PLANT HEALTH CARE



ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Contents

Plant Health 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 industry partners. Plant Health Care's products deliver 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. Christopher Richards	*Non-executive Chairman*
	Paul M. Schmidt	*Chief Executive*
	Michael J. Higgins	*Senior Independent Director*
	James L. Ede-Golightly	*Non-executive Director*
	Dr. Richard H. Webb	*Non-executive Director*
Secretary	Andrew C. Wood FCIS	
Registered office	The Broadgate Tower 20 Primrose Street London EC2A 2RS	
Company number	05116780	
Broker and nominated adviser	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY	
Auditor	BDO LLP 55 Baker Street London W1U 7EU	
Company solicitor	Reed Smith LLP The Broadgate Tower 20 Primrose Street London EC2A 2RS	
Registrar	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	

Chairman's letter

Introduction

This has been a transformative year for Plant Health Care, as a new management team has moved forward rapidly with the implementation of the Group strategy announced last year; progress has been very encouraging. The Board is increasingly confident about the value of the Group's existing products and of its research portfolio. At the same time, historic issues have been encountered which, while now largely resolved, have hindered the rate of progress. However, I have been enormously impressed by the way the team has come together under the leadership of Paul Schmidt and huge strides have been made in turning Plant Health Care into a highly successful technology licensing business. Your Board considers that Plant Health Care is now a stable company, set for exciting growth over the coming years.

Market environment

Plant Health Care continues to enjoy a positive market environment. The agriculture sector as a whole has been buoyant now for several years and investor appetite is unabated to invest in the challenges of feeding a more populous and prosperous world in a sustainable manner. The imbalance of supply and demand for food continues to drive the search for increasing yields and we anticipate no change in this situation in the coming years.

Within the agriculture sector, the recent trend of increasing investment in 'biological products', the area in which Plant Health Care operates, continued in 2013. The major agrochemical companies are now devoting more resources to biological products and seeking partnerships with companies such as Plant Health Care in order to build their product pipelines. Moreover, as these companies improve their own ability to evaluate biological products, the quality of the dialogue we have with them about the potential of our products to improve crop yields has substantially improved.

Over the past year, we have continued to build confidence in our core technologies. Harpin αβ has now been applied on more than 10 million acres of crops around the world, with demand continuing to build in the field. We are finding additional uses for Harpin αβ, especially in mixtures with agrochemical products, such as in the recent agreement with Arysta LifeScience. These uses are set to drive increased sales in the coming years. The pipeline of potential distribution and/or license deals for Harpin αβ is substantially stronger than a year ago.

We are also excited about the potential for Myconate, which has had a very positive year in trials with several potential licensees.

Plant Health Care has improved its operational focus by exiting all non-core activities in Europe, with the successful divestment in November 2013 of its Netherlands subsidiary, together with all non-core activities from our other European operations. This leaves the Group with a European presence in the UK and Spain focused entirely on Harpin and Myconate-related activities.

Innovation

In research, the 2013 field trials confirmed the promise of several third-generation Harpin products. Substantial progress has been made in establishing laboratory and greenhouse screening techniques, although much remains to be done. With the size and activities of our research team building, we are very excited about the future with third-generation Harpins and with additional innovations from our new PRE*tec* (Plant Response Elicitor technology) platform. Renewed interest in our research from major agrochemical players is also encouraging.

Chairman's letter

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Board changes

The past year has seen a significant change in the Board. As announced in last year's annual report, Sam Wauchope resigned in April 2013. John Brady stepped down as Chief Executive, also in April 2013, and subsequently left the Board in September. Also in September 2013, Steve Weaver, formerly Finance Director, stepped down from the Board and subsequently left the Group at the end of December. Dr. David Buckeridge, who had been a non-executive director since 2008, stepped down in September 2013.

Also as announced in last year's annual report, Paul Schmidt joined the Company as Chief Executive in April 2013 and Michael Higgins became a non-executive director in May 2013. Subsequently, James Ede-Golightly and Dr. Richard Webb joined the Board as non-executive directors in June and September 2013, respectively.

The relevant experience and background of each member of the Board is set out on pages 10 and 11.

I am grateful for the contributions made by those directors who have left and I am very enthused by the range of skills that we have now assembled. The combination of corporate and investment experience with scientific research and business development skills is not only impressive in itself, but also essential to the Group achieving its objectives.

Future prospects

Paul Schmidt's new executive team is now largely in place. With the hiring of Jeff Hovey as Chief Financial Officer and the move of various operations from Pittsburgh to Raleigh, North Carolina, the new headquarters has been completed; this has also delivered a substantial reduction in costs. Business Development has been strengthened with the addition of Glen Donald, while Sales & Marketing activities have been consolidated under the leadership of Mike Cloutier. Resources devoted to research and development ("R&D"), under Dr. Zhongmin Wei in Seattle, have been doubled, in line with our plan. The new management team is a small but tightly-knit unit, focused on implementing a clear strategy.

An important step in 2013 was the launch of a 'Value Creation Plan', under which key managers are incentivised to maximise shareholder value over the coming years. Of particular note is that this plan only becomes of value to management once the share price exceeds 106p from April 2017.

Plant Health Care's new Board is now in place, with a good balance of industry and capital market skills. The Board is functioning well as a team and engaging actively to support management. Progress has also been made in reducing our central corporate costs, so that resources can be better devoted to generating shareholder value.

In April 2013, $20.3m was raised through a Placing and Subscription (the "fundraising") to support the strategic redirection of the Group. Following the fundraising, current forecasts indicate that cash reserves are sufficient to implement our strategy. Restructuring costs were higher than we had anticipated, but the issues of the past are now behind us.

Finally, I would like to thank my fellow directors and our advisers, our shareholders and our employees (both past and present) for their contributions and continuing support over the past year during a period of substantial change.

Dr. Christopher Richards
Chairman

24 March 2014

Strategic report

Business overview

Plant Health Care's products are aimed at the agriculture industry, through supply and distribution agreements with industry partners. These products deliver both environmental and economic benefits for the Group's customers and capitalise upon long-term trends towards natural systems and biological products to promote plant health and growth.

Our long-term vision remains to establish Plant Health Care as a highly profitable technology licensing business, embedded in the global agrochemical industry. This will be achieved by continuing to exploit the existing product platform, based on Harpin αβ and Myconate, whilst investing substantially in the creation of the next generation of Harpins.

As mentioned in the Chairman's letter, in April 2013, $20.3m was raised through a Placing and Subscription and a refocused strategy was adopted. Following the fundraising, there were also a number of operational issues which had to be addressed. These took more time and resources than had been anticipated. However, the Board is confident that the Group now has the people, technology and processes largely in place to deliver on our plan.

Most importantly, we have remained focused on the priorities set out at the time of the fundraising, which were to:

- invest in momentum;
- develop the Harpin platform; and
- build our licensing capability.

Key performance indicators ("KPIs")

The Group uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial. The most significant relate to Group financial performance and to the Group's progress in proving and exploiting its key technologies.

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

The KPIs for financial performance for the year ended 31 December 2013, with comparatives for the year ended 31 December 2012, are set out below; these figures exclude sales attributable to the EU non-core business divested in November 2013.

	2013	*2012*
Revenue ($'000)	**7,455**	6,199
Gross profit ($'000)	**5,163**	3,609
Gross profit margin (%)	**69.3**	58.2
Operating loss ($'000)	**(6,946)**	(6,514)

In addition, an important KPI is the increase in revenue achieved from the sale or exploitation of our core products and technology (the Harpin family of products and Myconate).

Core product sales

	2013	*2012*
	$'000	*$'000*
USA	**2,169**	528
Mexico	**579**	498
Europe	**1,009**	1,521
Total	**3,757**	2,547

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

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

Strategic report

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

Financial summary

A summary of the financial results for the 12 months to 31 December 2013, with comparatives for the previous financial year, is set out below:

	2013 **$'000**	*As restated (Note 13)* *2012* *$'000*
Revenue	**7,455**	6,199
Gross profit	**5,163**	3,609
Operating loss from continuing operations	**(6,946)**	(6,514)
(Loss)/profit on disposal of discontinued operations	**(89)**	7
Finance income (net)	**37**	57
Net loss for the year	**(6,881)**	(6,505)
Cash/liquid short-term investments at 31 December	**20,549**	7,705

Revenues from continuing operations in 2013 increased by 21% to $7.5m (2012: $6.2m). Sales were $3.8m, compared with $2.5m in 2012, for Harpin and Myconate, the balance being generated by our distribution businesses. The geographic distribution of sales was similar to the year before, with 32 per cent ("%") (2012: 39%) of sales originating from our European sales offices and 68% (2012: 61%) coming from Mexico and the United States.

Sales of Harpin and Myconate have increased as a percentage of total sales in the past year to 50% (2012: 41%). This trend is expected to continue in 2014 and accelerate as the Monsanto inventory overhang is liquidated by Direct Enterprises Inc. ("DEI").

The gross margin increased to 69% of sales in 2013, an improvement from 58% in 2012, as a result of an increased contribution from Harpin in the sales mix, as well as license/milestone payments.

Operating expenses increased to $12.1m from $10.1m. Of this increase, $2.1m related to restructuring costs. These costs relate principally to the severance costs of directors, the cost of closing the Pittsburgh office and associated staff severance costs, and the set-up of the new administrative head office in Raleigh.

Expenditure on R&D increased materially from $1.0m to $2.1m and this relates directly to the stated strategy of focused research on the next generation of Harpin products. In addition, we have set out in Note 10 the separate category of expenditure relating to Business Development, which was broadly flat year-on-year at $852,000 in 2013 (2012: $877,000). This relates to expenditures for field trials with customers and other costs relating to customer support, market research and the negotiation of commercial agreements. Unallocated corporate expenses have been reduced to $1.1m and the Board will continue to find ways of keeping these costs as low as practicable.

Review of 2013

Income from sales of Harpin and Myconate, including license/milestone payments, in 2013 hit a new high of $3.8m (2012: $2.5m), an increase of 52%. Growth of core product revenue in the USA was particularly encouraging, increasing to $2.17m from $0.53m in 2012. Cumulative Harpin αβ treated area has exceeded 10 million acres around the world, which is testimony to the value of the product to our customers. We have enhanced our ability to take existing and future products to market, with the creation of a Business Development function and by

Strategic report

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focusing our development and commercial resources on those projects which show most promise of earnings over the next three years. As a result, our pipeline of commercial opportunities has been reinforced and we are starting to deliver new distribution and license agreements which will drive increased sales.

In April 2013, we announced an agreement with Arysta LifeScience Corporation to sell Harpin αβ in combination with certain Arysta products for foliar applications in the USA and elsewhere. We are confident that this important agreement will lead to significant sales in 2014 and beyond. We are excited about the benefits of Harpin αβ in combination with certain agrochemical products for foliar applications and are seeing significant enhancements in yield from such combinations. We anticipate concluding further agreements of this type with other companies over time.

With respect to seed treatment, it became increasingly evident that an exclusive agreement signed with Monsanto in 2008 was serving as an impediment to the further development of Harpin αβ for this use. In July 2013, we concluded an agreement with Monsanto to terminate this contract and are now free to enter into agreements with other potential licensees. A number of companies have identified substantial yield increases from the inclusion of Harpin αβ in their seed treatment products and we expect to conclude an agreement with at least one of these over the coming months.

DEI continues to sell N-Hibit (Harpin αβ) for seed treatment in the USA, satisfying its customers' needs for an effective defence against nematodes and, in the process, consuming inventory that it previously purchased from Monsanto.

An encouraging development during the past year has been a renewed interest on the part of several companies in Myconate. The benefits of the product have been demonstrated in several crops over some years, but commercial exploitation on a large scale has remained elusive. We now believe that there is a reasonable prospect of concluding one or more commercial agreements for Myconate within the next 12 months.

Whilst, in the US, revenues derived from our core products increased to $2.17m from $0.53m in 2012, including license/milestone payments, there was a decline from $1.5m to $1.0m in core product sales through our European operations. This was largely due to lower than anticipated sales into South Africa, which we hope to recover in 2014. Our Mexican activities grew by almost 10% over 2012, with core product sales, which account for only approximately 15% of the total, growing by 16% to $580,000.

Also encouraging has been the continued interest and growth in sales of our core products outside of the USA. Notwithstanding a dip in 2013 sales in our European region, which was primarily due to unfavourable market conditions in South Africa, we are expanding our western European footprint into central and eastern Europe and have established a strong following for our products in certain markets in South Africa. Our business in Mexico continues to operate profitably with solid top and bottom line growth. A clear focus of our Business Development efforts is to establish a presence in the important markets of Brazil and Argentina.

Research and development

At the time of our fundraising in April 2013, we set out a plan to invest the majority of the proceeds in R&D to discover, evaluate and develop third-generation Harpin products. Over the past year, we have expanded the team under the leadership of our Chief Science Officer, Dr. Zhongmin Wei, based in Seattle. We are deploying in-house resources, as well as making extensive use of out-sourced activities where we cannot justify establishing our own facilities. The first year of this more intensive approach has

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given us increased confidence that the third generation of Harpins holds substantial promise. Field trials in 2013 were very encouraging and indicated that several of our candidate new products are likely to result in yield increases significantly greater than those we observe with Harpin αβ. We continue to synthesise and test further third-generation Harpin products and to develop additional and alternative screening methodologies which will, we believe, result in an accelerated and more effective screening process.

Plant Health Care has established a world-class level of competence and capability, not only with respect to Harpins, but in the field of plant response elicitors in general. Recognising this, an important development in 2013 was the introduction of the 'PRE*tec*' platform, which comprises the entire Plant Response Elicitor technology platform of Plant Health Care. It is clear that we have the innovative ability to continue to develop this platform beyond the third-generation Harpin products and, as such, we have initiated activities in this area.

One of the targets for research has been to develop a commercially suitable liquid formulation of Harpin αβ, as this form of product is desired by certain segments of the market. However, the technical challenges are proving to be substantial. These formulation constraints are caused primarily by the structure of the Harpin αβ molecule and are not expected to apply to the new generation of Harpins under development. We continue to explore various novel approaches to developing a liquid formulation of Harpin αβ and will take decisions on this research area during 2014.

Transformation

As part of our transformation to a more streamlined and focused business, we divested our Netherlands subsidiary to local management in November 2013. As part of this divestment, we retained all rights to our core products (Harpin and Myconate) and continue to invest in developing and distributing these products in Europe from locations in the UK and Spain. After pursuing various options for divestiture of Plant Health Care Mexico, we have decided to retain and continue to operate this profitable subsidiary.

In 2013, we created a new headquarters for Plant Health Care in Raleigh, North Carolina, where a smaller but more effective team has been assembled. We have established tighter business processes and controls in line with best industry practices. We have taken steps to integrate and support those parts of the Plant Health Care organisation that previously operated in a rather isolated and autonomous manner.

The Board remains confident of Plant Health Care's core technology and the prospects for the business.

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

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by reference to continuously monitored forecast and actual cash flows. As part of its monitoring, the Group ensures that the financial liabilities due to be paid can be met by existing cash and cash equivalents. Cash equivalents are composed of short-term investment grade securities and are readily marketable and convertible to cash. The Group does not currently generate sufficient cash from its operations to meet its annual funding needs. However, the Company is well funded due to an equity placement in April 2013 and is able to meet its obligations.

Strategic report

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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 well as anticipated or are not received as favourably 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 existing and potential partners to continue to review, evaluate and improve its technologies to ensure continued innovation and commercial viability.

Credit risk

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 six 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 Group's involvement in financial instruments is given in Note 22 to the financial statements.

On behalf of the Board

Paul Schmidt
Chief Executive

24 March 2014

Directors

Dr. Christopher G. J. Richards

(Non-executive Chairman)
Dr. Richards is a British citizen and joined the Group as non-executive Chairman on 1 August 2012. He has had a distinguished career in the global agrochemical industry and is non-executive chairman of Arysta LifeScience Corporation, one of the world's largest privately-held agrochemical companies. Dr. Richards joined Arysta LifeScience as Chief Operating Officer in 2003 and was Chief Executive Officer from 2004 to 2010. Under his leadership, Arysta LifeScience became one of the fastest-growing companies in the agrochemical industry. Arysta LifeScience was acquired by Permira Funds in 2008.

Dr. Richards previously worked in international management roles at Syngenta Crop Protection and its predecessor companies, Zeneca and ICI. He began his career at the UK Ministry of Agriculture, Fisheries and Food, having been awarded a doctorate in animal ecology from St. John's College, Oxford.

His other directorships include Dechra Pharmaceuticals plc, an international veterinary pharmaceuticals group listed in London. He is also non-executive chairman of Oxitec Ltd, a biotech company that is tackling dengue fever and agricultural pests, and a non-executive director of Cibus Global, Inc, a seed biotechnology company.

Paul M. Schmidt

(Chief Executive)
Paul Schmidt, who has dual US/Canadian nationality, was appointed Chief Executive Officer on 2 April 2013. He has extensive operational experience in the agriculture industry, having served in senior roles in the USA, Germany and Canada during 25 years with Bayer CropScience and its predecessor companies. As President of Merck/EMD Crop Bioscience, a leading developer of natural plant health products, Mr. Schmidt led a turnaround which resulted in substantially increased sales and profit. In February 2011, he oversaw the sale of the business to Novozymes for $275 million. Mr. Schmidt graduated from the University of Saskatchewan with a BSA in Agronomy in 1980.

He is a member of the board of directors of Alberta Innovates BioSolutions (Province of Alberta corporation).

Michael J. Higgins

(Senior Independent Director)
Michael Higgins is a British citizen and joined the Company as Senior Independent Director and Chair of the Audit Committee on 9 May 2013.

Mr. Higgins is currently non-executive Chairman of Ebiquity PLC and a non-executive director of Arria NLG plc, both AIM-listed companies, and Chairman of the Quoted Companies Alliance. He also works with, and invests in, a number of early-stage businesses. Mr. Higgins was a senior adviser at KPMG, following 10 years as a partner. Prior to KPMG, he was a director at Charterhouse Bank, worked at Saudi International Bank and qualified as an accountant with Price Waterhouse (now PricewaterhouseCoopers).

James L. Ede-Golightly

(Non-executive Director)
James Ede-Golightly is a British citizen and joined the Company as a non-executive director on 7 June 2013. Mr. Ede-Golightly is chairman of East Balkan Properties Plc and Quoram Plc and has extensive experience as a non-executive on the boards of AIM-quoted companies with international business interests.

Mr. Ede-Golightly was a founder in 2006 of ORA Capital Partners, where he remains a non-executive director, having previously worked as an analyst at Merrill Lynch Investment Managers and Commerzbank. He is a CFA Charterholder and Chartered Director.

Directors

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Dr. Richard H. Webb

(Non-executive Director)
Dr. Webb is a British citizen and joined the Company on 16 September 2013 as a non-executive director. He was previously engaged by the Group as a consultant, and was instrumental in the development of its new business strategy and its current research and development programme.

Dr. Webb is director of StepOut Ltd., a consultancy business he founded in 1995. Prior to that he held various posts in the former ICI, including a period managing laboratory discovery and field development programmes for its public health business. His doctorate, in pest biology, was from the London School of Hygiene and Tropical Medicine.

Dr. Webb has many years' experience as a strategy and innovation consultant working mostly in the food, health and agriculture sectors. He has had particularly broad exposure to the international agrochemical industry, which he has advised across a full spectrum of activities, from research targeting to post-patent brand management.

Board committees

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

Audit Committee

The Audit Committee is chaired by Michael Higgins, who succeeded Sam Wauchope in May 2013. Richard Webb replaced David Buckeridge as a member of the Committee in September 2013.

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 James Ede-Golightly, who succeeded David Buckeridge in September 2013. Michael Higgins is also a member, having replaced Sam Wauchope in May 2013.

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

Plant Health Care plc has taken note of the UK Corporate Governance Code ("the UK Code", formerly "the Combined Code") published in September 2012. The UK Code and associated guidance can be found on the Financial Reporting Council website at www.frc.org.uk/corporate/ukcgcode.cfm. The rules of the London Stock Exchange do not require companies that have securities traded on AIM to formally comply with the UK Code and the Company does not seek to formally comply nor give a statement of compliance. However, the Board is accountable to the Company's shareholders for good governance and has sought to apply those principles of corporate governance commensurate with the Company's size. Its approach is set out below:

Board composition

The Board currently comprises a non-executive chairman, one executive director and three other non-executive directors. The Board considers all of the non-executives to be independent in judgment and character. On joining the Board, James Ede-Golightly was considered to be non-independent on account of his business relationship with a substantial shareholder. However, given the distribution of substantially all of ORA Capital's interest in the Company to its shareholders, James can now be considered independent.

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, Michael Higgins, 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 six 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

Corporate governance

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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 or Chief Executive. The Senior Independent Director also meets with the other members of the Board without the Chairman present on at least an annual basis in order to evaluate and appraise the performance of the Chairman.

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

In line with the requirements of the UK Code, the Board conducts an internal Board performance evaluation on an annual basis. Following the Board evaluation in 2013, 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 online both an interim statement and its full-year report and accounts. The annual report is mailed to all shareholders and, upon request, to other parties who have an interest in the Group's performance. Regular communication with shareholders also takes place via the Company's website **www.planthealthcare.com/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.

Corporate governance

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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 Chief Financial Officer presents to the Board for discussion and approval a summary of the key internal controls in place during the prior period and proposals for enhancements to these controls in the forthcoming period. Based on this process, the directors believe that the Group has internal control systems in place appropriate to its size and nature.

Remuneration Committee report

The Remuneration Committee is currently chaired by James Ede-Golightly. Michael Higgins is also a member. Both are non-executive directors. The Committee is responsible for determining the contract terms, remuneration and other benefits of the executive directors 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.

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; and
- pension contributions.

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 15 days holiday per annum;
- coverage under the Company's health insurance plans; 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 2013, the directors had bonus potential of between 50% and 100% of their basic salaries; for 2014, the range remains between 50% and 100%. This ensures that there is a significant element of "at risk" pay, which is only available when good results are achieved.

Remuneration Committee report

continued

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 plans. 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 12% 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.

Remuneration Committee report

continued

No awards have been made under the LTIP since July 2011. As at 31 December 2013, a total of 1,000,000 LTIPs remained outstanding, the vesting of which was dependent upon the achievement of 2013 performance targets. No shares were deemed earned and all outstanding awards will be forfeited upon announcement of the 2013 results.

(c) Value creation-based long-term incentive plan

In July 2013, the Company implemented a value creation-based long-term incentive plan (the "Value Creation Plan" or "VCP") in which the Chairman, CEO and key members of the senior executive team participate. The plan calculates value generated for shareholders from the point of the April 2013 fundraising over a four-year period, with plan participants receiving in aggregate up to 10% of value generated over an annual hurdle of 8%, paid in shares valued at that end point. The workings of the plan accommodate equity issuances (including fundraisings) and the payment of dividends during its life. On a change of control, value generated for shareholders above the hurdle rate is calculated and paid out at that point.

The Board exercises its discretion from time to time to award options to its directors as it sees fit.

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;
- in past years, the Company has contributed an amount up to 3% of compensation, at the discretion of the Board, for all employees eligible to participate. From 2014 onwards, the Company has committed to making a matching contribution of up to 2% of compensation for participating employees;
- in past years, vesting of Company contributions was 33% after the first year of service, and 33% and 34% over the next two years of service, respectively. From 2014 onwards, Company contributions vest immediately; 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 severance arrangements include a benefit for payment for health insurance for up to 18 months after his termination of employment.

Remuneration Committee report

continued

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 their fees wholly in cash. In addition, certain of the non-executive directors provide consultancy services to the Company.

Service contracts

The Company has service contracts with all executive and non-executive directors. Provisions in the service contracts include:

For executive directors:

- termination may be initiated by the Company at any time. Termination by the director is subject to a notice period ranging from 20 days to six 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 either one year's full cash bonus or *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 prior written notice of between one and three months; and
- directors may be terminated with immediate effect for serious breach or repeated or continued material breach of any obligations to the Company; any act of dishonest or serious misconduct or conduct which tends to bring the director or the Company into disrepute; or a declaration of bankruptcy.

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

Remuneration Committee report

continued

Directors' remuneration

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

		Base salary, fees and serverance payments $'000	Performance-related bonus $'000	Other benefits $'000	Share-based payments $'000	Total 2013 $'000	Total 2012 $'000
Executive:							
J Brady*	*Resigned 16 September 2013*	979	—	(37)	(71)	871	416
S Weaver	*Resigned 16 September 2013*	444	—	35	(65)	414	352
P Schmidt	*Appointed 2 April 2013*	187	100	20	84	391	—
Non-executive:							
D Koechlin	*Resigned 13 April 2012*	—	—	—	—	—	22
S Wauchope	*Resigned 2 April 2013*	16	—	—	—	16	67
D Buckeridge	*Resigned 16 September 2013*	47	—	—	—	47	67
C Richards	*Appointed 1 August 2012*	87	—	—	35	122	35
M Higgins**	*Appointed 9 May 2013*	47	—	—	—	47	—
J Ede-Golightly	*Appointed 7 June 2013*	23	—	—	—	23	—
R Webb	*Appointed 16 September 2013*	14	—	—	—	14	—
		1,844	100	18	(17)	1,945	959

* Negative amount in other benefits is indicative of a decrease in value due to annual reassessment of the value of long-term benefits accrued.

** The amount included in the table for Michael Higgins represents fees for services provided as a non-executive director in the amount of $37,000, as well as remuneration for consultancy services in the amount of $10,000.

Executive salaries

At 1 January 2012, John Brady had a base salary of $340,000 and bonus potential of 100% of base salary.

At 1 January 2012, Stephen Weaver had a base salary of $220,000 and bonus potential of 70%. With effect from 1 July 2012, his salary was increased to $226,000.

At 31 December 2013, Paul Schmidt had a base salary of $250,000 and bonus potential of 100%.

Share-based payments and other benefits

In 2013, the Company accrued a contribution to the 401(k) Plan of 2% (2012: 3%) of eligible compensation. In 2013, pension expense for the executive directors was $11,000 (2012: $15,000).

In 2013, post-employment health benefits for John Brady were ($75,000) (2012: ($100,000)). The negative is indicative of the fact that the value of these benefits is annually reassessed. Any decrease in value is shown as a negative. During 2013, as part of their severance package, the employee agreed to forfeit any remaining amount of lifetime insurance benefits after 30 September 2015.

Remuneration Committee report

continued

In 2013, the Company incurred ($17,000) (2012: $33,000) of share-based payment credit. The reversal of the share-based charges is due to forfeiture of LTIP awards due to the 2013 performance targets not being met.

In 2013, the Company incurred $14,400 (2012: $17,000) of car allowance expense.

In 2013, the Company incurred $34,600 (2012: $33,000) of medical, dental and life insurance expense.

In 2013, the Company incurred $33,000 (2012: Nil) of costs for disposal of a vehicle.

Directors' share-based incentives

Movements in 2012

On 23 May 2012, with regard to 66,832 shares previously awarded to Steve Weaver under the LTIP, the vesting of which was dependent upon the achievement of 2010 performance targets, the shares were deemed earned, but the entire award was forfeited, due to non-take-up by Steve Weaver.

On 30 June 2012, with regard to 85,000 shares previously awarded to John Brady under the LTIP, the vesting of which was dependent upon the achievement of 2011 performance targets, no shares were deemed earned, the entire award being forfeited.

On 30 June 2012, with regard to 58,333 shares previously awarded to Steve Weaver under the LTIP, the vesting of which was dependent upon the achievement of 2011 performance targets, no shares were deemed earned, the entire award being forfeited.

Movements in 2013

On 2 July 2013, with regard to 58,000 shares previously awarded to John Brady under the LTIP, the vesting of which was dependent upon the achievement of 2012 performance targets, no shares were deemed earned, the entire award being forfeited.

On 2 July 2013, with regard to 55,000 shares previously awarded to Steve Weaver under the LTIP, the vesting of which was dependent upon the achievement of 2012 performance targets, no shares were deemed earned, the entire award being forfeited.

(a) Awards under the Value Creation Plan

During 2013, awards were made under the VCP to directors as under:

Director	*Date of award*	*Number of options*	*Number of restricted stock units*
C Richards	2 July 2013	862,000 market value options	—
P Schmidt	2 July 2013	79,821 incentive stock options	1,630,000

The maximum number of restricted share units awarded to Paul Schmidt which may vest, subject to the workings of the performance condition, is 1,630,000.

Remuneration Committee report

continued

(b) Other awards of options

During the year, the following share option awards were made to non-executive directors:

Director	*Date of award*	*Number of options*	*Exercise price £*	*Expiry date*
M Higgins	10 May 2013	117,647	0.85	9 May 2023
R Webb	17 September 2013	128,205	0.78	16 September 2023

Other information

During the year, the Company's share price on AIM ranged between 50p and 90p. At 31 December 2013, the share price was 52.5p. At 21 March 2014, the last working day prior to the approval of this annual report, the share price was 59p.

Report of the directors

The directors present their annual report together with the audited financial statements for the year ended 31 December 2013.

Results and dividends

The results of the Group for the year are set out on page 29 and show a loss for the year of $6,881,000 (2012: loss of $6,505,000).

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

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 (including through the value creation plan) and LTIP share awards were as follows.

		At 31 December 2013		
		Shares	*Options*	*LTIP*
C Richards*	*Appointed 1 August 2012*	**56,500**	**862,000**	—
P Schmidt	*Appointed on 2 April 2013*	**57,000**	**1,709,821**	—
M Higgins	*Appointed on 9 May 2013*	—	**117,647**	—
J Ede-Golightly	*Appointed on 7 June 2013*	**430,111**	—	—
R Webb	*Appointed on 16 September 2013*	**10,000**	**128,205**	—

* As at 1 January 2013, Chris Richards, the only current director who was then on the Board, held no interest in the Company.

Sam Wauchope also served as a director of the Company from 1 January 2013 until he resigned on 2 April 2013. Likewise, John Brady, Stephen Weaver and Dr. David Buckeridge all served as directors of the Company from 1 January 2013 until they resigned on 16 September 2013.

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

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

Report of the directors

continued

Substantial shareholders

On 21 March 2014, the directors are aware of the following persons who, directly or indirectly, are interested in 3% or more of the Company's existing Ordinary Share capital:

Name	*Shares held*	*Percent of issued share capital**
Henderson Global Investors Limited	17,461,177	24.75
Richard Griffiths**	11,484,557	16.21
Boulder River Capital Corporation and its affiliates	7,955,397	11.28
Blake Holdings Limited**	7,544,000	10.65
Polar Capital	3,846,154	5.45
Antisoma PLC	3,377,596	4.79
Seren Capital Management Limited**	3,000,426	4.23
Robert Quested	2,404,078	3.41

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

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

Research and development

The Group continues to invest in R&D activities with an emphasis on the improvement of existing technologies, the formulation of products to meet specific customer needs and the development of new products based on the Company's Harpin platform technology. For further details of the Company's R&D activities, see the Chairman's letter and Strategic report on pages 3 to 9.

Business review

For a discussion of the Group's 2013 performance and future developments, see the Chairman's letter and Strategic report on pages 3 to 9.

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 2013 financial year:

		Board	*Audit Committee*	*Remuneration Committee*
Number of meetings held		**13**	**3**	**3**
C Richards		13	—	—
P Schmidt	*Appointed on 2 April 2013*	8	—	—
M Higgins	*Appointed on 9 May 2013*	8	2	2
J Ede-Golightly	*Appointed on 7 June 2013*	7	—	1
R Webb	*Appointed on 16 September 2013*	3	1	—
J Brady	*Resigned on 16 September 2013*	9	—	—
S Weaver	*Resigned on 16 September 2013*	10	—	—
S Wauchope	*Resigned on 2 April 2013*	5	1	1
D Buckeridge	*Resigned on 16 September 2013*	10	2	2

Report of the directors

continued

Auditor

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

Going concern

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

Annual general meeting

At the forthcoming annual general meeting of the Company, resolutions will be put forward to elect James Ede-Golightly, Michael Higgins and Dr. Richard Webb, each of whom was appointed to the Board since the last annual general meeting, and to re-appoint BDO LLP as auditor to the Company. Shareholders will also be asked to approve the delisting of the Company's shares from the Channel Islands Securities Exchange Authority Ltd. and the issue of awards made under the Company's Value Creation Plan.

By Order of the Board

Andrew C. Wood FCIS
Company Secretary

24 March 2014

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 Securities Exchange Authority Ltd.

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 members of Plant Health Care plc

We have audited the financial statements of Plant Health Care plc for the year ended 31 December 2013 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 flows, 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 auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report

continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report 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.

Julian Frost

(senior statutory auditor)

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

24 March 2014

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 2013

	Note	2013 $'000	As restated (Note 13) 2012 $'000
Revenue	4	**7,455**	6,199
Cost of sales		**(2,292)**	(2,590)
Gross profit		**5,163**	3,609
Research and development expenses		**(2,079)**	(1,024)
Business development expenses		**(852)**	(877)
Sales and marketing expenses		**(3,474)**	(4,505)
Administrative expenses		**(3,606)**	(3,717)
Restructuring expenses	5	**(2,098)**	—
Total administrative expenses		**(5,704)**	(3,717)
Operating loss	6	**(6,946)**	(6,514)
Finance income	11	**38**	61
Finance expense	11	**(1)**	(4)
Loss before tax		**(6,909)**	(6,457)
Income tax expense	12	**117**	(55)
Net loss from continuing operations		**(6,792)**	(6,512)
(Loss)/profit of discontinued operations, net of tax	13	**(89)**	7
Loss for the year		**(6,881)**	(6,505)
Other comprehensive income:			
Items which will or may be reclassified to profit or loss:			
Exchange difference on translation of foreign operations		**(2)**	140
Total comprehensive loss for the year		**(6,883)**	(6,365)
Net loss attributable to:			
Owners of the parent		**(6,900)**	(6,573)
Non-controlling interest		**19**	68
		(6,881)	(6,505)
Total comprehensive loss attributable to:			
Owners of the parent		**(6,902)**	(6,433)
Non-controlling interest		**19**	68
		(6,883)	(6,365)
Basic and diluted loss per share	14	**$(0.11)**	$(0.12)
Basic and diluted loss per share from continuing operations	14	**$(0.11)**	$(0.12)

The notes on pages 33 to 66 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2013

	Note	*2013* *$'000*	*2012* *$'000*
Assets			
Non-current assets			
Intangible assets	15	**3,004**	3,252
Property, plant and equipment	16	**276**	235
Trade and other receivables	18	**316**	156
Total non-current assets		**3,596**	3,643
Current assets			
Inventories	17	**2,510**	1,729
Trade and other receivables	18	**3,170**	3,477
Investments	22	**11,054**	4,204
Cash and cash equivalents		**9,495**	3,501
Total current assets		**26,229**	12,911
Total assets		**29,825**	16,554
Liabilities			
Current liabilities			
Trade and other payables	19	**3,034**	2,327
Borrowings	20	**9**	12
Provisions	21	**—**	—
Total current liabilities		**3,043**	2,339
Non-current liabilities			
Trade and other payables		**153**	—
Borrowings	20	**34**	48
Provisions	21	**—**	75
Total non-current liabilities		**187**	123
Total liabilities		**3,230**	2,462
Total net assets		**26,595**	14,092
Share capital	24	**1,215**	952
Share premium	25	**70,206**	50,624
Reverse acquisition reserve	25	**10,548**	10,548
Share-based payment reserve	25	**2,556**	2,780
Foreign exchange reserve	25	**(582)**	(580)
Retained earnings	25	**(57,348)**	(50,502)
		26,595	13,822
Non-controlling interests	25	**—**	270
Total equity		**26,595**	14,092

The financial statements were approved and authorised for issue by the Board on 24 March 2014.

P Schmidt

Director

Registered No: 05116780 (England and Wales)

The notes on pages 33 to 66 form part of these financial statements.

Consolidated statement of changes in equity

at 31 December 2013

	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 2012	949	50,476	10,548	2,610	(720)	(43,929)	**19,934**	202	**20,136**
Loss for year	—	—	—	—	—	(6,573)	**(6,573)**	68	**(6,505)**
Exchange difference arising on translation of foreign operations	—	—	—	—	140	—	**140**	—	**140**
Total comprehensive income	—	—	—	—	140	(6,573)	**(6,433)**	68	**(6,365)**
Shares issued	1	88	—	—	—	—	**89**	—	**89**
Share-based payments	—	—	—	170	—	—	**170**	—	**170**
Options exercised	2	60	—	—	—	—	**62**	—	**62**
Balance at 31 December 2012	952	50,624	10,548	2,780	(580)	(50,502)	**13,822**	270	**14,092**
Loss for year	—	—	—	—	—	(6,900)	**(6,900)**	19	**(6,881)**
Exchange difference arising on translation of foreign operations	—	—	—	—	(2)	—	**(2)**		**(2)**
Total comprehensive income	—	—	—	—	(2)	(6,900)	**(6,902)**	19	**(6,883)**
Shares issued	263	20,207	—	—	—	—	**20,470**	—	**20,470**
Placement costs	—	(641)	—	—	—	—	**(641)**	—	**(641)**
Share-based payments	—	—	—	(224)	—	—	**(224)**	—	**(224)**
Options exercised	—	16	—	—	—	—	**16**	—	**16**
Purchase of minority interest	—	—	—	—	—	54	**54**	(289)	**(235)**
Balance at 31 December 2013	**1,215**	**70,206**	**10,548**	**2,556**	**(582)**	**(57,348)**	**26,595**	—	**26,595**

The notes on pages 33 to 66 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Loss for the year		**(6,881)**	(6,505)
Adjustments for:			
Depreciation	16	**108**	152
Amortisation of intangibles	15	**273**	275
Share-based payment (credit)/expense		**(224)**	170
Finance income	11	**(38)**	(84)
Finance expense	11	**1**	4
Income taxes (credit)/expense		**(117)**	55
Increase in trade and other receivables		**(117)**	(477)
Decrease in finance lease receivables		**—**	535
Loss on sale of discontinued operations, net of tax	13	**185**	—
Loss on disposal of fixed assets		**43**	—
Increase in inventories		**(1,166)**	(9)
Increase/(decreases) in trade and other payables		**1,826**	(438)
Decrease in provisions		**(75)**	(254)
Income taxes paid		**(69)**	(131)
Net cash used in operating activities		**(6,251)**	(6,707)
Investing activities			
Purchase of property, plant and equipment	16	**(278)**	(156)
Expenditure on externally-acquired intangible assets	15	**(25)**	(22)
Disposal of discontinued operations, net of cash	13	**(252)**	400
Finance income	11	**38**	84
Purchase of investments		**(24,765)**	(1,980)
Sale of investments		**17,915**	2,656
Net cash (used in)/provided by investing activities		**(7,367)**	982
Financing activities			
Interest paid	11	**(1)**	(4)
Issue of ordinary share capital		**19,829**	89
Exercise of options		**16**	62
Increase in borrowings		**—**	61
Purchase of minority shares		**(235)**	—
Repayment of borrowings		**(17)**	(11)
Net cash provided by financing activities		**19,592**	197
Net increase/(decrease) in cash and cash equivalents		**5,974**	(5,528)
Effects of exchange rate changes on cash and cash equivalents		**20**	123
Cash and cash equivalents at beginning of period		**3,501**	8,906
Cash and cash equivalents at end of period		**9,495**	3,501

The notes on pages 33 to 66 form part of these financial statements.

Notes forming part of the Group financial statements

for the year ended 31 December 2013

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 10.

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. The exchange rate used to convert British Pounds to US Dollars at 31 December 2013 was 1.6488 and the average exchange rate for the year was 1.6321.

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 2013 adopted by the Group

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

Standards, amendments and interpretations to published standards not yet effective

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

A summary of these standards and their probable impact on the Company is given in Note 29 to the financial statements.

Basis of consolidation

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

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

2. Accounting policies *continued*

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. 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.

Non-refundable license (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 and the collection of the resulting receivable is reasonably assured.

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.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

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.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

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.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

2. Accounting policies *continued*

Employee benefits

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

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

Equity share-based payments

Share-based payments issued to employees include share options and stock awards under a long-term incentive plan and value creation 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.

Property, plant and equipment

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

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

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.

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.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

3. Critical accounting estimates and judgments *continued*

Impairment of intangible assets (excluding goodwill)

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately within administrative expenses in the consolidated statement of comprehensive income.

Impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information on carrying values is included in Note 15.

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 15.

Inventory

The Group reviews the net realisable value of, and demand for, its inventory on a periodic basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include timing and success of future technological innovations, competitor actions, supplier prices and economic trends. Changes in these factors that differ from management's estimates can result in adjustment to the carrying value and amounts charged to income in specific periods. More details on carrying amounts and write down of inventories to net realisable value are included in Note 17.

Receivables

The Group 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 18.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

3. Critical accounting estimates and judgments *continued*

Warranty claims

Prior to 1 January 2011, 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 expired on 31 October 2012.

4. Revenue

Revenue arises from:	***2013*** ***$'000***	*As restated* *Note 13* *2012* *$'000*
Core products	**4,997**	2,547
Non-core products	**2,458**	3,652
Total	**7,455**	6,199

5. Restructuring costs

Exceptional items in the year ended 31 December 2013 were $2,098,000. These expenses represented severance payments, relocation costs and other expenses of $1,705,000, $282,000 and $111,000, respectively.

During 2013, the Group rearranged its expense categories to better align with the Group's objectives going forward. In particular, the Research and Development and Business Development functions were separated into two distinct expense classifications. This was done to create a more focused effort to perform critical functions in order to go from research to commercialisation of a product in the most efficient manner.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

6. Operating loss

	Note	*2013* *$'000*	*2012* *$'000*
Operating loss is arrived at after charging/(crediting):			
Share-based payment (credit)/charge	7	**(224)**	170
Depreciation	16	**108**	152
Amortisation of intangibles	15	**273**	275
Operating lease expense		**443**	356
Loss on disposal of property, plant and equipment		**43**	—
Foreign exchange (gains)/losses		**(28)**	15
Auditor's remuneration:			
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts		**61**	60
Fees payable to the Company's auditor and its associates for other services:			
Audit of the Company's subsidiaries		**28**	27
Total auditor's remuneration		**89**	87

7. Staff costs

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

	2013 *$'000*	*2012* *$'000*
Wages and salaries	**3,854**	5,059
Redundancy costs	**1,705**	—
Social security and payroll taxes	**337**	354
Defined contribution pension costs	**107**	114
Medical and other benefits	**206**	232
	6,209	5,759
Share-based payments (credit)/charge	**(224)**	170
	5,985	5,929

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

	2013	*2012*
Research	**5**	3
Development	**2**	1
Administration	**16**	26
Sales and Marketing	**11**	13
	34	43

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

8. 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 20.

	2013 $'000	2012 $'000
Base salary, fees and bonuses	**890**	961
Termination benefits	**1,054**	—
Other short-term employee benefits	**(26)**	(50)
Share-based payments	**(17)**	33
Pensions and other post-retirement benefits	**11**	15
	1,912	959

The three executive directors who served during the year were eligible to participate in the Group's 401(k) retirement plan (2012: two). The negative is indicative of the fact that the value of these benefits is annually reassessed. Any decrease in value is shown as a negative.

For the highest-paid director information, refer to page 20.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

9. Share-based payments

The Company operates three equity-settled share-based remuneration schemes for employees: a share option scheme, a long-term incentive stock award plan and a value creation plan, as described in the "Elements of remuneration" section for executive directors within the Remuneration Committee report on page 16.

(a) Share options

Valuation of the share options granted during the year ended 31 December 2013 and 2012 was as follows:

	16 April 2013	***9 May 2013***	***17 September 2013***	*20 March 2012*	*17 September 2012*
Share options granted	**24,000**	**117,647**	**128,205**	8,000	9,000
Weighted average fair value	**52p**	**49p**	**34p**	26p	46p
Assumptions used in measuring fair value:					
Weighted average share price	**90p**	**85p**	**64p**	54p	95p
Exercise price	**90p**	**85p**	**78p**	57p	96p
Expected volatility	**49%**	**49%**	**49%**	49%	49%
Option life (years)	**10**	**10**	**10**	10	10
Expected vesting period (years)	**4.5**	**4.5**	**4.5**	4.5	4.5
Expected dividend yield	**Nil**	**Nil**	**Nil**	Nil	Nil
Risk-free interest rate	**0.75%**	**0.75%**	**0.75%**	1.26%	0.86%

For valuation of both the share options granted in 2013 and 2012:

- 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.

(b) Long-term incentive awards

There were no LTIP awards granted during the years ended 31 December 2013 or 31 December 2012.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

9. Share-based payments *continued*

(c) Value Creation Plan

The value creation-based long-term incentive plan (VCP), in which the Chairman, CEO and key members of senior management participate, calculates value generated for shareholders from the point of the April 2013 fundraising over a four-year period, with the plan participants receiving in aggregate up to 10% of value generated above an annual hurdle of 8%, paid in shares valued at that end point.

Valuation of the share options granted under the VCP during the year ended 31 December 2013 was as follows:

	2 July	*26 November*
Share options granted	4,091,463	775,106
Weighted average fair value	35p	11p
Market capitalisation	56,051,918	40,540,693
Valuation hurdle	74,898,120	74,898,120
Assumptions used in measuring fair value:		
Weighted average share price	80p	58p
Exercise price	106p	106p
Risk-free rate	0.75%	0.75%
Expected vesting period	3.8	3.4
Option life (years)	10	10
Expected volatility	44.3%	41.3%
Expected dividend rate	Nil	Nil

For valuation of the VCP in 2013:

- the expected volatility was determined by reference to the historical share price of Plant Health Care plc for a four-year period.
- the expected vesting period reflects 20 trading days after the announcement of financial results for the year ending 31 December 2016.
- fair values were calculated using the binomial option pricing model; and
- the valuation hurdle was calculated as 78p escalated at an 8% hurdle rate to the measurement date.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

10. Segment information

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.

2013

	USA *$'000*	*Mexico* *$'000*	*Europe* *$'000*	*Elimination* *$'000*	*Total* *$'000*
Revenue*					
Core product sales	2,169	579	1,009	—	3,757
Non-core product sales	72	2,791	2,464	—	5,327
Inter-segment sales	1,274	—	540	(1,814)	—
Total revenue	3,515	3,370	4,013	(1,814)	9,084
Discontinued operations	—	—	(1,629)	—	(1,629)
Group consolidated revenue	3,515	3,370	2,384	(1,814)	7,455
Research and development	(2,079)	—	—	—	(2,079)
Business development	(852)	—	—	—	(852)
Sales and marketing	(1,624)	(970)	(880)	—	(3,474)
Administration	(1,615)	(292)	(186)	—	(2,093)
Restructuring	(2,098)	—	—	—	(2,098)
Depreciation	(47)	(33)	(28)	—	(108)
Amortisation	(255)	—	(18)	—	(273)
Segment operating profit/(loss)	(6,046)	429	(178)	(19)	(5,814)
Corporate expenses **:					
Wages and professional fees					(877)
Administration expenses					(255)
Operating loss					(6,946)
Finance income					38
Finance expense					(1)
Loss before tax and discontinued operations					(6,909)

* Revenue from one customer totals $1,200,000, or 16.1%, of the Group's revenue. This license revenue is included in Core product sales within the US segment.

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

10. Segment information *continued*

Other segment information:

	USA *$'000*	*Mexico* *$'000*	*Europe* *$'000*	*Unallocated/ Eliminations* *$'000*	*Total* *$'000*
Segment assets	23,874	1,918	4,033	—	29,825
Segment liabilities	2,653	207	370	—	3,230
Capital expenditure	232	46	—	—	278
Non-cash expenses:					
Depreciation	45	34	5	24	108
Amortisation	255	—	18	—	273
Share-based payment	(308)	53	48	(17)	(224)

2012 – as restated (Note 13)

	USA *$'000*	*Mexico* *$'000*	*Europe* *$'000*	*Elimination* *$'000*	*Total* *$'000*
Revenue					
Core product sales	528	498	1,521	—	2,547
Non-core product sales	170	2,594	2,440	—	5,204
Inter-segment sales	1,230	16	—	(1,246)	—
Total revenue	1,928	3,108	3,961	(1,246)	7,751
Discontinued operations	—	—	(1,552)	—	(1,552)
Group consolidated revenue	1,928	3,108	2,409	(1,246)	6,199
Research and development	(1,024)	—	—	—	(1,024)
Business development	(877)	—	—	—	(877)
Sales and marketing	(2,792)	(900)	(813)	—	(4,505)
Administration	(839)	(250)	(107)	—	(1,196)
Depreciation	(83)	(29)	(40)	—	(152)
Amortisation	(259)	—	(16)	—	(275)
Segment operating profit/(loss)	(5,090)	377	285	8	(4,420)
Corporate expenses*:					
Wages and professional fees					(1,716)
Administrative expenses					(378)
Operating loss					(6,514)
Finance income					61
Finance expense					(4)
Loss before tax and discontinued operations					(6,457)

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

10. Segment information *continued*

Other segment information:

	USA *$'000*	*Mexico* *$'000*	*Europe* *$'000*	*Unallocated/ Eliminations* *$'000*	*Total* *$'000*
Segment assets	11,362	1,700	3,492	—	16,554
Segment liabilities	1,540	388	534	—	2,462
Capital expenditure	67	1	88	—	156
Non-cash expenses:					
Depreciation	83	29	40	—	152
Amortisation	258	—	17	—	275
Share-based payment	72	25	12	61	170

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.

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

11. Finance income and expense

	2013 ***$'000***	*As restated* *Note 13* *2012* *$'000*
Finance income		
Interest on deposits and investments	**38**	61
Finance expense		
Interest on finance leases	**(1)**	(4)

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

12. Tax expense

	2013	*2012*
	$'000	*$'000*
Current tax as profit for the year	**43**	7
Deferred tax – origination and reversal of timing differences	**(160)**	48
Total tax expense	**(117)**	55

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:

Loss before tax – continuing operations	**(6,909)**	(6,457)
(Loss)/profit before tax – discontinued operations	**(89)**	7
	(6,998)	(6,450)
Expected tax credit based on the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	**(1,625)**	(1,580)
Disallowable expenses	**10**	28
Share-based payment expense per accounts	**(52)**	41
Share-based payment expense per tax returns	**(2)**	(6)
Losses available for carryover	**1,717**	1,507
Losses utilised in the year	**(13)**	(2)
Amortisation of intangibles	**(73)**	14
Other temporary differences	**81**	5
Movement in deferred tax	**(160)**	48
Actual tax charge for the year	**(117)**	55

At 31 December 2013, the Group had a potential deferred tax asset of $19,649,000, which includes tax losses available to carry forward of $18,318,000 (being actual federal, foreign and state losses of $65,836,000) arising from historical losses incurred and other timing differences of $1,331,000.

Deferred tax liability/(asset)	*Deferred taxation*
	$'000
At 1 January 2013	137
Credited to the profit and loss account	(160)
At 31 December 2013	(23)

The deferred tax liability/(asset) comprises sundry timing differences.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

13. Discontinued operations

In November 2013, the Group sold the 100% shareholding of its Netherlands business, which represents the only operation presented as discontinued operations for the year ended 31 December 2013. The consolidated statement of comprehensive income has been restated for the year ended 31 December 2012 to show the discontinued operation separately from continuing operations. The results of this business for the year ended 31 December 2013 and 2012 are shown under "Loss of discontinued operations, net of tax" in the consolidated statement of comprehensive income.

(a) Plant Health Care BV: loss on disposal

In November 2013, the Group sold the 100% shareholding of its Netherlands business.

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

	2013 *$'000*
Cash received	—
Net assets disposed of:	
Cash	**252**
Property, plant and equipment	**86**
Trade and other receivables	**287**
Inventory	**385**
Trade and other payables	**(252)**
Notes payable	**(573)**
	185
Loss on disposal of discontinued operations	**185**

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

	2013 *$'000*	*2012* *$'000*
Year ended 31 December		
Revenue	**1,629**	1,552
Expense other than finance costs	**(1,533)**	(1,545)
Loss on disposal of discontinued operations	**(185)**	—
	(89)	7

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

13. Discontinued operations *continued*

Earnings per share from discontinued operations

	2013	2012
	$	$
Basic earnings per share	**0.00**	0.00
Diluted earnings per share	**0.00**	0.00

(c) 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 2013	*As restated Year ended 31 December 2012*
	$'000	*$'000*
Operating inflows/(outflows)	**270**	(96)
Investing (outflows)/inflows	**(252)**	400

14. Loss per share

Basic loss per ordinary share has been calculated on the basis of the loss for the year of $6,881,000 (2012: loss of $6,505,000) and the weighted average number of shares in issue during the period of 65,598,377 (2012: 53,261,442). Basic loss per share from continuing operations has been calculated with a numerator of $6,792,000 loss (2012: $6,512,000 loss) and basic earnings per share from discontinued operations has been calculated with a numerator of ($89,000) loss for 2013 (2012: profit of $7,000). 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 8,174,421 (2012: 3,434,500), which includes share options, LTIPs and the Value Creation Plan as shown within Note 24, 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.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

15. Intangible assets

	Goodwill $'000	Licenses and registrations $'000	Trade name and customer relationships $'000	Total $'000
Cost				
Balance at 1 January 2012	1,620	3,295	159	5,074
Additions – externally acquired	—	22	—	22
Balance at 31 December 2012	1,620	3,317	159	5,096
Additions – externally acquired	—	25	—	25
Balance at 31 December 2013	**1,620**	**3,342**	**159**	**5,121**
Accumulated amortisation				
Balance at 1 January 2012	—	1,410	159	1,569
Amortisation charge for the year	—	275	—	275
Balance at 31 December 2012	—	1,685	159	1,844
Amortisation charge for the year	—	273	—	273
Balance at 31 December 2013	**—**	**1,958**	**159**	**2,117**
Net book value				
At 31 December 2012	1,620	1,632	—	3,252
At 31 December 2013	**1,620**	**1,384**	**—**	**3,004**

The intangible asset balances have been tested for impairment using discounted budgeted cash flows, a pre-tax discount rate of 18% (2012: 18%) and performance projections over five years with residual growth assumed at 0%.

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. Licenses and registrations have a weighted average remaining amortisation period of five years.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

16. Property, plant and equipment

	Production machinery $'000	Office equipment $'000	Vehicles $'000	Total $'000
Cost				
Balance at 1 January 2012	16	659	396	1,071
Additions	—	18	138	156
Disposals	(1)	(33)	(175)	(209)
Balance at 31 December 2012	15	644	359	1,018
Additions	—	187	91	278
Disposals	(2)	(221)	(174)	(397)
Balance at 31 December 2013	**13**	**610**	**276**	**899**
Accumulated depreciation				
Balance at 1 January 2012	2	530	259	791
Depreciation charge for the year	4	88	60	152
Disposals	—	(36)	(124)	(160)
Balance at 31 December 2012	6	582	195	783
Depreciation charge for the year	5	46	57	108
Disposals	—	(200)	(68)	(268)
Balance at 31 December 2013	**11**	**428**	**184**	**623**
Net book value				
At 31 December 2012	9	62	164	235
At 31 December 2013	**2**	**182**	**92**	**276**

The net book value of property, plant and equipment includes an amount of $42,800 (2012: $8,000) in respect of assets held under finance leases. Depreciation expense includes an amount of $1,300 (2012: $18,000) in respect of assets held under finance leases.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

17. Inventories

	2013	2012
	$'000	$'000
Raw materials	**28**	38
Finished goods and goods for resale	**2,482**	1,691
	2,510	1,729

The inventory provision amount reversed during the year was ($415,000). The write-down of inventory to net realisable value recognised as an expense during 2012 was $45,000.

18. Trade and other receivables

	2013	2012
	$'000	$'000
Current:		
Trade receivables	**2,981**	3,053
Less: provision for impairment	**(12)**	(76)
Trade receivables, net	**2,969**	2,977
Other receivables and prepayments	**201**	500
Lease receivable	**—**	—
Current trade and other receivables	**3,170**	3,477
Non-current:		
Trade receivables	**316**	156
Less: provision for impairment	**—**	—
Non-current trade and other receivables	**316**	156
	3,486	3,633

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.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

18. Trade and other receivables *continued*

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

	2013 ***$'000***	*2012* *$'000*
Balance at the beginning of the year	**76**	1,537
Provided	**—**	4
Receivables written off as uncollectible	**(34)**	(1,506)
Unused amounts reversed	**(35)**	(25)
Foreign exchange	**5**	66
Balance at the end of the year	**12**	76

The gross value of trade receivables for which a provision for impairment has been made is $53,000 (2012: $130,788).

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

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

	2013 ***$'000***	*2012* *$'000*
Current	**3,322**	3,102
Past due:		
Up to 30 days	**138**	151
31 to 60 days	**—**	138
61 to 90 days	**—**	185
Greater than 90 days	**26**	57
Total	**3,486**	3,633

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

19. Trade and other payables

	2013 **$'000**	2012 $'000
Current:		
Trade payables	**425**	685
Accruals	**786**	1,384
Restructuring costs	**1,651**	—
Deferred income	**68**	7
Taxation and social security	**82**	88
Income tax liability	**22**	26
Deferred tax liability	**—**	137
	3,034	2,327
Non-current:		
Trade and other payables	**153**	—
	3,187	2,327

20. Borrowings

(a) Current borrowings

	2013 **$'000**	2012 $'000
Finance leases	**9**	12

(b) Non-current borrowings

	2013 **$'000**	2012 $'000
Finance leases	**34**	48

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

20. Borrowings *continued*

(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		*Finance leases*	
	2013	*2012*	***2013***	*2012*
	$'000	*$'000*	***$'000***	*$'000*
In less than one year	**2,862**	2,069	**9**	12
In more than one year, but less than two years	**153**	—	**34**	48
	3,015	2,069	**43**	60

21. Provisions

	Post-employment insurance benefits
	$'000
Balance at 1 January 2013	75
Released	(75)
Balance at 31 December 2013	—

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. During 2013, as part of their severance package, the employee agreed to forfeit any remaining amount of lifetime insurance benefits after 30 September 2015.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

22. 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 24 and 25.

(b) Categories of financial assets and financial liabilities

	Fair value through profit or loss		*Loans and receivables*	
	2013	*2012*	***2013***	*2012*
	$'000	*$'000*	***$'000***	*$'000*
Financial assets				
Trade and other receivables	—	—	**3,486**	3,633
Investments	**11,054**	4,204	—	—
Cash and cash equivalents	—	—	**9,495**	3,501
	11,054	4,204	**12,981**	7,134

	Financial liabilities measured at amortised cost	
	2013	*2012*
	$'000	*$'000*
Financial liabilities		
Trade and other payables	**3,015**	2,069
Borrowings due within one year	**9**	12
Borrowings due after one year	**34**	48
	3,058	2,129

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

22. Financial instruments *continued*

(c) Investments

Security type	*Moody's rating*	*Face value $'000*	*Coupon rate*	*Maturity date*	*2013 Value $'000*
Government	AAA	3,850	0.3% – 2.3%	15/2/14 – 30/11/16	3,857
Corporate*	>Aa3	3,024	0.2% – 1.5%	6/2/14 – 15/1/18	3,027
Corporate*	A1 – A3	2,626	0.4% – 7.0%	31/1/14 – 15/6/17	2,649
Corporate*	Baa1 – Baa2	1,495	0.7% – 5.7%	1/3/14 – 15/9/16	1,521
		10,995			11,054

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

The above instruments are Level 1 in the IFRS 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. Cash equivalents are composed of short-term investment grade securities and are readily marketable and convertible to cash. The Group does not currently generate sufficient cash from its operations to meet its annual funding needs. However, the Company is well funded due to an equity placement in April 2013 and is able to meet its obligations.

(e) Financial risk management objectives

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

22. 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*	
	2013	*2012*	***2013***	*2012*
	$'000	*$'000*	***$'000***	*$'000*
Euro	**99**	668	**46**	183
Pound	**1,428**	1,445	**124**	177
Peso	**1,233**	1,239	**207**	388

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 at 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 of less than five years.

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

22. 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.

Further details on trade receivables, including analysis of bad debts and ageing, are given in Note 18.

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.

23. Subsidiary undertakings

The following were subsidiary undertakings of the Company at 31 December 2013.

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	100%*	Sales
Plant Health Care (UK) Limited	United Kingdom	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.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

24. Share capital

(a) Authorised and issued share capital

	2013 $'000	*2012 $'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:		
70,565,730 (2012: 53,386,127) ordinary shares at £0.01 each	**1,215**	952

(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 2012	53,196,036	949
Shares issued for services received	85,091	1
Share options exercised	105,000	2
In issue at 31 December 2012	53,386,127	952
Placement of shares	17,119,444	262
Shares issued for services received	37,659	1
Share options exercised	22,500	—
In issue at 31 December 2013	**70,565,730**	**1,215**

During the year ended 31 December 2012, the following fully-paid £0.01 ordinary shares in the Company were issued:

i. 85,091 shares with an aggregate value of $89,000 were issued to the non-executive directors in lieu of cash payments for fees.

ii. 105,000 shares with an aggregate value of $62,000 were issued for the exercise of share options at an exercise price of £0.37 per share.

During the year ended 31 December 2013, the following fully-paid £0.01 ordinary shares in the Company were issued:

i. 17,119,444 new ordinary shares with an aggregate value of $20,423,000 were issued pursuant to an equity placing at £0.78 per share.

ii. 22,500 shares with an aggregate value of $16,400 were issued for the exercise of share options at an exercise price of £0.46 per share.

iii. 37,659 shares with an aggregate value of $47,000 were issued to the non-executive directors in lieu of cash payments for fees.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

24. Share capital *continued*

(c) Other equity instruments

The Company had the following other equity instruments in issue at 31 December 2012 and 2013:

	2013 ***No***	*2012* *No*
Share awards under the Value Creation Plan	**4,866,569**	—
Share options	**2,307,852**	2,101,500
Share awards under the Long Term Incentive Plan	**1,000,000**	1,333,000
	8,174,421	3,434,500

(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			
	Directors	*Other*	*Total*	*Weighted average exercise price*
Outstanding at 1 January 2012	1,150,000	1,228,000	2,378,000	81p
Awarded	—	17,000	17,000	77p
Exercised	—	(105,000)	(105,000)	37p
Forfeited	(175,000)	(13,500)	(188,500)	49p
Outstanding at 31 December 2012	975,000	1,126,500	2,101,500	87p
Awarded	245,852	24,000	269,852	82p
Exercised	—	(22,500)	(22,500)	46p
Forfeited	—	(41,000)	(41,000)	39p
Outstanding at 31 December 2013	**1,220,852**	**1,087,000**	**2,307,852**	**84p**

Of the total number of options outstanding at 31 December 2013, 1,996,500 (2012: 1,791,500) had vested and were exercisable. The weighted average exercise price was 89p (2012: 64p).

The weighted average share price at the dates of exercise for the share options exercised during 2013 was 46p (2012: 93p).

The options outstanding at 31 December 2013 have a weighted average remaining life of 2.29 years (2012: 2.3 years) and the range of exercise prices is 37p to 325p (2012: 37p to 325p).

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

24. Share capital *continued*

(e) *Long-term incentive plan*

The Company awards shares to certain employees under the Plant Health Care plc 2007 Long Term Incentive Plan (LTIP). 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 and former directors	*Other*	*Total*
Outstanding at 1 January 2012	643,165	1,100,000	1,743,165
Forfeited	(210,165)	(200,000)	(410,165)
Outstanding at 31 December 2012	433,000	900,000	1,333,000
Forfeited	(113,000)	(220,000)	(333,000)
Outstanding at 31 December 2013	**320,000**	**680,000**	**1,000,000**

No awards have been made under the LTIP since July 2011. As at 31 December 2013, a total of 1,000,000 LTIPs remained outstanding, the vesting of which was dependent upon the achievement of 2013 performance targets. No shares were deemed earned and all outstanding awards will be forfeited upon announcement of the 2013 results.

(f) *Value creation plan*

The Chairman, CEO and key members of senior management participate in a value creation-based long-term incentive plan (VCP).

The movements on VCP share awards are as follows:

	Directors	*Other*	*Total*	*Weighted average exercise price*
Outstanding at 31 December 2012	—	—	—	—
Awarded	2,571,821	2,294,748	4,866,569	106p
Outstanding at 31 December 2013	**2,571,821**	**2,294,748**	**4,866,569**	**106p**

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

25. 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.

26. 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 2013, the Group's pension expense under the scheme was $86,700 (2012: $70,500). Mexico has a government-run pension plan to which our operations there must contribute. In 2013, the expense for this plan was nil (2012: nil). Several United Kingdom employees receive contributions to their pension plans. The expense for this was $20,200 (2012: $14,000). The total pension liability at the end of the year was $107,000 (2012: $88,000).

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

27. 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:

2013

	Minimum lease payments $'000	*Interest $'000*	*Present value $'000*
Not later than one year	12	3	9
Later than one year and not later than five years	38	4	34
	50	7	43

2012

	Minimum lease payments $'000	*Interest $'000*	*Present value $'000*
Not later than one year	14	2	12
Later than one year and not later than five years	52	4	48
	66	6	60

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:

	2013 $'000	*2012 $'000*
Not later than one year	**107**	203
Later than one year and not later than five years	**441**	192
	548	395

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2013

28. Transactions with non-controlling interests

On 22 April 2013, the Group acquired the remaining 20% of the issued shares of Plant Health Care Mexico for consideration of $235,000. The Group now holds 100% of the equity share capital of Plant Health Care Mexico. The carrying amount of the non-controlling interests in Plant Health Care Mexico on the date of acquisition was $289,000.

29. 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 2014 and which the Group has decided not to adopt early.

Those likely to affect the Group include:

IFRS 9 Financial Instruments (Replacement of IAS 39) (effective for periods beginning on or after 1 January 2015). 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 2014). 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 2014). 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.

Amendment to IAS 32 (effective 1 January 2014) seeks to clarify rather than to change the off-setting requirements previously set out in IAS 32. The changes clarify the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. Management are 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 2013

	Note	*2013* *$'000*	*2012* *$'000*
Fixed assets			
Fixed asset investments	34	**33,022**	35,954
Current assets			
Debtors	36	**29**	35
Cash at bank and in hand		**2,127**	519
		2,156	554
Creditors: amounts falling due within one year	37	**200**	99
Net current assets		**1,956**	455
Provision for liabilities	38	**—**	75
Net assets		**34,978**	36,334
Capital and reserves			
Called-up share capital	39	**1,215**	952
Share premium	40	**70,206**	50,624
Reverse acquisition reserve	40	**14,455**	14,455
Share-based payment reserve	40	**2,256**	2,480
Retained earnings	40	**(53,154)**	(32,177)
Shareholders' funds		**34,978**	36,334

The financial statements were approved and authorised for issue by the Board on 24 March 2014.

P Schmidt

Director

Registered No: 05116780 (England and Wales)

The notes on pages 68 to 71 form part of these financial statements.

Notes forming part of the Company financial statements

for the year ended 31 December 2013

30. 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, share awards under the Long Term Incentive Plan and the Value Creation 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.

31. 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 $20,977,000 (2012: loss of $19,279,000), which is dealt with in the financial statements of the parent company.

Notes forming part of the Company financial statements *continued*

for the year ended 31 December 2013

32. Share-based payments

See Note 24 of the Group financial statements.

33. Directors' remuneration

The directors' remuneration for the Company is disclosed in Note 8 of the Group financial statements.

34. Fixed asset investments

	Shares in Group undertakings $'000	*Loans to Group undertakings $'000*	*Total $'000*
Cost			
At 1 January 2012	16,778	37,779	54,557
Additions	137	—	137
Net repayments	—	(597)	(597)
Impairment	(16,915)	(1,228)	(18,143)
At 31 December 2012	—	35,954	35,954
Additions, net of repayments	—	17,304	17,304
Impairment	—	(20,236)	(20,236)
At 31 December 2013	—	**33,022**	**33,022**

The fixed asset investment balances have been tested for impairment using discounted budgeted cash flows, a pre-tax discount rate of 18% (2012:18%), and performance projections over five years. The calculated net present value in this review is $33,022,000 (2012: net present value $35,954,000), which caused an impairment of $20,236,000 in 2013 (2012: impairment of $18,143,000).

Additions relate to the portion of the share-based payment charge relating to options and value creation plan awards to employees of subsidiary companies, as well as $17 million of cash received which was provided to the subsidiary companies to support their research and development operations.

35. Subsidiary undertakings

The subsidiary undertakings of the Company are disclosed in Note 23 of the Group financial statements.

Notes forming part of the Company financial statements *continued*

for the year ended 31 December 2013

36. Debtors

	2013 ***$'000***	*2012* *$'000*
Prepayments	**29**	35

All amounts fall due within one year.

37. Creditors

	2013 ***$'000***	*2012* *$'000*
Trade creditors	**83**	15
Accruals	**117**	84
	200	99

38. Provision

	Post-employment insurance benefits *$'000*
Balance at 1 January 2013	75
Released in the year	(75)
Balance at 31 December 2013	—
Due after more than one year	—

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. During 2013, as part of their severance package, the employee agreed to forfeit any remaining amount of lifetime insurance benefits after 30 September 2015.

39. Share capital

The share capital of the Company is disclosed in Note 24 of the Group financial statements.

Notes forming part of the Company financial statements *continued*

for the year ended 31 December 2013

40. Reserves

	Share premium $'000	*Reverse acquisition reserve $'000*	*Share-based payment reserve $'000*	*Retained earnings $'000*
Balance at 1 January 2012	50,476	14,455	2,310	(12,898)
Shares issued	88	—	—	—
Share-based payments	—	—	170	—
Exercise of share options	60	—	—	—
Loss in the year	—	—	—	(19,279)
Balance at 31 December 2012	50,624	14,455	2,480	(32,177)
Shares issued	20,207	—	—	—
Placement costs	(641)			
Share-based payments	—	—	(224)	—
Exercise of share options	16	—	—	—
Loss in the year	—	—	—	(20,977)
Balance at 31 December 2013	**70,206**	**14,455**	**2,256**	**(53,154)**

41. Company reconciliation of movements in shareholders' funds

	2013 $'000	*2012 $'000*
Total recognised loss relating to the year	**(20,977)**	(19,279)
Shares issued	**19,829**	89
Exercise of share options	**16**	62
Share-based payment charge	**(224)**	170
Net decrease in shareholders' funds	**(1,356)**	(18,958)
Opening shareholders' funds	**36,334**	55,292
Closing shareholders' funds	**34,978**	36,334

42. 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.

For your notes

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