanced in discussions with a number of major partners with high commercial potential for Plant Health Care, and expect to make a number of announcements of new deals this year.

During the year, we developed six new Harpin product candidates, which have exhibited significantly stronger attributes in greenhouse trials than those Harpin products currently in the market. Initial field trials of these product candidates will commence during this year.

We have also benefitted from a sharper focus and additional resources for our core business, following the sale of the US retail and landscape business in January 2011.

Financial results

A summary of the financial results for the 12 months to 31 December 2011, with comparatives for the previous financial year, is set out below:

	2011 $'000	*2010 $'000*
Revenue	**7,853**	7,085
Gross profit	**4,114**	3,589
Operating loss from continuing operations	**(7,053)**	(7,875)
Gains on disposal of discontinued operations	**2,110**	—
(Loss)/gain on discontinued operations	**(74)**	136
Finance income (net)	**75**	226
Net loss for the year	**(5,099)**	(7,553)
Cash/liquid short-term investments at 31 December	**13,798**	13,036

Group sales from continuing operations were $7.9 million (2010: $7.1 million), an increase of 11% compared to the prior year. The increase resulted from higher sales of Harpin products in the USA (excluding Monsanto), Mexico and Europe. US sales from continuing operations fell by 45% to $0.8 million, due to lower sales of Harpin to Monsanto as their inventory stock is being depleted. Sales in Mexico were

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$3.0 million in 2011, up 25% from the prior year. Europe had sales of $4.0 million in 2011, up 27% from 2010.

The gross profit margin from continuing operations increased to 52% (2010: 51%) as margins remained robust, due to a product mix weighted towards higher margin Harpin products.

Operating expenses were $11.2 million (2010: $11.5 million), a reduction of 3%. Administrative expenses were reduced by 6% during the year and research and development spending increased by 4%, consistent with our initiatives to increase product development while reducing corporate overheads.

As a result, the operating loss from continuing operations was $7.1 million (2010: $7.9 million), a 10.4% improvement. Including the $2.0 million gain from the sale of the Group's US retail and landscape business in January 2011, the net loss was $5.1 million (2010: loss of $7.6 million).

As a consequence of strong collections from debtors and the contribution of the $4.25 million proceeds from the sale of the US retail and landscape business, the Group had cash and liquid short-term investments at the year-end of $13.8 million, compared to $13.0 million at 1 January 2011.

The Board

In September, the Board reported, with deep regret, the death of Jeremy Scudamore, a non-executive director of Plant Health Care since October 2008. We would like to take this opportunity, on behalf of the Board, our staff and our shareholders, to recognise Jeremy's significant contribution and unstinting commitment to the Group.

It is the intention of the Board to appoint a new non-executive director in 2012.

Nominated adviser/stockbroker

On 27 February 2012, Plant Health Care expects to announce the appointment of a new nominated adviser and stockbroker to the Company.

Outlook

With the efficacy of Harpin and Myconate now well established, we are currently focusing on bringing the partnerships we have already secured to full commercial roll-out and sales, and on securing further partnering relationships with major agrichemical and seed treatment companies throughout the world. A number of negotiations were brought to conclusion in 2011, but many others continue into 2012. We are optimistic that these negotiations will produce new partnering agreements within the current year.

We prudently cut spending on corporate overheads in 2011 for the second straight year and will maintain strict cost control in 2012. At the same time, we will increase spending on developing new Harpin products and new formulations for Harpin and Myconate. This is a key facet of our corporate strategy and one which we expect to ultimately achieve a very high return on investment. We ended the year with $13.8 million of cash and liquid short-term investments, which provide us with adequate resources to pursue our strategy on our existing products through to profitability, whilst increasing research and development spend on our next generation products.

I would like to thank my fellow directors, our shareholders and our employees for their contributions in the past year and encourage everyone to have high expectations for the success of your Company.

Dr. Dominik Koechlin
Chairman

24 February 2012

Chief Executive's report

Introduction

As indicated in the Chairman's statement, 2011 saw good progress in the execution of our strategy.

One important step has been the significant reduction in the Harpin inventory held by Monsanto, as a result of its agreement with Direct Enterprises, Inc. ("DEI") in February 2011. Based on DEI's sales projections for 2012, we anticipate that Plant Health Care will begin delivering new product, which should positively impact revenues and profitability, from around the fourth quarter of 2012. On-ground sales, defined as end-user application of the product, grew by approximately 40% in 2011 and, based on current orders, are expected to grow a further 250%, to nearly $2 million, in 2012. Growth rates of this magnitude, if maintained, bode well for gaining the critical mass and market acceptance that will propel us to profitability.

Outside the USA, in Mexico, the UK and South Africa in particular, we have seen on-ground sales increase approximately 30% in 2011, which we expect to accelerate to 60% in 2012. Market acceptance in targeted crops, in initial markets, has been vitally important to our growth. For example, in South Africa we have reached the point where it is estimated that Harpin has achieved up to a 25% penetration of the total potato crop. This has provided the platform, in terms of proving the product and growing awareness, to enable us to move into the US potato market, which covers some 400,000 acres, through a distribution agreement with Alexin Enterprises.

In the UK, cherry growers now incorporate Harpin into their pre-harvest regimen on roughly 80% of the total cherry harvest, due to its proven reduction in fruit splitting. This wide acceptance of Harpin at harvest is now generating new business for Plant Health Care with cherry growers in Australia and in the USA.

Our customers' success in achieving on-ground sales growth and many compelling trial results generated in 2011 have naturally accelerated progress in our partnering discussions. INCOTEC is a prime example of a preferred partner as it has technological strength in seed treatments and respect within the industry. We are negotiating with a number of other global and regional agrichemical and seed treatment companies for the full exploitation of our Harpin and Myconate technologies. We expect to finalise a number of new agreements during the course of 2012.

During the year, our Seattle laboratory evaluated 28 new Harpin peptide molecules in greenhouse studies. We have chosen the top six of these new peptides, which show promise for better targeted performance than the current commercial Harpin product, Proact, and will advance them into field trials in 2012 with expected commercialisation and registrations completed within two to three years.

In January 2011, we completed the sale of our US retail and landscape business, a non-core business unit, realising proceeds of $4.65 million and a gain on disposal of $2.0 million. This transaction has allowed us to add resources to and sharpen our focus on our core business with the goal of becoming a leading global provider of natural technologies for the promotion of plant health and growth.

Technology platforms

Harpin and Myconate

In 2011, we achieved important breakthroughs for Plant Health Care and our partners in terms of market acceptance and market penetration. As a result of excellent on-farm trials, we are now moving our first Myconate project into commercial sales in the US vegetable market with INCOTEC.

As a result of exceptionally good results with the Iowa Soybean grower trials, highlighted below, our Harpin/fungicide programme will move into test marketing in the important US corn crop in 2012. Our consistent aim has been to increase market awareness, acceptance and recognition of Harpin, as well as to enhance our partners' existing crop protection products. By combining Harpin with our partners' established crop protection products, the cost of applying Harpin is minimised and maximum efficiency is achieved in the supply chain, resulting in high added value and high return on investment for the farmer.

As a result, significant market penetration is being achieved in the USA, Mexico and South Africa. We expect to make further gains in these countries, as well as in Australia, in 2012. The largest application of Harpin has been on soybeans, cherries, potatoes, cotton, strawberries and assorted vegetable crops. We are also currently focusing on the citrus markets in Florida, expecting the application of Harpin to be part of the solution to the pervasive fungal problem currently impacting the citrus crop.

As mentioned earlier, a prime example of how an investment in field testing worked to our benefit in 2011 was a series of field trials conducted by the Iowa Soybean Association's ON FARM network, an independent association promoting agricultural innovation. In this series of tests, Harpin was combined with an off-patent fungicide and compared to one of the most widely used and most expensive proprietary fungicides on the market. The performance of Harpin with a leading off-patent fungicide exceeded the performance of the leading product which dominates the markets. These results can be viewed at: http://www.isafarmnet.com/2011ResultsProject/CropProtection/HeadlineAMPvsProActwithPropicure.html

Trials and testing

During 2011, Germains Seed Technology carried out trials with Harpin used as a seed treatment on sugar beet. Trials were conducted in the greenhouse, as well as in the field, in both the UK and the USA. The results were sufficiently encouraging for this partner to continue testing into 2012, looking at a range of agronomic and performance traits in the same production areas.

Earlier this month (February 2012), Plant Health Care announced an exclusive, multi-year agreement with ASP–Chile ("ASP"), a wholly-owned subsidiary of Agrium Inc. Agrium is one of North America's largest fertiliser manufacturers, supplying North and South America, and Australia, with all of the major agriculture nutrients. Under the agreement, we will supply ASP with both Harpin and Myconate product for use on all crops in Chile; Harpin for all foliar uses and Myconate for seed treatment or ground application. Plant Health Care will work with ASP while the products are tested for registration in Chile, which is expected to be completed in less than two years. Not only will this agreement extend our geographical reach into Chile, but it also allies Plant Health Care with a major international group with a significant foothold in agriculture markets.

In July 2011, Plant Health Care signed a non-exclusive agreement with INCOTEC of the Netherlands, one of the world's largest specialist seed treatment companies, who will incorporate Myconate with their existing seed treatment packages. The INCOTEC agreement was signed too late for it to establish a large testing programme in the northern hemisphere in 2011. However, a small amount of testing was completed and provided very encouraging results. Testing is being expanded in more crops and more countries during 2012, fuelled in part by the excellent results of our testing of Myconate seed treatment on corn in the USA, where statistically significant yield increases were achieved.

Syngenta conducted tests for both Harpin and Myconate in various applications in 2011. Testing is expected to continue during 2012.

In Brazil, a university testing programme for Myconate was initiated in 2011. Testing was carried out in multiple locations by several Brazilian universities and consolidated data should be available in the coming weeks. Due to the time required for the issuance of import certificates and use permits, it became too late for our own trials of Harpin and Myconate to be initiated. We are verifying partner interest and will establish new trials during 2012.

Product development

To ensure the long-term success of our partnering relationships and maximise the ultimate value of Plant Health Care, we are investing in the development of the next generation of Harpin products, as well as improved formulations for Harpin and Myconate.

From 28 original peptides developed and tested, our Seattle laboratory identified eight peptides that performed 5% to 28% better in greenhouse trials than our current Harpin product, Proact. The best candidates were selected for large-scale synthetic production and field tests during 2012. Two of the six peptides target growth in soybeans, two target growth in corn, and the remainder target both growth and defence in soybeans and corn. All are expected to have positive impacts on crops beyond those specifically targeted, similar to our current Harpin product, Proact.

If the field tests show similarly exceptional results to those seen in the greenhouse tests, we will look to pursue immediate registration and subsequent full commercialisation, which is expected to be completed within two to three years.

We are also developing a liquid Harpin formulation for use by Monsanto and others. We are optimistic that a viable formulation, which will allow greater ease of application and integration with other seed treatments, most of which are liquid in nature, can be achieved during 2012, which we expect to result in sales in 2013.

Other developments

In May 2011, the US Environmental Protection Agency issued a statement removing the requirement for use of a colouring agent when seeds are commercially treated with Harpin exclusively. This means that seeds treated only with Harpin can be returned to the food chain, if not used as a planted seed. This is important for soybeans, which have a one-year planting window, and therefore must be destroyed if they cannot be returned to the food chain.

In October 2011, Plant Health Care's Computer Automated Spatial Analysis (CASA) technology, licensed to XS Inc., was publicly demonstrated to a broad cross-section of seed, crop protection, distribution and precision/services companies in a plenary session of the AgGateway Conference. Participation at this event and at the American Seed Trade Association generated significant interest in the technology from a number of multinational seed and crop protection industry leaders. Individualised demonstrations are planned for those companies during the first quarter of 2012, with a limited commercial launch scheduled for later in the year.

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Outlook

As set out above, we have made significant progress on each aspect of our three-point strategy. Our focus remains on the rapid conversion of our existing partnerships into full commercial agreements and leveraging our constructive discussions with other major agrichemical and seed treatment companies in order to take Plant Health Care into profitability.

We are confident that our efforts, both to date and in the forthcoming year, will result in further progress towards commercial roll-out with some of our existing partners, as well as the brokering of new partnering agreements.

As we read in the newspapers on a daily basis, the world is facing the mounting challenge of feeding an ever growing population, with increasingly limited resources in terms of land and water. Our naturally derived, sustainable technologies will form a part of the solution.

John Brady
Chief Executive

24 February 2012

Directors

Dr. Dominik Koechlin
(Non-executive Chairman) (52)
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, Clariant AG, chairman of Sunrise AG and a member of the board of trustees of LGT Bank in Lichtenstein. He also serves as non-executive director of several private companies.

John Brady
(Chief Executive) (57)
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) (58)
Mr. Weaver is a US national and joined the Group as Chief Financial Officer in 2007. He was appointed to the Board in March 2008. He is responsible for managing the finance, human resource and information technology functions of the Group.

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

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

Samuel Wauchope
(Senior Independent Director) (60)
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. He has also served as a non-executive director for a number of companies, listed and private, in the UK and USA. Mr. Wauchope now acts as a strategic adviser to growth companies in the technology and cleantech sectors.

Mr. Wauchope is a director of the US companies Landover Wireless Inc. and CTB Group Inc.

Dr. David Buckeridge
(Non-executive Director) (52)
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 USA. In 1999, he was appointed as a main board director of AstraZeneca's seeds business and subsequently CEO of Advanta, then the largest independent agronomic seeds business in the world.

Dr. Buckeridge is a non-executive director of Icicle Holdings Inc. (US), Icicle Seafoods Inc. (US), NLA FP Limited, Oxitec Limited and Scanbio Scotland Ltd. He also serves as Chairman of Scanbio Marine Group AS (Norway).

Board committees

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

Audit Committee

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

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

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

Remuneration Committee

The Remuneration Committee is chaired by David Buckeridge. Dr. Buckeridge replaced Jeremy Scudamore following Mr. Scudamore's death on 29 August 2011. Sam Wauchope was appointed a member of the Committee on 1 November 2011. 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 Group 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

Plant Health Care plc has taken note of the UK Corporate Governance Code ("the UK Code", formerly "the Combined Code") published in June 2010 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 UK Code. The UK Code and associated guidance can be found on the Financial Reporting Council website at www.frc.org.uk/corporate/ukcgcode.cfm

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 UK Code are applied to the Company.

Board composition

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

Biographies of the Board members appear on pages 10 and 11. These indicate the high levels and range of business experience which is essential to oversee effectively a business of the size, complexity and geographical spread of the Group. Concerns relating to the executive management of the Group or the performance of the directors can be raised in confidence by contacting the Senior Independent Director, Sam Wauchope, through the Company Secretary.

Board committees

The Board has established audit and remuneration committees, as described on page 12. No separate nominations committee has been established. A Nominations Working Group comprised of non-executive directors provides advice and guidance on the selection of candidates; the full Board acts as a nominations committee when changes to the Board of directors are proposed.

Workings of the Board

The Board meets on a pre-scheduled basis at least 10 times each year and more frequently when required. The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the Group. The schedule includes matters such as: approval of the Group's strategic plan; extension of the Group's activities into new business or geographic areas; any decision to cease to operate all or any material part of the Group's business; changes relating to the Group's capital structure; contracts that are material strategically or by reason of size; investments including the acquisition or disposal of interests in the voting shares of any company or the making of any takeover offer; and the prosecution, defence, or settlement of litigation material to the Group.

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

The differing roles of Chairman and Chief Executive are acknowledged and defined in separate statements approved by the Board. The key functions of the Chairman are to conduct Board meetings and meetings of shareholders and to ensure that all directors are properly briefed in order to take a full and constructive part in Board discussions. The Chief Executive is required to develop and execute business strategies and processes to enable the Group's business to meet the requirements of its shareholders.

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

To enable the Board to function effectively and allow directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters.

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

Following the Board evaluation, the Chairman reviewed the performance of each director, and his own performance was reviewed by the Senior Independent Director, in one-to-one meetings.

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.

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's website **www.planthealthcare.com/investor-relations**

There is regular dialogue with major shareholders, as well as general presentations after the release of the interim and final results. From time to time, these meetings involve the 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 *Revised Guidance for Directors on the Combined Code* published by the Financial Reporting Council.

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

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

Remuneration Committee report

The Remuneration Committee is chaired by David Buckeridge. Sam Wauchope is also a member. Each is a non-executive director. The Committee is responsible for determining the contract terms, remuneration and other benefits of the executive directors and of the Chairman, and for monitoring the remuneration of first-line executive management. The Committee may call on outside compensation experts as required.

Remuneration policy

It is Group policy to set directors' remuneration levels to attract, incentivise and retain the quality of individuals that the Group requires to succeed in its chosen objectives.

It is also Group policy to ensure that there is a strong link between the level of executive directors' remuneration and the performance of the Group in achieving its goals.

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

Elements of remuneration – executive directors

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

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

Basic salary and benefits

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

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

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

Annual bonus

Annual bonuses are payable to each executive director based on achievement of financial, strategic and sustainability objectives, both corporate and personal. For 2011, the directors had bonus potential of between 70% and 100% of their basic salaries; for 2012, the range is also between 70% and 100%. This ensures that there is a significant element of "at risk" pay, which is only available when good results are achieved.

Long-term share-based incentives

Each of the executive directors is eligible to participate in the Company's share option schemes and long-term incentive stock award plan. The Company may award options and shares under these plans up to the greater of 3% of its issued share capital or such number as, when aggregated with any outstanding options converted from the Plant Health Care, Inc. option plans described below, amounts to no more than 10% of the issued share capital of the Company. The main features of these plans are:

(a) Share option schemes

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

In July 2004, the Board of directors adopted the Plant Health Care plc Unapproved Share Option Scheme 2004. Under this scheme, the Board may grant options at an exercise price of not less than the market value of a share on the date of award. Options may normally be exercised between three and 10 years from grant. In most cases, vesting is also dependent upon the Company's total shareholder return exceeding that of the AIM All-Share Index for the period from grant to vesting.

(b) Long-term incentive stock award plan

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

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

- 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.

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.

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 2011 $'000	Total 2010 $'000
Executive:						
J Brady	340	77	10	66	493	428
S Weaver	220	56	73	40	389	366
Non-executive:						
D Koechlin	85	—	—	—	85	73
S Wauchope	67	—	—	—	67	72
D Buckeridge	67	—	—	—	67	62
J Scudamore*	45	—	—	—	45	62
A Fischer**	—	—	—	—	—	22
	824	133	83	106	1,146	1,085

* Deceased 29 August 2011
** Retired 15 April 2010

Executive salaries

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

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

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

Share-based payments and other benefits

In 2011, the Company accrued a contribution to the 401(k) Plan of 3% (2010: 2%) of eligible compensation. In 2011, pension expense for the executive directors was $15,000 (2010: $10,000).

In 2011, post-employment health benefits for John Brady were $34,000 (2010: $24,000).

In 2011, the Company incurred $83,000 (2010: $103,000) of share-based payment expense.

In 2011, the Company incurred $22,000 (2010: $20,000) of car allowance expense.

In 2011, the Company incurred $35,000 (2010: $34,000) of medical, dental and life insurance expense.

Directors' share-based incentives

Movements in 2010

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

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

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

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

Movements in 2011

On 21 February 2011, John Brady was awarded 100,000 ordinary shares under the LTIP. The stock award will vest, subject to certain performance conditions, upon the announcement of the Company's final results for the year ended 31 December 2013.

On 21 February 2011, Steve Weaver was awarded 160,000 ordinary shares under the LTIP. The stock award will vest, subject to certain performance conditions, upon the announcement of the Company's final results for the year ended 31 December 2013.

On 7 July 2011, with regard to 33,333 shares previously awarded to Steve Weaver under the LTIP, the vesting of which was dependent upon the achievement of 2010 performance targets, no shares were deemed earned, the entire award being forfeited.

On 16 August 2011, with regard to 50,000 shares previously awarded to John Brady under the LTIP, the vesting of which was dependent upon the achievement of 2010 performance targets, 4,000 of such shares vested, the balance being forfeited. The share price at the close of the day on which the shares vested was 53p.

On 16 August 2011, John Brady was awarded 60,000 ordinary shares under the LTIP. The stock award will vest, subject to certain performance conditions, upon the announcement of the Company's final results for the year ended 31 December 2013.

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) *Share options*

The interests of the directors in options to subscribe for ordinary shares of the Company at 31 December 2011 are set out below:

	No of options	*Exercise price £*	*Expiry date*
J Brady	**175,000**	**0.37**	31 March 2012
	918,975	**0.37**	4 March 2014
	56,025	**0.71**	4 March 2014
	1,150,000		

(b) Awards under the Long Term Incentive Plan

The interests of the directors in share awards under the Long Term Incentive Plan at 31 December 2011 are set out below:

	No of shares	*Vesting dates*
J Brady	85,000	From announcement of 2011 results to 30 June 2012
	58,000	From announcement of 2012 results to 30 June 2013
	160,000	Upon announcement of 2013 results
S Weaver	66,832	From announcement of 2010 results to 23 May 2012
	58,333	From announcement of 2011 results to 30 June 2012
	55,000	From announcement of 2012 results to 30 June 2013
	160,000	Upon announcement of 2013 results

There were no movements in the above holdings from 1 January 2012 to the date of this report.

Other information

During the year, the Company's share price on AIM ranged between 33p and 79p. At 31 December 2011, the share price was 34p. At 23 February 2012, the last working day prior to the approval of this annual report, the share price was 47p.

Report of the directors

The directors present their annual report together with the audited financial statements for the year ended 31 December 2011.

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 $5,099,000 (2010: loss of $7,553,000).

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

Principal activities, review of business and future developments

Details of the Group's principal activities and a review of business and future developments are included in the Chairman's statement and Chief Executive's report on pages 3 to 9.

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 2011			*At 1 January 2011*		
	Shares	***Options***	***LTIP***	*Shares*	*Options*	*LTIP*
D Koechlin	**203,829**	**—**	**—**	157,484	—	—
J Brady	**68,395**	**1,150,000**	**303,000**	64,395	1,150,000	193,000
S Weaver	**—**	**—**	**340,165**	—	—	213,498
S Wauchope	**126,229**	**—**	**—**	89,426	—	—
D Buckeridge	**125,355**	**—**	**—**	88,552	—	—

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.

Jeremy Scudamore also served as a director of the Company from 1 January 2011 until his death on 29 August 2011.

Substantial shareholders

On 23 February 2012, the Company had been notified of the following holdings representing in excess of 3% of the Company's ordinary shares:

Name	*Shares held*	*Percentage of issued share capital**
Henderson Global Investors Limited	8,964,812	16.84
ORA (Guernsey) Limited	5,729,434	10.80
Boulder River Capital Corporation	5,000,000	9.40
Credit Suisse	2,727,290	5.21
Aviva plc and its subsidiaries	2,588,938	4.88
Generation Investment Management LLP	2,355,000	5.26
Branco Weiss	2,196,954	5.24
Universities Superannuation Scheme Limited	2,102,500	3.90
Funds managed by AXA SA for Framlington	1,804,463	4.02

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

Research and development

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

Business review

For a discussion of the Group's 2011 performance, see the Chairman's statement and the Chief Executive's report on pages 3 to 9.

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 2011, with comparatives for the year ended 31 December 2010, are set out below:

	2011	*2010*
Revenue ($'000)	**7,853**	7,085
Gross profit ($'000)	**4,114**	3,589
Gross profit margin (percentage)	**52.4**	50.7
Operating loss ($'000)	**(7,053)**	(7,875)

PLANT HEALTH CARE plc

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

Principal risks and uncertainties

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

Liquidity risk

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

Technology and commercialisation risk

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

Credit risk

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

Group oversight

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

Financial instruments

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

Information on the risks associated with the Company's involvement in financial instruments is given in Note 21 to the financial statements.

Charitable and political contributions

During the year, the Group made the following contributions:

	2011	*2010*
Charitable	—	$2,000

No political donations were made during the year.

Board meetings and attendance

The following table shows the attendance of directors at meetings of the Board, Audit Committee and Remuneration Committee held during the 2011 financial year.

	Board	*Audit Committee*	*Remuneration Committee*
Number of meetings held	**10**	**3**	**4**
D Koechlin	**10**	—	—
J Brady	**10**	—	—
S Weaver	**9**	—	—
S Wauchope	**9**	**3**	**1****
D Buckeridge	**8**	**3**	**4**
J Scudamore*	**6**	—	**3**

* Deceased 29 August 2011
** Appointed 1 November 2011

Auditor

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

Annual general meeting

At the forthcoming annual general meeting of the Company, resolutions will be put forward to re-elect Dr. David Buckeridge and Dr. Dominik Koechlin, who retire by rotation, and to re-appoint BDO LLP as auditor to the Company.

By Order of the Board

Andrew C. Wood FCIS
Company Secretary

24 February 2012

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 ("AIM"), and the rules of the Channel Islands Stock Exchange.

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

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

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

Website publication

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

Independent auditor's report

TO THE SHAREHOLDERS OF PLANT HEALTH CARE PLC

We have audited the financial statements of Plant Health Care plc for the year ended 31 December 2011 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 the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

24 February 2012

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 2011

	Note	2011 $'000	2010 $'000
Revenue	4	**7,853**	7,085
Cost of sales		**(3,739)**	(3,496)
Gross profit		**4,114**	3,589
Distribution costs		**(3,129)**	(3,133)
Research and development expenses		**(2,248)**	(2,166)
Administrative expenses		**(5,790)**	(6,165)
Operating loss	5	**(7,053)**	(7,875)
Finance income	10	**82**	239
Finance expense	10	**(7)**	(13)
Loss before tax		**(6,978)**	(7,649)
Income tax expense	11	**(157)**	(40)
Net loss from continuing operations		**(7,135)**	(7,689)
Profit of discontinued operations, net of tax	12	**2,036**	136
Loss for the year		**(5,099)**	(7,553)
Other comprehensive loss:			
Exchange difference on translation of foreign operations		**(127)**	(152)
Total comprehensive loss for the year		**(5,226)**	(7,705)
Net loss attributable to:			
Owners of the parent		**(5,141)**	(7,559)
Non-controlling interest		**42**	6
		(5,099)	(7,553)
Total comprehensive loss attributable to:			
Owners of the parent		**(5,268)**	(7,711)
Non-controlling interest		**42**	6
		(5,226)	(7,705)
Basic and diluted loss per share	13	**$(0.10)**	$(0.14)
Basic and diluted loss per share from continuing operations	13	**$(0.13)**	$(0.15)

The notes on pages 34 to 65 form part of these financial statements.

Consolidated statement of financial position

AT 31 DECEMBER 2011

	Note	2011 $'000	2010 $'000
Assets			
Non-current assets			
Intangible assets	14	**3,505**	3,564
Property, plant and equipment	15	**280**	476
Trade and other receivables	17	**602**	123
Total non-current assets		**4,387**	4,163
Current assets			
Inventories	16	**1,674**	1,675
Trade and other receivables	17	**3,364**	7,581
Investments	21	**4,892**	4,982
Cash and cash equivalents		**8,906**	8,054
Total current assets		**18,836**	22,292
Assets in disposal groups classified as held-for-sale	12	—	1,949
Total assets		**23,223**	28,404
Liabilities			
Current liabilities			
Trade and other payables	18	**2,748**	2,615
Borrowings	19	**10**	42
Provisions	20	**154**	166
Total current liabilities		**2,912**	2,823
Non-current liabilities			
Borrowings	19	—	10
Provisions	20	**175**	141
Total non-current liabilities		**175**	151
Liabilities directly associated with assets in disposal groups classified as held-for-sale	12	—	560
Total liabilities		**3,087**	3,534
Total net assets		**20,136**	24,870
Share capital	23	**949**	944
Share premium	24	**50,476**	50,270
Reverse acquisition reserve	24	**10,548**	10,548
Share-based payment reserve	24	**2,610**	2,329
Foreign exchange reserve	24	**(720)**	(593)
Retained earnings	24	**(43,929)**	(38,788)
		19,934	24,710
Non-controlling interests	24	**202**	160
Total equity		**20,136**	24,870

The financial statements were approved and authorised for issue by the Board on 24 February 2012.

J Brady
Director

Registered No: 05116780 (England and Wales)

The notes on pages 34 to 65 form part of these financial statements.

Consolidated statement of changes in equity

AT 31 DECEMBER 2011

	Share capital $'000	Share premium $'000	Reverse acquisition reserve $'000	Share-based payment reserve $'000	Foreign exchange reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2010	940	49,934	10,548	1,842	(441)	(31,229)	**31,594**	154	**31,748**
Loss for year	—	—	—	—	—	(7,559)	**(7,559)**	6	**(7,553)**
Exchange difference arising on translation of foreign operations	—	—	—	—	(152)	—	**(152)**	—	**(152)**
Total comprehensive income	—	—	—	—	(152)	(7,559)	**(7,711)**	6	**(7,705)**
Shares issued	1	159	—	—	—	—	**160**	—	**160**
Share-based payments	—	—	—	487	—	—	**487**	—	**487**
Options and warrants exercised	3	177	—	—	—	—	**180**	—	**180**
Balance at 31 December 2010	944	50,270	10,548	2,329	(593)	(38,788)	**24,710**	160	**24,870**
Loss for year	—	—	—	—	—	(5,141)	**(5,141)**	42	**(5,099)**
Exchange difference arising on translation of foreign operations	—	—	—	—	(127)	—	**(127)**	—	**(127)**
Total comprehensive income	—	—	—	—	(127)	(5,141)	**(5,268)**	42	**(5,226)**
Shares issued	3	141	—	—	—	—	**144**	—	**144**
Share-based payments	—	—	—	281	—	—	**281**	—	**281**
Options exercised	2	65	—	—	—	—	**67**	—	**67**
Balance at 31 December 2011	**949**	**50,476**	**10,548**	**2,610**	**(720)**	**(43,929)**	**19,934**	**202**	**20,136**

The notes on pages 34 to 65 form part of these financial statements.

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Loss for the year		**(5,099)**	(7,553)
Adjustments for:			
Depreciation	15	**171**	212
Amortisation of intangibles	14	**252**	244
Impairment of intangibles	14	**—**	272
Share-based payment expense		**281**	487
Finance income	10	**(82)**	(239)
Finance costs	10	**7**	13
Income taxes expense		**157**	40
Decrease in trade and other receivables		**4,560**	5,225
Increase in finance lease receivables		**(535)**	—
Profit on sale of discontinued operations		**(3,319)**	—
Increase in inventories		**(41)**	(665)
Increase/(decrease) in trade and other payables		**64**	(1,183)
Increase/(decrease) in provisions		**22**	(88)
Income taxes paid		**(71)**	(93)
Net cash used in operating activities		**(3,633)**	(3,328)
Investing activities			
Purchase of property, plant and equipment		**(19)**	(143)
Expenditure on externally-acquired intangible assets	14	**(193)**	(175)
Disposal of discontinued operations, net of cash	12	**4,330**	223
Finance income	10	**82**	239
Purchase of investments		**(3,243)**	(5,291)
Sale of investments		**3,333**	4,038
Net cash provided by/(used in) investing activities		**4,290**	(1,109)
Financing activities			
Interest paid	10	**(7)**	(13)
Issue of ordinary share capital		**144**	160
Exercise of options and warrants		**66**	180
Repayment of borrowings		**(43)**	(69)
Net cash provided by financing activities		**160**	258
Net increase/(decrease) in cash and cash equivalents		**817**	(4,179)
Effects of exchange rate changes on cash and cash equivalents		**35**	62
Cash and cash equivalents at beginning of period		**8,054**	12,171
Cash and cash equivalents at end of period		**8,906**	8,054

The notes on pages 34 to 65 form part of these financial statements.

Notes forming part of the Group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011 adopted by the Group

Revised IAS 24 Related Party Disclosures (Revision to IAS 24). This revision concerns the previous disclosure requirements and simplifies the definition of a related party.

Improvements to IAS 1: Presentation of financial statements. This clarifies that the analysis of components of other comprehensive income in the statement of changes in equity may be presented in a note.

None of the other standards or amendments effective from periods beginning 1 January 2011 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.

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.

2. Accounting policies *continued*

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

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

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

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

Revenue

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

- The goods are complete and ready for delivery;
- The goods are separately identified from the Group's other inventory and are not used to fulfil any other orders; and
- The customer has requested that the goods not be delivered.

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.

2. Accounting policies *continued*

Other intangible assets

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

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

Expenditures on internally-developed intangible assets (development costs) are capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods of the future economic benefit attributable to the asset. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income.

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

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

Licenses	–	12 years
Registrations	–	5-10 years

Impairment of goodwill and other intangible assets

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

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

2. Accounting policies *continued*

Foreign currency

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

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

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

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 or loss.

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

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

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

Employee benefits

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

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

2. Accounting policies *continued*

Equity share-based payments

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

Leased assets: lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the 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.

Leased assets: lessor

Where assets are leased to a third party and give rights approximating to ownership (finance leases), the assets are treated as if they had been sold outright.

Lease payments are analysed between capital and interest components so that the interest element of the payment is credited to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts owed by the lessee.

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

2. Accounting policies *continued*

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

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly-controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the end of the financial period and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

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

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

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

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

2. Accounting policies *continued*

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

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

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

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

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

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

3. Critical accounting estimates and judgments

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

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.

3. Critical accounting estimates and judgments *continued*

Impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information on carrying values is included in Note 14.

Useful lives of intangible assets

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

Inventory

The Company reviews the net realisable value of, and demand for, its inventory on a periodic basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include timing and success of future technological innovations, competitor actions, supplier prices and economic trends. Changes in these factors that differ from management's estimates can result in adjustment to the carrying value and amounts charged to income in specific periods. More details on carrying amounts and write down of inventories to net realisable value are included in Note 16.

Receivables

The Company reviews the net recoverable value of its accounts receivable on a periodic basis to provide assurance that recorded accounts receivable are stated net of any required provision for impairment. Factors that could impact recoverability include the financial propriety of customers and related economic trends. Changes in these factors that differ from management's estimates can result in adjustment to the carrying value and amounts charged to income in specific periods. More details on gross balances and provisions made are included in Note 17.

Warranty claims

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

4. Revenue

	2011 $'000	2010 $'000
Revenue arises from:		
Sale of goods	**7,853**	6,389
Fee income	—	696
	7,853	7,085

5. Operating loss

	Note	2011 $'000	2010 $'000
Operating loss is arrived at after charging:			
Share-based payment expense	6	**450**	487
Depreciation	15	**171**	212
Amortisation of intangibles	14	**252**	244
Impairment of intangibles	14	—	272
Operating lease expense		**333**	528
Foreign exchange (gains)/losses		**(24)**	120
Auditor's remuneration:			
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts		**59**	88
Fees payable to the Company's auditor and its associates for other services:			
Audit of the Company's subsidiaries		**26**	58
Total auditor's remuneration		**85**	146

6. Staff costs

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

	2011 $'000	2010 $'000
Wages and salaries	**5,181**	5,249
Redundancy costs	**599**	—
Social security and payroll taxes	**423**	450
Defined contribution pension costs	**129**	115
Medical and other benefits	**392**	405
	6,724	6,219
Share-based payments expense – current employees	**450**	487
Share-based payments expense – redundant employees	**(169)**	—
	7,005	6,706

6. Staff costs *continued*

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

	2011	2010
Administration	**23**	31
Distribution	**22**	34
Research and development	**4**	5
	49	70

7. Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, and includes 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 19.

	2011 $'000	2010 $'000
Base salary, fees and bonuses	**957**	894
Other short-term employee benefits	**91**	53
Share-based payments	**83**	104
Pensions and other post-retirement benefits	**15**	34
	1,146	1,085

The two executive directors who served during the year were eligible to participate in the Group's 401(k) retirement plan (2010: two).

For the highest-paid director information, refer to page 19.

8. Share-based payments

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 on page 16.

Valuation of the share options granted during the year ended 31 December 2011 was as follows:

	16 March	*16 August*	*16 September*
Share options granted	16,000	36,000	13,500
Weighted average fair value	29p	27p	29p
Assumptions used in measuring fair value:			
Weighted average share price	56p	53p	57.75p
Exercise price	53p	52.5p	57.75p
Expected volatility	49%	49%	49%
Option life (years)	10	10	10
Expected vesting period (years)	4.5	4.5	4.5
Expected dividend yield	Nil	Nil	Nil
Risk-free interest rate	2.41%	1.51%	1.36%

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

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

8. Share-based payments *continued*

Valuation of the long-term incentive awards granted during the year ended 31 December 2011 was as follows:

	21 February	*16 August*
Shares awarded	940,000	60,000
Weighted average fair value	31p	21p
Assumptions used in measuring fair value:		
Expected volatility	49%	49%
Expected vesting period (years)	3	3
Expected dividend yield	Nil	Nil
Risk-free interest rate	2.75%	0.92%

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

	11 March
Shares awarded	380,000
Weighted average fair value	126p
Assumptions used in measuring fair value:	
Expected volatility	49%
Expected vesting period (years)	3
Expected dividend yield	Nil
Risk-free interest rate	2.92%

For valuation of both the share options granted and LTIP shares awarded, in 2011 and 2010:

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

9. Segment information

The segregation shown within the segment analysis below has been re-aligned to provide greater consistency with the manner in which management internally monitors and reports on the Group's performance. The Group views, manages and operates its business according to geographical segments. Revenue is generated from the sale of agricultural products across all geographic segments. Fee income is only generated in the USA segment.

2011

	USA *$'000*	*Mexico* *$'000*	*Europe* *$'000*	*Elimination* *$'000*	*Total* *$'000*
Revenue					
External sales	831	3,033	4,013	—	7,877
Inter-segment sales	846	—	—	(846)	—
	1,677	3,033	4,013	(846)	7,877
Discontinued operations					(24)
Consolidated revenue					7,853
Segment operating profit/(loss)	(4,466)	322	280	37	(3,827)
Unallocated public company and corporate expenses					(3,300)
Discontinued operations					74
Operating loss					(7,053)
Finance income					82
Finance expense					(7)
Loss before tax					(6,978)

Other segment information related to continued operations:

	USA *$'000*	*Mexico* *$'000*	*Europe* *$'000*	*Unallocated/ Elimination** *$'000*	*Total* *$'000*
Segment assets	17,899	1,477	3,847	—	23,223
Segment liabilities	1,833	498	756	—	3,087
Capital expenditure	—	1	18	—	19
Non-cash expenses:					
Depreciation	95	32	44	—	171
Amortisation	246	—	6	—	252
Share-based payment	244	31	22	153	450

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

9. Segment information *continued*

2010

	USA $'000	Mexico $'000	Europe $'000	Elimination $'000	Total $'000
Revenue					
External sales	7,554	2,430	3,152	—	13,136
Inter-segment sales	1,089	—	—	(1,089)	—
Total revenue	8,643	2,430	3,152	(1,089)	13,136
Discontinued operations					(6,051)
Consolidated revenue					7,085
Segment operating profit/(loss)	(3,474)	71	(36)	(68)	(3,507)
Unallocated public company and corporate expenses					(4,231)
Discontinued operations					(137)
Operating loss					(7,875)
Finance income					239
Finance expense					(13)
Loss before tax					(7,649)

Other segment information:

	USA $'000	Mexico $'000	Europe $'000	Unallocated/ Eliminations* $'000	Held-for -sale $'000	Total $'000
Segment assets	21,372	1,317	3,766	—	1,949	28,404
Segment liabilities	2,030	337	607	—	560	3,534
Capital expenditure	36	85	22	—	—	143
Non-cash expenses:						
Depreciation	104	50	43	—	15	212
Amortisation	231	—	13	—	—	244
Share-based payment	180	33	14	233	27	487

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

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

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

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

10. Finance income and expense

	2011 $'000	*2010 $'000*
Finance income		
Interest on deposits and investments	**82**	239
Finance expense		
Finance leases	**7**	9
Notes payable	**—**	4
Total interest expense	**7**	13

11. Tax expense

	2011 $'000	*2010 $'000*
Current tax as profit for the year	**125**	42
Deferred tax – origination and reversal of timing differences	**32**	(2)
Total tax expense	**157**	40

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:

	2011 $'000	*2010 $'000*
Loss before tax – continuing operations	**(6,978)**	(7,649)
Profit before tax – discontinued operations	**2,036**	136
	(4,942)	(7,513)
Expected tax credit based on the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	**(1,310)**	(2,104)
Disallowable (income)/expenses	**(25)**	(72)
Share-based payment expense per accounts	**74**	136
Share-based payment expense per tax returns	**—**	(420)
Losses available for carryover	**1,454**	2,237
Losses utilised in the year	**(96)**	(172)
Amortisation of intangibles	**(29)**	(36)
Other temporary differences	**57**	473
Movement in deferred tax	**32**	(2)
Actual tax charge for the year	**157**	40

At 31 December 2011, the Group had a potential deferred tax asset of $15,459,000, which includes tax losses available to carry forward of $14,907,000 (being actual losses of $51,994,000) arising from historical losses incurred and other timing differences of $552,000.

11. Tax expense *continued*

Deferred tax liability	*Deferred taxation* $'000
At 1 January 2011	57
Charged to the profit and loss account	32
At 31 December 2011	89

The deferred tax liability comprises sundry timing differences.

12. Discontinued operations

In January 2011, the Group sold the trade and certain assets and liabilities of its US landscape and retail business, which represents the only operation presented as discontinued operations for the year ended 31 December 2011. In May 2010, the Group sold the trade, assets and liabilities relating to its subsidiary, PHC Reclamation, Inc. The results of these businesses for the years ended 31 December 2010 and 2011 are shown under "Profit of discontinued operations, net of tax" in the consolidated statement of comprehensive income.

(a) US landscape and retail: profit on disposal

In January 2011, the Group sold the trade and certain assets and liabilities of its US landscape and retail business. These assets and liabilities have been classified as held-for-sale in the consolidated statement of financial position at 31 December 2010.

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

	2011 $'000
Cash received	**4,250**
Deferred consideration receivable (held in escrow)	**400**
	4,650
Net assets disposed of (other than cash):	
Property, plant and equipment	**(64)**
Trade and other receivables	**(1,135)**
Inventory	**(555)**
Intangible assets	**(140)**
Trade and other payables	**563**
	(1,331)
Reorganisation costs and transaction expenses	**(1,209)**
Profit on disposal of discontinued operations	**2,110**

The reorganisation costs comprise severance costs of approximately $679,000 and costs related to the shut-down of the manufacturing facilities following the above sale of $210,000. Transaction expenses comprise consulting and legal costs of $320,000.

12. Discontinued operations *continued*

(b) PHC Reclamation: profit on disposal

In May 2010, the Group sold the trade and those assets and liabilities relating to its subsidiary, PHC Reclamation, Inc., for cash consideration of $225,000 and deferred consideration of $160,000.

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

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

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

	Reclamation *$'000*	*Landscape/retail business* *$'000*	*Total* *$'000*
Year ended 31 December 2011			
Revenue	—	**24**	**24**
Expense other than finance costs	—	**(98)**	**(98)**
Gain on disposal of discontinued operations	—	**2,110**	**2,110**
	—	**2,036**	**2,036**
Year ended 31 December 2010			
Revenue	414	5,637	6,051
Expense other than finance costs	(420)	(5,494)	(5,914)
Finance costs	(1)	—	(1)
	(7)	143	136

Earnings per share from discontinued operations

	2011 **$**	*2010* *$*
Basic earnings per share	**0.03**	0.00
Diluted earnings per share	**0.03**	0.00

12. Discontinued operations *continued*

(d) Cash flows on discontinued operations

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

	Year ended 31 December 2011 $'000	Year ended 31 December 2010 $'000
Operating (outflows)/inflows	**(1,370)**	71
Investing inflows	**4,330**	72
Financing inflows	**—**	—

13. Loss per share

Basic loss per ordinary share has been calculated on the basis of the loss for the year of $5,099,000 (2010: loss of $7,553,000) and the weighted average number of shares in issue during the period of 53,063,707 (2010: 52,800,972). Basic loss per share from continuing operations has been calculated with a numerator of $7,135,000 loss (2010: $7,689,000 loss) and basic earnings per share from discontinued operations has been calculated with a numerator of $2,036,000 earnings (2010: $136,000). The weighted average number of shares used in the above calculation is the same as for total basic loss per ordinary share. Equity instruments of 4,121,165 (2010: 3,683,998), which includes share options and LTIPs as shown within Note 23, that could potentially dilute basic earnings per share in the future have been considered but not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. This is due to the Group incurring a loss on continuing operations for the year.

14. Intangible assets

	Goodwill $'000	Licenses and registrations $'000	Trade name and customer relationships $'000	Total $'000
Cost				
Balance at 1 January 2010	1,620	3,306	159	5,085
Additions – externally acquired	—	175	—	175
Less disposal group classified as held-for-sale	—	(379)	—	(379)
Balance at 31 December 2010	1,620	3,102	159	4,881
Additions – externally acquired	—	193	—	193
Balance at 31 December 2011	**1,620**	**3,295**	**159**	**5,074**
Accumulated amortisation				
Balance at 1 January 2010	—	1,012	28	1,040
Amortisation charge for the year	—	233	11	244
Impairment	—	152	120	272
Less disposal group classified as held-for-sale	—	(239)	—	(239)
Balance at 31 December 2010	—	1,158	159	1,317
Amortisation charge for the year	—	252	—	252
Balance at 31 December 2011	**—**	**1,410**	**159**	**1,569**
Net book value				
At 31 December 2010	1,620	1,944	—	3,564
At 31 December 2011	**1,620**	**1,885**	**—**	**3,505**

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

Goodwill

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

Licenses and registrations

These amounts represent the cost of licenses and registrations acquired in order to market and sell the Group's products internationally across a wide geography. These amounts are amortised evenly according to the straight-line method over the term of the license or registration. Impairment is reviewed and tested according to the method expressed above.

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15. Property, plant and equipment

	Leasehold improvements $'000	*Production machinery $'000*	*Office equipment $'000*	*Vehicles $'000*	*Total $'000*
Cost					
Balance at 1 January 2010	38	556	754	469	1,817
Additions	—	—	42	101	143
Assets held-for-sale	—	(540)	—	—	(540)
Disposals	—	—	(103)	(136)	(239)
Balance at 31 December 2010	38	16	693	434	1,181
Additions	—	15	4	—	19
Disposals	(38)	(15)	(38)	(38)	(129)
Balance at 31 December 2011	**—**	**16**	**659**	**396**	**1,071**
Accumulated depreciation					
Balance at 1 January 2010	17	468	408	236	1,129
Depreciation charge for the year	4	19	107	82	212
Assets held-for-sale	—	(476)	—	—	(476)
Disposals	—	—	(55)	(105)	(160)
Balance at 31 December 2010	21	11	460	213	705
Depreciation charge for the year	2	4	99	66	171
Disposals	(23)	(13)	(29)	(20)	(85)
Balance at 31 December 2011	**—**	**2**	**530**	**259**	**791**
Net book value					
At 31 December 2010	17	5	233	221	476
At 31 December 2011	**—**	**14**	**129**	**137**	**280**

The net book value of property, plant and equipment includes an amount of $45,000 (2010: $117,000) in respect of assets held under finance leases. Depreciation expense includes an amount of $27,000 (2010: $27,000) in respect of assets held under finance leases.

16. Inventories

	2011 $'000	*2010 $'000*
Raw materials	**13**	123
Finished goods and goods for resale	**1,661**	1,552
	1,674	1,675

The write-down of inventory to net realisable value recognised as an expense during the year was $37,000 (2010: $346,000).

17. Trade and other receivables

	2011 $'000	2010 $'000
Current:		
Trade receivables	**4,128**	8,838
Less: provision for impairment	**(1,537)**	(1,560)
Trade receivables, net	**2,591**	7,278
Other receivables and prepayments	**595**	303
Lease receivable	**178**	—
Current trade and other receivables	**3,364**	7,581
Non-current:		
Trade receivables	**245**	123
Less: provision for impairment	**—**	—
Trade receivables, net	**245**	123
Lease receivable	**357**	—
Non-current trade and other receivables	**602**	123
	3,966	7,704

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.

In October 2011, the Group entered into a sale/leaseback agreement for bulk containers with Direct Enterprises, Inc. ("DEI") establishing a lease receivable of $535,000. Payments will be made by DEI every six months for three years beginning 1 June 2012. The Group owns the bulk containers and they serve as collateral for the receivable.

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

	2011 $'000	2010 $'000
Balance at the beginning of the year	**1,560**	1,578
Provided	**99**	75
Receivables written off as uncollectible	**(10)**	(20)
Unused amounts reversed	**(16)**	—
Reclassified as held for sale	**—**	(73)
Foreign exchange	**(96)**	—
Balance at the end of the year	**1,537**	1,560

The gross value of trade receivables for which a provision for impairment has been made is $1,620,401 (2010: $3,139,000).

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

17. Trade and other receivables *continued*

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

	2011 $'000	2010 $'000
Current	**3,270**	3,557
Past due:		
Up to 30 days	**345**	169
31 to 60 days	**133**	3,709
61 to 90 days	**60**	52
Greater than 90 days	**158**	217
Total	**3,966**	7,704

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

18. Trade and other payables

	2011 $'000	2010 $'000
Trade payables	**808**	842
Accruals	**1,619**	1,616
Deferred income	**21**	39
Taxation and social security	**125**	61
Income tax liability	**86**	—
Deferred tax liability	**89**	57
	2,748	2,615

19. Borrowings

(a) Current borrowings

	2011 $'000	2010 $'000
Notes payable	—	22
Finance leases	**10**	20
	10	42

19. Borrowings *continued*

(b) Non-current borrowings

	2011 $'000	2010 $'000
Finance leases	—	10

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*	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
In less than one year	**2,748**	2,615	—	22	**10**	20
In more than one year, but less than two years	—	—	—	—	—	10
	2,748	2,615	—	22	**10**	30

20. Provisions

	Warranty $'000	Post-employment insurance benefits $'000	Total $'000
Balance at 1 January 2011	166	141	307
Provided	—	34	34
Utilised in year	(12)	—	(12)
Balance at 31 December 2011	**154**	**175**	**329**
Due within one year or less	154	—	154
Due after more than one year	—	175	175
	154	175	329

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

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

21. Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that all entities in the Group will be able to continue as going concerns, while maximising shareholder value through the optimisation of its debt and equity structure. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 23 and 24.

(b) Categories of financial assets and financial liabilities

	Fair value through profit or loss		*Loans and receivables*	
	2011	*2010*	***2011***	*2010*
	$'000	*$'000*	***$'000***	*$'000*
Financial assets				
Trade and other receivables	—	—	**3,966**	7,704
Investments	**4,892**	4,982	—	—
Cash and cash equivalents	—	—	**8,906**	8,054
	4,892	4,982	**12,872**	15,758

	Financial liabilities measured at amortised cost	
	2011	*2010*
	$'000	*$'000*
Financial liabilities		
Trade and other payables	**2,748**	2,615
Borrowings due within one year	**10**	42
Borrowings due after one year	—	10
	2,758	2,667

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

21. Financial instruments *continued*

(c) Investments

Security type	*Moody's rating*	*Face value ($'000)*	*Coupon rate*	*Maturity date*	*2011 Value ($'000)*
Government	AAA	2,065	0.4% – 3.0%	15/01/12 – 15/11/14	2,092
Corporate*	>Aa3	1,661	0.0% – 5.1%	15/05/12 – 15/09/15	1,671
Corporate*	A1 – A3	770	0.6% – 6.5%	10/03/12 – 20/05/14	782
Corporate*	Baa1 – Baa2	225	0.8% – 6.6%	6/02/12 – 14/07/14	228
Corporate**	Unrated	125	0.7% – 1.5%	15/02/13 – 15/05/14	119
		4,846			4,892

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

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

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

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

(d) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by reference to continuously monitored forecast and actual cash flows. As part of its monitoring, the Group ensures that the financial liabilities due to be paid can be met by existing cash and cash equivalents. As the Group does not currently generate sufficient cash from its operations to meet its annual funding needs, it may be required to seek additional cash from its shareholders or lenders to fund its operations. Further, while the Group does not expect to need to raise capital in the foreseeable future, the current economic environment may result in an increased challenge related to the raising of additional capital.

(e) Financial risk management objectives

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

21. Financial instruments *continued*

(f) Market risk

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

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

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

	Assets		*Liabilities*	
	2011	*2010*	***2011***	*2010*
	$'000	*$'000*	***$'000***	*$'000*
Euro	**1,129**	1,232	**266**	215
Pound	**1,501**	894	**105**	98
Peso	**1,415**	1,212	**498**	337

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.

(g) Price risk

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

(h) Interest rate risk

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

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

21. Financial instruments *continued*

(i) Credit risk management

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

The Group sells to a large number of customers across international locations within the USA, Europe and Mexico. During 2011, there was no dependence on any one customer or any customer representing more than 10% of the Group's total sales, including sales made by discontinued operations.

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

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

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

The maximum exposure to credit risk on cash balances at the reporting date is the carrying value of the cash balances.

22. Subsidiary undertakings

The following were subsidiary undertakings of the Company at 31 December 2011:

Name	*Country of incorporation or registration*	*Proportion of voting rights and ordinary share capital held*	*Nature of business*
Plant Health Care, Inc.	USA (Nevada)	100%	Holding company
Plant Health Care, Inc.	USA (Pennsylvania)	100%*	Sales
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%*	Sales

* Held indirectly.

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

23. Share capital

(a) Authorised and issued share capital

	2011 $'000	2010 $'000
Authorised share capital:		
500,000,000 ordinary shares at £0.01 each	**8,984**	8,984
Allotted, called up and fully-paid share capital:		
53,196,036 (2010: 52,922,782) ordinary shares at £0.01 each	**949**	944

(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 2010	52,648,993	940
Shares issued for services received	66,041	1
Share options exercised	197,748	3
LTIP awards vested	10,000	—
In issue at 31 December 2010	52,922,782	944
Shares issued for services received	156,754	3
Share options exercised	112,500	2
LTIP awards vested	4,000	—
In issue at 31 December 2011	**53,196,036**	**949**

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

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

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

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

During the year ended 31 December 2011, the following fully-paid 1p ordinary shares in the Company were issued:

i. 156,754 shares with an aggregate value of $144,000 were issued to the non-executive directors in lieu of cash payments for fees.

ii. 112,500 shares with an aggregate value of $67,000 were issued for the exercise of share options at an exercise price of 37 pence per share.

iii. 4,000 shares with an aggregate value of $66 were issued for the vesting of LTIP shares.

23. Share capital *continued*

(c) Other equity instruments

The Company had the following other equity instruments in issue at 31 December 2011:

	2011	*2010*
	No	*No*
Share options	**2,378,000**	2,577,500
Share awards under the Long Term Incentive Plan	**1,743,165**	1,106,498
	4,121,165	3,683,998

(d) Share options

The Company issues share options to certain employees under the Plant Health Care plc Unapproved Share Option Scheme 2004. At the time of its admission to AIM, the Company also agreed to honour outstanding options under the Plant Health Care, Inc. 2001 Equity Incentive Plan. No further options have been or will be issued under that Plan.

The movements on share options are as follows:

	Options over ordinary shares			*Weighted average exercise*
	Directors	*Other*	*Total*	*price*
Outstanding at 1 January 2010	1,375,000	1,405,748	2,780,748	90p
Awarded	—	28,500	28,500	166p
Exercised	—	(197,748)	(197,748)	59p
Forfeited	—	(34,000)	(34,000)	281p
Retirement of director	(225,000)	225,000	—	49p
Outstanding at 31 December 2010	1,150,000	1,427,500	2,577,500	91p
Awarded	—	65,500	65,500	54p
Exercised	—	(112,500)	(112,500)	37p
Forfeited	—	(152,500)	(152,500)	256p
Outstanding at 31 December 2011	**1,150,000**	**1,228,000**	**2,378,000**	**81p**

Of the total number of options outstanding at 31 December 2011, 2,071,500 (2010: 2,194,500) had vested and were exercisable. The weighted average exercise price was 61p (2010: 59p).

The weighted average share price at the dates of exercise for the share options exercised during 2011 was 52p (2010: 188p).

The options outstanding at 31 December 2011 have a weighted average remaining life of 2.9 years (2010: 3.8 years) and the range of exercise prices is 37p to 325p (2010: 37p to 325p).

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23. Share capital *continued*

(e) Share awards under long-term incentive plan

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

The movements on LTIP share awards are as follows:

		Share awards	
	Directors	*Other*	*Total*
Outstanding at 1 January 2010	408,000	425,000	833,000
Awarded	113,000	275,000	388,000
Vested	(10,000)	—	(10,000)
Forfeited	(104,502)	—	(104,502)
Outstanding at 31 December 2010	406,498	700,000	1,106,498
Awarded	320,000	680,000	1,000,000
Vested	(4,000)	—	(4,000)
Forfeited	(79,333)	(280,000)	(359,333)
Outstanding at 31 December 2011	**643,165**	**1,100,000**	**1,743,165**

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

The share price at the date of vesting of LTIPs during 2011 was 53p (2010: 222p).

The LTIPs outstanding at 31 December 2011 have a weighted average remaining life of 1.64 years (2010: 1.72 years).

24. Reserves

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

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

25. Pensions

The Group does not maintain any defined benefit pension plans. The Group does maintain a retirement plan qualified under Section 401(k) of the United States Internal Revenue Code. This plan covers all US employees. In 2011, the Group's pension expense under the scheme was $70,000 (2010: $79,000). Mexico has a government run pension plan to which our operations there must contribute. In 2011, the expense for this plan was $32,000 (2010: $36,000). Several United Kingdom employees receive contributions to their pension plans. The expense for this was $27,000 (2010: $nil). The total pension liability at the end of the year was $109,000 (2010: $75,000).

26. Leases

Finance leases - as lessee

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

Future lease payments are due as follows:

2011	*Minimum lease payments $'000*	*Interest $'000*	*Present value $'000*
Not later than one year	11	1	10
2010			
Not later than one year	23	3	20
Later than one year and not later than five years	11	1	10
	34	4	30

Finance leases - as lessor

The Group leases bulk containers on leases classified as finance leases.

Future leases receivable are due as follows:

2011	*Minimum lease payments $'000*	*Interest $'000*	*Present value $'000*
Not later than one year	196	18	178
Later than one year and not later than five years	393	36	357
	589	54	535

2010: nil

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26. Leases *continued*

Operating leases

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

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

	2011 $'000	2010 $'000
Not later than one year	**167**	440
Later than one year and not later than five years	**317**	1,176
	484	1,616

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 1 January 2012 and which the Group has decided not to adopt early.

Those likely to affect the Group include:

Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (Effective for periods beginning on or after 1 January 2012). This revision is yet to be endorsed by the EU. This amendment requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. 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.

IFRS 10 Consolidated Financial Statements (Effective for periods beginning on or after 1 January 2013). This IFRS is yet to be endorsed by the EU. This standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. Management are still assessing the impact of this revision.

IFRS 12 Disclosure of Interests in Other Entities (Effective for periods beginning on or after 1 January 2013). This IFRS is yet to be endorsed by the EU. This standard includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements and unconsolidated structured entities. Management are still assessing the impact of this revision.

IFRS 13 Fair Value Measurements (Effective for periods beginning on or after 1 January 2013). This IFRS is yet to be endorsed by the EU. This standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. Management are still assessing the impact of this revision.

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

Company balance sheet

AT 31 DECEMBER 2011

	Note	**2011 $'000**	2010 $'000
Fixed assets			
Fixed asset investments	32	**54,557**	54,830
Current assets			
Debtors	34	**19**	16
Cash at bank and in hand		**1,101**	1,498
		1,120	1,514
Creditors: amounts falling due within one year	35	**210**	153
Net current assets		**910**	1,361
Provision for liabilities	36	**175**	141
Net assets		**55,292**	56,050
Capital and reserves			
Called-up share capital	23	**949**	944
Share premium	38	**50,476**	50,270
Reverse acquisition reserve	38	**14,455**	14,455
Share-based payment reserve	38	**2,310**	2,029
Retained earnings	38	**(12,898)**	(11,648)
Shareholders' funds		**55,292**	56,050

The financial statements were approved and authorised for issue by the Board on 24 February 2012.

J Brady
Director

Registered No: 05116780 (England and Wales)

The notes on pages 67 to 70 form part of these financial statements.

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

Share-based payments

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

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

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

Deferred taxation

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

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 $1,250,000 (2010: loss of $1,446,000), which is dealt with in the financial statements of the parent company.

30. Share-based payments

See Note 23 of the Group financial statements.

31. Directors' remuneration

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

32. Fixed asset investments

	Shares in Group undertakings $'000	*Loans to Group undertakings $'000*	*Total $'000*
Cost			
At 1 January 2010	16,196	39,003	55,199
Additions	384	—	384
Net repayments	—	(753)	(753)
At 31 December 2010	16,580	38,250	54,830
Additions	198	—	198
Net repayments	—	(471)	(471)
At 31 December 2011	**16,778**	**37,779**	**54,557**

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

33. Subsidiary undertakings

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

34. Debtors

	2011 $'000	*2010 $'000*
Prepayments	**19**	16

All amounts fall due within one year.

35. Creditors

	2011 $'000	*2010 $'000*
Trade creditors	**88**	58
Accruals	**122**	95
	210	153

PLANT HEALTH CARE plc

36. Provision

	Post-employment insurance benefits $'000
Balance at 1 January 2011	141
Provided	34
Balance at 31 December 2011	**175**
Due after more than one year	175

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

37. Share capital

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

38. Reserves

	Share premium $'000	Reverse acquisition reserve $'000	Share-based payment reserve $'000	Retained earnings $'000
Balance at 1 January 2010	49,934	14,455	1,542	(10,202)
Shares issued	159	—	—	—
Share-based payments	—	—	487	—
Options and warrants exercised	177	—	—	—
Loss in the year	—	—	—	(1,446)
Balance at 31 December 2010	50,270	14,455	2,029	(11,648)
Shares issued	141	—	—	—
Share-based payments	—	—	281	—
Exercise of share options	65	—	—	—
Loss in the year	—	—	—	(1,250)
Balance at 31 December 2011	**50,476**	**14,455**	**2,310**	**(12,898)**

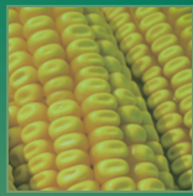
39. Company reconciliation of movements in shareholders' funds

	2011 $'000	2010 $'000
Total recognised loss relating to the year	**(1,250)**	(1,446)
Shares issued	**144**	160
Exercise of share options	**67**	180
Share-based payment charge	**281**	487
Net decrease in shareholders' funds	**(758)**	(619)
Opening shareholders' funds	**56,050**	56,669
Closing shareholders' funds	**55,292**	56,050

40. Related party transactions

The Company has taken advantage of the exemption allowed by Financial Reporting Standard 8, 'Related Party Transactions', not to disclose any transactions with its wholly-owned subsidiary companies as these are included within the consolidated financial statements of the Group.

Produced by Portman Lodge Limited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