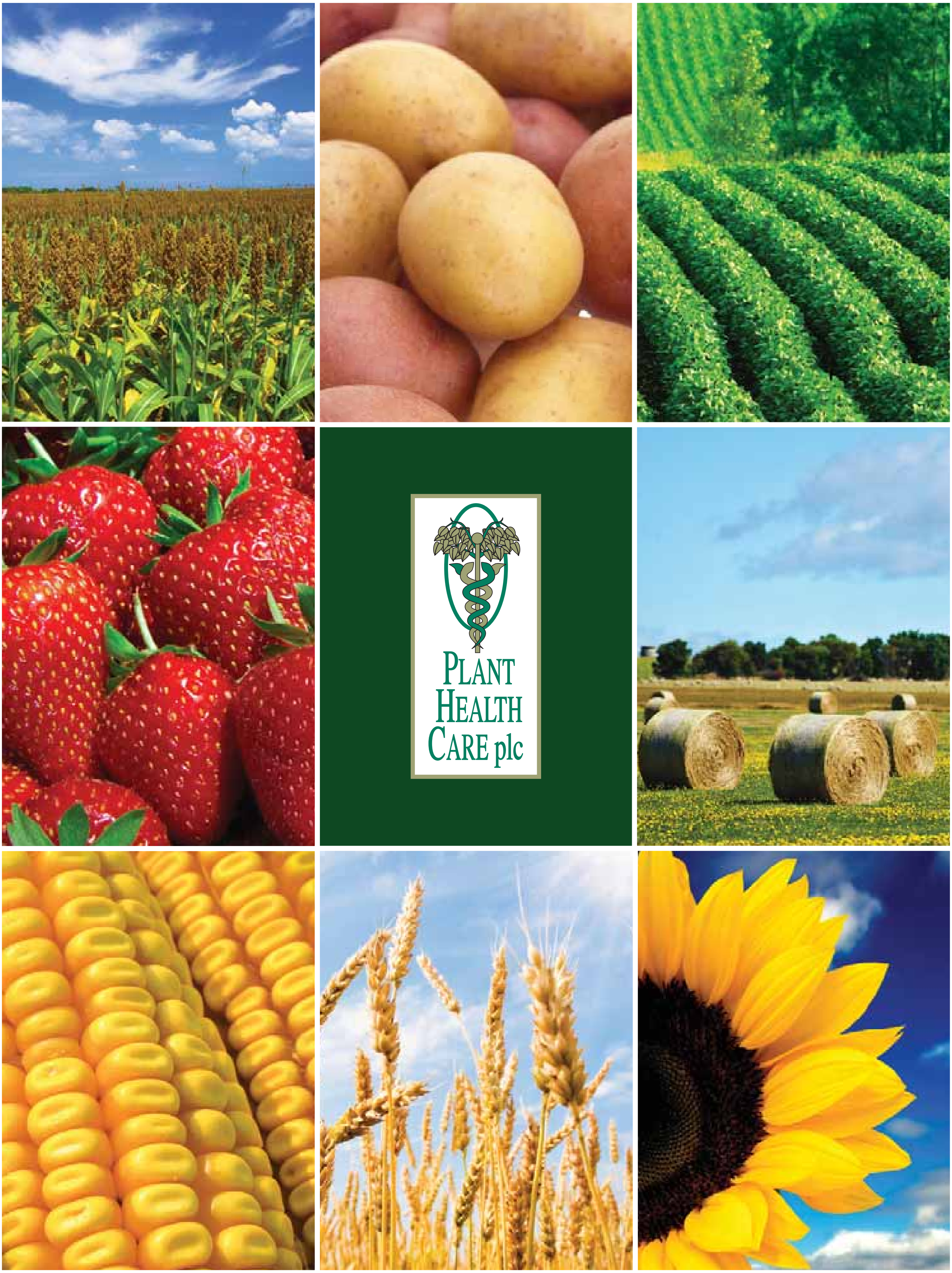

PLANT HEALTH CARE plc

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Contents

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

Directors and advisers

Directors	Dr. Christopher Richards	*Non-executive Chairman*
	John Brady	*Chief Executive*
	Stephen Weaver	*Finance Director*
	Samuel Wauchope	*Senior Independent Director*
	Dr. David Buckeridge	*Non-executive*
Secretary	Andrew C. Wood FCIS	
Registered office	The Broadgate Tower 20 Primrose Street London EC2A 2RS	
Company number	05116780	
Auditor	BDO LLP 55 Baker Street London W1U 7EU	
Company solicitor	Reed Smith LLP The Broadgate Tower 20 Primrose Street London EC2A 2RS	
Registrar	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Broker and nominated adviser	Nomura Code Securities Limited 1 Carey Lane London EC2V 8AE	

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Chairman's statement

After eight months as Chairman of Plant Health Care, I can confidently say that this is a company with highly promising technology and at a turning point in its development. Despite limited resources, Plant Health Care has achieved early market adoption of its lead product, the second-generation Harpin αβ. The plans that we are announcing today will enable us to accelerate the development of third-generation Harpin products to meet the demands of today's agriculture market, as well as to accelerate the sales of Harpin αβ and Myconate. We now intend to execute this new strategy with discipline, focus and energy, to create real value for shareholders.

Today we have announced that John Brady will be stepping down as Chief Executive Officer to be succeeded by Paul Schmidt with effect from 2 April 2013. John has provided outstanding leadership of the Company over the last 12 years and I would like to pay tribute to his enormous contribution. Paul has extensive experience in the agriculture industry and a proven track record of success in the biologicals sector; I am confident that Paul is the right leader to drive the implementation of our new strategy.

Review of 2012

We reported some significant milestones in 2012, with increased sales in the field, a distribution deal signed with ASP-Chile, a subsidiary of Agrium Inc, development agreements signed with Makhteshim Agan North America ("MANA") and Arysta LifeScience and many highly promising field trial results.

2012 was a challenging year for US farmers due to the major drought, which significantly reduced yields. Under these difficult conditions, both Harpin αβ and Myconate achieved excellent results in the field, both in trials and in commercial use. In trials carried out by the Company's distributor, Direct Enterprises Inc. ("DEI") and evaluated by an independent contract researcher, yield increases in soybean, corn and wheat crops of 4.2 per cent ("%"), 8.3% and 3.2%, respectively, were demonstrated, representing a return on investment to farmers of more than 20 fold. Reflecting these continuing strong field results, the number of acres of seed treated with N-Hibit in the USA increased more than 200% in the past year, from 1.1 million acres in 2011 to 3.5 million acres in 2012, representing some 4% of the soya crop planted.

At the start of 2012, we announced a multi-year distribution agreement with ASP-Chile, a wholly-owned subsidiary of Agrium Inc, one of North America's largest fertiliser manufacturers, for the use of our Myconate and Harpin αβ products on all crops in Chile. Chile is an important market for our Company, with more than six million acres under production and a major supplier of off-season produce to Europe and North America. This was followed in April with the signing of an agreement with MANA to evaluate Harpin αβ with select MANA technologies. In the same month, we signed a research agreement with Arysta LifeScience to evaluate Harpin αβ commercially as a foliar spray in combination with a number of Arysta LifeScience's products.

At the start of the second half of the year, we announced trial results that demonstrated that potatoes, when treated with a foliar Harpin αβ treatment while still in the field, produced a 4.4% greater marketable yield at harvest and a reduced loss in long-term (7-8 month) storage, from 4.6% in the untreated to 1.9% in the treated tubers. In September, we announced that Insect Science, the Company's South African distributor for Harpin αβ and Myconate, had reported significant progress with our Harpin αβ foliar and Myconate seed treatment programmes for the 2013 maize crop season.

Over the last three years, the Company has made modest investments to research the potential to develop new products based on Harpin. In 2011, 28 third-generation Harpin products were synthesised and tested in the greenhouse; of these, six were selected for small scale field trials in 2012. The results of these tests indicate that there is very exciting potential to develop a significant number of third-generation Harpin products, with substantial advantages over the current Harpin αβ product.

Myconate was launched in 2008 and, as such, it remains at an earlier stage of commercialisation than Harpin αβ, with approximately 200,000 treated acres of crops. We had a successful season of trials in 2012 and, as a result, will begin to ship commercial quantities of Myconate into the cereal, potato and vegetable industries in 2013.

The non-exclusive agreement signed with Incotec, the world's largest vegetable seed treatment company, in July 2011 to develop Myconate in conjunction with existing seed treatments is now in its second year and testing continues in several countries around the world, involving many crop targets.

We have completed successful Myconate trials in Brazil. Based on these results, we have entered into a trial programme with a leading fertiliser company and, if successful, we expect a launch of a combined fertiliser/Myconate product by 2016.

Since the year end, we have announced an agreement with Dalgety Agra Polska to sell Myconate for seed treatment and foliar application in Poland.

Further to our strategic update and fundraising announced today, it is our intention to continue to roll out our Myconate product commercially, building on the established momentum. However it is not the Board's intention to invest in further research for this product.

Other products

Plant Health Care derived 65% of revenue in 2012 from distribution of a range of fertiliser and other crop treatment products, mainly to vegetable and fruit farmers, through its operations in Mexico and some EU markets.

These businesses have established valuable market positions and generate cash for Plant Health Care. However, the directors believe the growth potential of these businesses is limited and they represent only local contributions to driving the global partnership sales of the Company's priority technologies. The directors therefore see these businesses as non-core and, consistent with the Company's disposal of its US landscape and retail business in January 2011, the Board has decided to divest such operations as and when the opportunity arises to do so on attractive terms. Any future divestment projects will ensure that the Company retains all rights to Harpin and Myconate.

Financial summary

A summary of the financial results for the twelve months to 31 December 2012, with comparatives for the previous financial year, is set out below:

	2012	*2011*
	$'000	*$'000*
Revenue	**7,752**	7,853
Gross profit	**4,270**	4,114
Operating loss from continuing operations	**(6,530)**	(7,053)
Gains on disposal of discontinued operations	**—**	2,110
Loss on discontinued operations	**—**	(74)
Finance income (net)	**80**	75
Net loss for the year	**(6,505)**	(5,099)
Cash/liquid short-term investments at 31 December	**7,705**	13,798

Revenues in 2012 were broadly flat on 2011 at $7.8m (2011: $7.9m). Sales were $2.6m for Harpin and Myconate, the balance being generated by our distribution businesses. The geographic distribution of sales was consistent with the prior year, with 51% of sales originating from our European sales offices and 49% coming from Mexico and the United

States. A partnership agreement for foliar Harpin αβ, which was expected to be completed by the end of 2012 and which would have added significantly to the revenues for the year, was delayed. This agreement is now expected to be completed shortly.

Sales of Harpin and Myconate have increased as a percentage of total sales in the past year to 34% (2011: 30%). This trend is expected to continue in 2013 and accelerate as the inventory overhang resulting from sales made to Monsanto in 2009 is liquidated by DEI. DEI's success is expected to result in new sales of Harpin αβ in late 2013 for the 2014 North American crop season. The sales by DEI in 2012 would, if recognised as revenue by Plant Health Care, have generated additional sales close to $2.7m, with a gross margin of approximately $2m.

The gross margin increased to 55% of sales in 2012, an improvement from 52% in 2011, as a result of an increased contribution from Harpin αβ and Myconate in the sales mix.

Operating expenses were reduced by 3%, the fifth consecutive year of operating cost decreases, to $10.8m (2011: $11.2m), while spending on R&D and business development of $2.1m was comparable to the previous year (2011: $2.2m).

Current trading and outlook

Fundraising and strategy update

Today the Company is announcing that we propose to raise £13.4m ($20.3m) before expenses by means of a Placing and a Subscription of New Ordinary Shares. This fundraising will be subject to the approval of shareholders at a general meeting that will be held on 15 April 2013.

Years of hard work by Plant Health Care's management and personnel have developed a company which enjoys significant product intellectual property ("IP") (mainly the Harpin αβ and Myconate products) and which has established sound footholds in its initial markets. The Board has stepped back and thought deeply about the strengths of the Company, and the additional work and investment required which, in its view, can enable Plant Health Care to fulfil its potential. Consequently, we are proposing to raise money to fund the expansion of the R&D programme for the Harpin product platform and commercialisation of existing products. While this strategy is an evolution rather than a revolution of the previous strategy, its implementation in a focused, effective manner will require change and it will require investment.

To date, research into the Harpin platform has been carried out with a modest budget. With the promising results achieved over the past two years, the Board believes that a substantial increase in R&D spend is now justified and necessary to take the platform to the next stage. The third generation of product candidates to be derived from the Harpin platform are smaller polypeptides that resemble the amino acid sequence of the active sites in the second-generation Harpin proteins. Target profiles have been designed for potential third-generation Harpin products, which would be more specific and/or more active than Harpin αβ. The targets include nematode control, disease control, drought resistance and the potential to enhance the efficacy of agrochemical products. In 2011, we synthesised 28 third-generation Harpins which, based on earlier data, were expected to match these targets. The 28 products were tested in the laboratory, and six were selected for further testing. These further tests indicated that the approach is valid and the Company now has candidate products for different crops with better performance than Harpin αβ. The next stage will be to carry out detailed evaluation of these candidates against the target profiles.

In order to accelerate the evaluation of third-generation Harpin candidates, the Company intends to expand its R&D centre in Seattle, employ new scientists and technicians, enlarge the glasshouses and take on new key staff. The Company will use contract service laboratories to synthesise the proteins and will use a combination of contract research organisations and in-house resources to conduct the performance evaluation work. Further information on the planned programmes can be found in the Circular released today in connection with our proposed fundraising, which has been posted to the Company's website.

This investment will be funded through a combination of existing cash assets (cash and liquid short-term investments of $7.7m at 31 December 2012) and through this proposed fundraising.

At the same time, the Company will invest in the momentum created behind its existing Harpin αβ and Myconate products, to drive short-term revenues. Our long-term vision is to establish Plant Health Care as a highly profitable technology licensing business, embedded in the global agrochemical industry, earning most of its income as royalties and licensing fees.

Further details of the fundraising can be found in the Circular distributed to shareholders today and also posted to the Company's website.

Board changes

During the year, Dr. Dominik Koechlin announced that, for personal reasons, he had decided to retire from his position as Chairman of Plant Health Care and to step down from the Board. Sam Wauchope, the Company's Senior Independent Director, very kindly took over as Chairman on an interim basis until I joined the Company, as Chairman, on 1 August 2012. I would like to place on record our thanks to Dominik for his important contribution over two years as Chairman and to Sam for stepping forward in that interim period.

After 12 years as Chief Executive Officer of Plant Health Care, John Brady has decided it is time to step down from the day-to-day running of the business. I wish to put on record our appreciation of all that John has done for Plant Health Care; this Company is very much his personal creation. I am delighted that we are retaining John's services as a non-executive director, in which role we will continue to benefit from his invaluable experience.

I am pleased to welcome Paul Schmidt as the Company's new Chief Executive effective from 2 April 2013. Paul has extensive experience of the agrochemical industry, in Bayer Crop Science and its predecessor companies, including his role as Head of New Business Ventures. He then led the transformation of EMD Crop Bioscience, a biologicals products company, and sold the business in February 2011 to Novozymes for $275m. I am convinced that Paul has the right qualities to lead Plant Health Care to the next level.

Sam Wauchope, having served as a non-executive director for nine years, four of them as Senior Independent Director, will step down from the Board on 2 April 2013. I would like to pay tribute to Sam, and acknowledge the contribution he has made to the Company over his time on the Board.

Michael Higgins will join the Company as a new non-executive director following the Company's AGM on 9 May 2013. He is currently non-executive Chairman of AIM-quoted Ebiquity plc and Deputy Chairman of the Quoted Companies Alliance. Michael also works with, and invests in, a number of early-stage businesses. Michael was a Senior Adviser at KPMG following ten 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).

Update from year end and outlook

Partnerships are an important source of future revenue for Plant Health Care. We are involved in multiple discussions with industry partners who are interested in commercialising our products and intellectual property, and in particular our

Harpin αβ and Myconate platforms. Plant Health Care remains confident that it can deliver substantial value to shareholders through the successful implementation of its partnership agreements. Nonetheless, the Board recognises that the precise timing of agreements and revenues can be subject to a number of uncertainties, such as the outcome of field trials and the progress of registration processes for new products.

As per our announcement on 11 March 2013, the Board has resolved to adopt a more cautious approach to budgeting for future revenues from its partnership discussions. We believe this should give investors a better understanding of Plant Health Care's prospects in the short and medium terms.

The Board anticipates good growth in partnership revenues in the current year and in 2014, but at lower levels than currently indicated by market forecasts.

Earlier this year, Plant Health Care entered into a multi-year distribution agreement with Dalgety Agra Polska to market the Company's Myconate for both seed treatment and foliar application in Poland. This agreement follows several years of successful trials in Poland, which is an important producer of corn, potatoes and wheat. The agreement will generate revenues in the current financial year.

Additionally, Germains, the largest independent sugar beet seed treatment company in the world, has been evaluating the use of Harpin αβ as a sugar beet seed treatment, both in the greenhouse and the field, since September 2010. These tests have shown that the advantages brought by Harpin αβ to the performance of sugar beets are sufficient to warrant commencement of large-scale trials in the USA during 2012. Registrations to allow these trials are either in place or being prepared for the start of the season. This decision to move to the next stage of testing has triggered a milestone payment to the Company.

The partnership agreement for foliar Harpin αβ, referenced in the January 2013 trading update, is expected to be completed shortly.

As strengthened by the net proceeds of the fundraising announced today, the directors view with confidence the financial and trading prospects for the Group, for the current financial year and the foreseeable future.

I would like to thank my fellow directors and our advisers, our shareholders and our employees for their contributions over the past year and encourage everyone to look forward to the future with confidence.

Dr Christopher Richards
Chairman

26 March 2013

Directors

Dr. Christopher Richards

(Non-executive Chairman) (59)

Dr. Richards is a UK citizen and joined the Group as non-executive Chairman on 1 August 2012. Dr. Richards 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 taken 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, the biotech company that is tackling dengue fever and agricultural pests, and a non-executive director of Cibus Global, Inc, a seed technology company.

John Brady

(Chief Executive) (58)

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

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

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

Stephen Weaver

(Finance Director) (59)

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

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

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

Samuel Wauchope

(Senior Independent Director) (61)

Mr. Wauchope is a UK citizen and joined the Company as a non-executive director in 2004. A Chartered Accountant, his executive career has involved Chief Executive Officer and executive chairman positions in a number of UK-listed companies, including Acorn Computer Group plc, Oceonics Group plc and Ultrasis plc. He now acts as a strategic adviser to growth companies in the technology and cleantech sectors.

Mr. Wauchope is a director of Landover Wireless Corp. (USA) and a non-executive director of Progressive European Markets Limited.

Mr. Wauchope served as Interim Chairman from 13 April 2012, following the retirement of the former Chairman. He reverted to his previous role as Senior Independent Director on the appointment of Dr. Richards as Chairman on 1 August 2012.

Dr. David Buckeridge
(Non-executive Director) (53)
Dr. Buckeridge is a UK citizen and joined the Company as a non-executive director in October 2008. He is currently a partner with Paine & Partners, a US private equity firm. Previously, he spent 20 years with multinational pharmaceutical company AstraZeneca. He also held a number of senior positions during his time at AstraZeneca, including five years running the company's commercial seed business in the USA. In 1999, he was appointed as a main board director of AstraZeneca's seeds business and, subsequently, Chief Executive Officer of Advanta, then the largest independent agronomic seeds business in the world.

Dr. Buckeridge is non-executive Chairman of Scanbio Marine Group AS (Norway), Chairman of Eurodrip SA (Greece) and a non-executive director of Oxitec Limited, Icicle Seafoods Inc. and Icicle Holdings Inc.

Board committees

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

Audit Committee

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

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

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

Remuneration Committee

The Remuneration Committee is chaired by David Buckeridge. Sam Wauchope is also a member. 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 14 to 20.

Corporate governance statement

Plant Health Care plc has taken note of the UK Corporate Governance Code ("the UK Code", formerly "the Combined Code") published in June 2010 and has applied its principles of corporate governance commensurate with the Company's size, notwithstanding that the rules of the London Stock Exchange do not require companies that have securities traded on AIM to formally comply with the UK Code. The UK Code and associated guidance can be found on the Financial Reporting Council website at www.frc.org.uk/corporate/ukcgcode.cfm.

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

Board composition

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

Biographies of the Board members appear on pages 8 and 9. These indicate the high levels and range of business experience which is essential to oversee effectively a business of the size, complexity and geographical spread of the Group. Concerns relating to the executive management of the Group or the performance of the directors can be raised in confidence by contacting the Senior Independent Director, Sam Wauchope, through the Company Secretary.

Board committees

The Board has established audit and remuneration committees, as described on page 10. No separate nominations committee has been established. A Nominations Working Group comprised of non-executive directors provides advice and guidance on the selection of candidates; the full Board acts as a nominations committee when changes to the Board of directors are proposed.

Workings of the Board

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

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

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

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

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

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

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

Re-election of directors

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

Remuneration of directors

A statement of the Company's remuneration policy and full details of directors' remuneration are set out in the Remuneration Committee report on pages 14 to 20. Executive directors abstain from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package.

Communication

The Company places a great deal of importance on communication with its shareholders. The Company publishes an interim statement, as well as its full-year report and accounts. Both are mailed to all shareholders and, upon request, to other parties who have an interest in the Group's performance. Regular communication with shareholders also takes place via the Company's website **www.planthealthcare.com/investor-relations**.

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

Risk management and internal controls

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

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

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

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

Remuneration Committee report

The Remuneration Committee is chaired by David Buckeridge. Sam Wauchope is also a member. 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.

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

Elements of remuneration – executive directors

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

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

Basic salary and benefits

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

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

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

Annual bonus

Annual bonuses are payable to each executive director based on achievement of financial, strategic and sustainability objectives, both corporate and personal. For 2012, the directors had bonus potential of between 70% and 100% of their basic salaries; for 2013, the range is also between 70% and 100%. This ensures that there is a significant element of "at risk" pay, which is only available when good results are achieved.

Long-term share-based incentives

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

(a) Share option schemes

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

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

(b) Long-term incentive stock award plan

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

➢ all employees of the Company and its subsidiaries are eligible to participate in the LTIP. The Remuneration Committee selects the employees to receive awards and determines the number of ordinary shares subject to a particular award;

➢ the grantee must pay at least the nominal value per share to receive the stock award;

➢ the Remuneration Committee determines the period of vesting for any given stock award. Vesting of any stock award is contingent on the fulfilment of challenging performance criteria set by the Committee. The Committee may accelerate the vesting or amend or relax performance conditions, to the extent that conditions which are amended or relaxed will be no more or less difficult to satisfy than when they were originally imposed;

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

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

The Company is intending to implement a value creation-based long-term incentive plan, which the Chairman, CEO and key members of the senior executive team would participate in. The plan calculates value generated for shareholders from the point of the Placing over a four-year period, with plan participants receiving 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 Company will work with its advisers to implement the plan, following which formal awards will be made.

Existing outstanding options and LTIPs represent 6.36% of pre-fundraising issued share capital. Of these, 47% are either held by leavers, are LTIPs which are highly unlikely to vest, or options with a strike price above 220p. A further 27% of the outstanding awards are held by John Brady, who is shortly to leave his position as CEO of the Company. It is currently the Company's intention that the total number of options capable of being awarded under the value creation-based long-term incentive plan, when aggregated with those options already awarded or able to be awarded pursuant to the terms of the 2004 Scheme and the 2007 Scheme, shall be capped at 12% of the enlarged issued ordinary share capital of the Company.

The Board intends to exercise its discretion from time to time to award options under its various plans to its directors as it sees fit. In particular, it is the current intention of the Board to award options to Michael Higgins upon his appointment to the board of directors.

Pension contributions

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

- participation is open to all US-based employees who have completed a probationary period after initial employment;
- employees may contribute a percentage of salary to the plan through a payroll withholding scheme;
- the Company contributes an amount up to 3% of compensation, at the discretion of the Board, for all employees eligible to participate;
- vesting of Company contributions is 33% after the first year of service, and 33% and 34% over the next two years of service, respectively; and
- the plan is subject to various statutory non-discrimination tests to ensure that it does not favour highly-compensated employees.

Post-employment health benefits

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

Elements of remuneration – non-executive directors

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

Service contracts

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

For executive directors:

➢ termination may be initiated by either party with a notice period ranging from 30 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 not less than one month's written notice; and

➢ directors may be terminated with immediate effect for serious breach or repeated or continued material breach of any obligations to the Company; any act of dishonest or serious misconduct or conduct which tends to bring the director or the Company into disrepute; or a declaration of bankruptcy.

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

Directors' remuneration

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

	Base salary and fees $'000	*Performance-related bonus $'000*	*Share-based payments $'000*	*Other benefits $'000*	*Total 2012 $'000*	*Total 2011 $'000*
Executive:						
J Brady****	**340**	**136**	**16**	**(76)**	**416**	493
S Weaver	**223**	**71**	**17**	**41**	**352**	389
Non-executive:						
D Koechlin*	**22**	**—**	**—**	**—**	**22**	85
S Wauchope	**67**	**—**	**—**	**—**	**67**	67
D Buckeridge	**67**	**—**	**—**	**—**	**67**	67
J Scudamore**	**—**	**—**	**—**	**—**	**—**	45
C Richards***	**35**	**—**	**—**	**—**	**35**	—
	754	**207**	**33**	**(35)**	**959**	1,146

* Retired 13 April 2012

** Deceased 29 August 2011

*** Appointed 1 August 2012

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

Executive salaries

At 1 January 2011, John Brady had a base salary of $340,000 and bonus potential of 100% of base salary.

At 1 January 2011, 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 $226,600.

Share-based payments and other benefits

In 2012, the Company accrued a contribution to the 401(k) Plan of 3% (2011: 3%) of eligible compensation. In 2012, pension expense for the executive directors was $15,000 (2011: $15,000).

In 2012, post-employment health benefits for John Brady were -$100,000 (2011: $34,000). 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.

In 2012, the Company incurred $33,000 (2011: $83,000) of share-based payment expense.

In 2012, the Company incurred $17,000 (2011: $22,000) of car allowance expense.

In 2012, the Company incurred $33,000 (2011: $35,000) of medical, dental and life insurance expense.

Directors' share-based incentives

Movements in 2011

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

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

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

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

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

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.

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

Interests in share-based incentives

(a) Share options

The interests of the directors in options to subscribe for ordinary shares of the Company at 31 December 2012 are set out below:

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

(b) Awards under the Long Term Incentive Plan

The interests of the directors in share awards under the Long Term Incentive Plan at 31 December 2012 are set out below:

	No of shares	*Vesting dates*
J Brady	58,000	From announcement of 2012 results to 30 June 2013
	160,000	Upon announcement of 2013 results
S Weaver	55,000	From announcement of 2012 results to 30 June 2013
	160,000	Upon announcement of 2013 results

There were no movements in the above holdings from 1 January 2013 to the date of this report.

Other information

During the year, the Company's share price on AIM ranged between 34p and 105p. At 31 December 2012, the share price was 79p. At 25 March 2013, the last working day prior to the approval of this Annual Report, the share price was 81.5p.

Report of the directors

The directors present their annual report together with the audited financial statements for the year ended 31 December 2012.

Results and dividends

The results of the Group for the year are set out on page 28 and show a loss for the year of $6,505,000 (2011: loss of $5,099,000).

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

Principal activities, review of business and future developments

Details of the Group's principal activities and a review of business and future developments are included in the Chairman's statement on pages 3 to 7.

Directors

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

	At 31 December 2012			*At 1 January 2012*		
	Shares	***Options***	***LTIP***	*Shares*	*Options*	*LTIP*
J Brady	**68,395**	**975,000**	**218,000**	68,395	1,150,000	303,000
S Weaver	**—**	**—**	**215,000**	—	—	340,165
S Wauchope	**155,629**	**—**	**—**	126,229	—	—
D Buckeridge	**154,755**	**—**	**—**	125,355	—	—
C Richards	**—**	**—**	**—**	—	—	—

Further details of the directors' share options and awards under the LTIP are shown in the Remuneration Committee report on pages 14 to 20.

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

Dr. Dominik Koechlin also served as a director of the Company from 1 January 2012 until his retirement on 13 April 2012.

Substantial shareholders

On 25 March 2013, the directors were aware of the following persons who, directly or indirectly, were 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	12,768,609	23.91
ORA (Guernsey) Limited and Richard Griffiths	11,985,042	22.49
Boulder River Capital Corporation	5,000,000	9.37
Robert Quested	2,285,599	4.28
Universities Superannuation Scheme Limited	2,102,500	3.94
Sarasin & Partners	1,932,000	3.62
UBS Wealth Management	1,773,306	3.32
Rahn & Bodmer, Zurich (PB)	1,687,547	3.16

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

Research and development

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

Business review

For a discussion of the Group's 2012 performance, see the Chairman's statement on pages 3 to 7.

Key performance indicators ("KPI's"):

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

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

The KPI's for financial performance for the year ended 31 December 2012, with comparatives for the year ended 31 December 2011, are set out below:

	2012	*2011*
Revenue ($'000)	**7,752**	7,853
Gross profit ($'000)	**4,270**	4,114
Gross profit margin (percentage)	**55.1**	52.4
Operating loss ($'000)	**(6,530)**	(7,053)

PLANT HEALTH CARE plc

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

Principal risks and uncertainties

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

Liquidity risk

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

Technology and commercialisation risk

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

Credit risk

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

Group oversight

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

Financial instruments

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

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

Charitable and political contributions

During the year, the Group made the following contributions:

	2012	*2011*
Charitable	**$12,000**	—

No political donations were made during the year.

Board meetings and attendance

The following table shows the attendance of directors at meetings of the Board, Audit Committee and Remuneration Committee held during the 2012 financial year.

	Board	*Audit Committee*	*Remuneration Committee*
Number of meetings held	**13**	**3**	**2**
D Koechlin*	5	—	—
J Brady	9	—	—
S Weaver	13	—	—
S Wauchope	12	3	2
D Buckeridge	13	3	2
C Richards**	5	—	—

* Retired 13 April 2012

** Appointed 1 August 2012

Auditor

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

Annual general meeting

At the forthcoming annual general meeting of the Company, resolutions will be put forward to elect Dr. Christopher Richards, who was appointed to the Board since the last annual general meeting and Paul Schmidt, who will be appointed to the Board on 2 April, as directors, to re-elect John Brady, who retires by rotation, and to re-appoint BDO LLP as auditor to the Company.

By Order of the Board

Andrew C. Wood FCIS
Company Secretary

26 March 2013

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market ("AIM"), and the rules of the Channel Islands Stock Exchange.

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

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

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

Website publication

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

Independent auditor's report

TO THE SHAREHOLDERS OF PLANT HEALTH CARE PLC

We have audited the financial statements of Plant Health Care plc for the year ended 31 December 2012 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 Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Julian Frost
(senior statutory auditor)

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

26 March 2013

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 2012

	Note	2012 $'000	2011 $'000
Revenue	4	**7,752**	7,853
Cost of sales		**(3,482)**	(3,739)
Gross profit		**4,270**	4,114
Distribution costs		**(2,996)**	(3,129)
Research and development expenses		**(2,064)**	(2,248)
Administrative expenses		**(5,740)**	(5,790)
Operating loss	5	**(6,530)**	(7,053)
Finance income	10	**84**	82
Finance expense	10	**(4)**	(7)
Loss before tax		**(6,450)**	(6,978)
Income tax expense	11	**(55)**	(157)
Net loss from continuing operations		**(6,505)**	(7,135)
Profit of discontinued operations, net of tax	12	**—**	2,036
Loss for the year		**(6,505)**	(5,099)
Other comprehensive gain/(loss)			
Exchange difference on translation of foreign operations		**140**	(127)
Total comprehensive loss for the year		**(6,365)**	(5,226)
Net loss attributable to:			
Owners of the parent		**(6,573)**	(5,141)
Non-controlling interest		**68**	42
		(6,505)	(5,099)
Total comprehensive loss attributable to:			
Owners of the parent		**(6,433)**	(5,268)
Non-controlling interest		**68**	42
		(6,365)	(5,226)
Basic and diluted loss per share	13	**$(0.12)**	$(0.10)
Basic and diluted loss per share from continuing operations	13	**$(0.12)**	$(0.13)

The notes on pages 32 to 61 form part of these financial statements.

Consolidated statement of financial position

AT 31 DECEMBER 2012

PLANT HEALTH CARE plc

	Note	*2012 $'000*	*2011 $'000*
Assets			
Non-current assets			
Intangible assets	14	**3,252**	3,505
Property, plant and equipment	15	**235**	280
Trade and other receivables	17	**156**	602
Total non-current assets		**3,643**	4,387
Current assets			
Inventories	16	**1,729**	1,674
Trade and other receivables	17	**3,477**	3,364
Investments	21	**4,204**	4,892
Cash and cash equivalents		**3,501**	8,906
Total current assets		**12,911**	18,836
Total assets		**16,554**	23,223
Liabilities			
Current liabilities			
Trade and other payables	18	**2,327**	2,748
Borrowings	19	**12**	10
Provisions	20	**—**	154
Total current liabilities		**2,339**	2,912
Non-current liabilities			
Borrowings	19	**48**	—
Provisions	20	**75**	175
Total non-current liabilities		**123**	175
Total liabilities		**2,462**	3,087
Total net assets		**14,092**	20,136
Share capital	23	**952**	949
Share premium	24	**50,624**	50,476
Reverse acquisition reserve	24	**10,548**	10,548
Share-based payment reserve	24	**2,780**	2,610
Foreign exchange reserve	24	**(580)**	(720)
Retained earnings	24	**(50,502)**	(43,929)
		13,822	19,934
Non-controlling interests	24	**270**	202
Total equity		**14,092**	20,136

The financial statements were approved and authorised for issue by the Board on 26 March 2013.

J Brady

Director

Registered No: 05116780 (England and Wales)

The notes on pages 32 to 61 form part of these financial statements.

Consolidated statement of changes in equity

AT 31 DECEMBER 2012

	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 2011	944	50,270	10,548	2,329	(593)	(38,788)	**24,710**	160	**24,870**
Loss for year	—	—	—	—	—	(5,141)	**(5,141)**	42	**(5,099)**
Exchange difference arising on translation of foreign operations	—	—	—	—	(127)	—	**(127)**	—	**(127)**
Total comprehensive income	—	—	—	—	(127)	(5,141)	**(5,268)**	42	**(5,226)**
Shares issued	3	141	—	—	—	—	**144**	—	**144**
Share-based payments	—	—	—	281	—	—	**281**	—	**281**
Options exercised	2	65	—	—	—	—	**67**	—	**67**
Balance at 31 December 2011	949	50,476	10,548	2,610	(720)	(43,929)	**19,934**	202	**20,136**
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**

The notes on pages 32 to 61 form part of these financial statements.

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2012

PLANT HEALTH CARE plc

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Loss for the year		**(6,505)**	(5,099)
Adjustments for:			
Depreciation	15	**152**	171
Amortisation of intangibles	14	**275**	252
Share-based payment expense		**170**	281
Finance income	10	**(84)**	(82)
Finance expense	10	**4**	7
Income taxes expense		**55**	157
(Increase)/decrease in trade and other receivables		**(477)**	4,560
Decrease/(increase) in finance lease receivables		**535**	(535)
Profit on sale of discontinued operations, net of tax		**—**	(3,319)
Increase in inventories		**(9)**	(41)
(Decrease)/increase in trade and other payables		**(438)**	64
(Decrease)/increase in provisions		**(254)**	22
Income taxes paid		**(131)**	(71)
Net cash used in operating activities		**(6,707)**	(3,633)
Investing activities			
Purchase of property, plant and equipment	15	**(156)**	(19)
Expenditure on externally-acquired intangible assets	14	**(22)**	(193)
Disposal of discontinued operations, net of cash	12	**400**	4,330
Finance income	10	**84**	82
Purchase of investments		**(1,980)**	(3,243)
Sale of investments		**2,656**	3,333
Net cash provided by investing activities		**982**	4,290
Financing activities			
Interest paid	10	**(4)**	(7)
Issue of ordinary share capital		**89**	144
Exercise of options		**62**	66
Increase in borrowings		**61**	—
Repayment of borrowings		**(11)**	(43)
Net cash provided by financing activities		**197**	160
Net (decrease)/increase in cash and cash equivalents		**(5,528)**	817
Effects of exchange rate changes on cash and cash equivalents		**123**	35
Cash and cash equivalents at beginning of period		**8,906**	8,054
Cash and cash equivalents at end of period		**3,501**	8,906

The notes on pages 32 to 61 form part of these financial statements.

Notes forming part of the Group financial statements

1. General information

Plant Health Care plc ("the Company") is a public limited company incorporated in England. The address of its registered office is set out on page 2. The principal markets of the Company and its subsidiaries are described in Note 9.

2. Accounting policies

Reporting currency

The financial statements are presented in US dollars. The directors believe that it is appropriate to use US dollars as the presentational currency for reporting, since the majority of the Group's transactions are conducted in that currency. The exchange rate used to convert British Pounds to US Dollars at 31 December 2012 was 1.6168 and the average exchange rate for the year was 1.5876.

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 2012 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 27 to the financial statements.

Basis of consolidation

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

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

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.

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.

Revenue

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

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

2. Accounting policies *continued*

Goodwill

Goodwill is measured as the excess of the cost of an acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities, plus any direct costs of acquisition.

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

Other intangible assets

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

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

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

➢ it is technically feasible to develop the product for it to be sold;

➢ adequate resources are available to complete the development;

➢ there is an intention to complete and sell the product;

➢ the Group is able to sell the product;

➢ sale of the product will generate future economic benefits; and

➢ expenditure on the project can be measured reliably.

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

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

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

Licenses	–	12 years
Registrations	–	5-10 years

2. Accounting policies *continued*

Impairment of goodwill and other intangible assets

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

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

Foreign currency

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

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

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

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.

2. Accounting policies *continued*

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

Employee benefits

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

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

Equity share-based payments

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

Leased assets: lessee

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

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

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

Leased assets: lessor

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

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

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2. Accounting policies *continued*

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

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.

Impairment of intangible assets (excluding goodwill)

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

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

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

Impairment of goodwill

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

Useful lives of intangible assets

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

Inventory

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

3. Critical accounting estimates and judgments *continued*

Receivables

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

Warranty claims

Prior to 1 January 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 on prior year sales expired on 31 October 2012.

4. Revenue

	2012 $'000	*2011 $'000*
Revenue arises from:		
Sale of goods	**7,752**	7,853

5. Operating loss

	Note	***2012 $'000***	*2011 $'000*
Operating loss is arrived at after charging:			
Share-based payment expense	6	**170**	450
Depreciation	15	**152**	171
Amortisation of intangibles	14	**275**	252
Operating lease expense		**356**	333
Foreign exchange losses/(gains)		**15**	(24)
Auditor's remuneration:			
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts		**60**	59
Fees payable to the Company's auditor and its associates for other services:			
Audit of the Company's subsidiaries		**27**	26
Total auditor's remuneration		**87**	85

6. Staff costs

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

	2012 $'000	*2011 $'000*
Wages and salaries	**5,059**	5,181
Redundancy costs	**—**	599
Social security and payroll taxes	**354**	423
Defined contribution pension costs	**114**	129
Medical and other benefits	**232**	392
	5,759	6,724
Share-based payments expense – current employees	**170**	450
Share-based payments expense – redundant employees	**—**	(169)
	5,929	7,005

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

	2012	*2011*
Administration	**23**	23
Distribution	**17**	22
Research and development	**3**	4
	43	49

7. Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, and includes all directors of the Company. Further disclosures on the remuneration of each individual director are included in the directors' remuneration section of the Remuneration Committee report on page 18.

	2012 $'000	*2011 $'000*
Base salary, fees and bonuses	**961**	957
Other short-term employee benefits	**(50)**	91
Share-based payments	**33**	83
Pensions and other post-retirement benefits	**15**	15
	959	1,146

The two executive directors who served during the year were eligible to participate in the Group's 401(k) retirement plan (2011: two).

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

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8. Share-based payments

The Company operates two equity-settled share-based remuneration schemes for employees: a share option scheme and a long-term incentive stock award plan, as described in the "Elements of remuneration" section for executive directors within the Remuneration Committee report on page 14.

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

	20 March	*17 September*
Share options granted	8,000	9,000
Weighted average fair value	26p	46p
Assumptions used in measuring fair value:		
Weighted average share price	54p	95p
Exercise price	57p	96p
Expected volatility	49%	49%
Option life (years)	10	10
Expected vesting period (years)	4.5	4.5
Expected dividend yield	Nil	Nil
Risk-free interest rate	1.26%	0.86%

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

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

There were no long-term incentive awards granted during the year ended 31 December 2012.

8. Share-based payments *continued*

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

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

For valuation of both the share options granted and LTIP shares awarded, in 2012 and 2011:

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

9. Segment information

The Group views, manages and operates its business according to geographical segments. Revenue is generated from the sale of agricultural products across all geographic segments.

2012

	USA $'000	*Mexico $'000*	*Europe $'000*	*Elimination $'000*	*Total $'000*
Revenue*					
External sales	698	3,092	3,962	—	7,752
Inter-segment sales	1,230	16	—	(1,246)	—
Total revenue	1,928	3,108	3,962	(1,246)	7,752
Segment operating profit/(loss)	(3,965)	373	245	(8)	(3,355)
Unallocated public company and corporate expenses**					(3,175)
Operating loss					(6,530)
Finance income					84
Finance expense					(4)
Loss before tax					(6,450)

* Revenue from one customer totals $976,000, which is greater than 10% of the Group's revenue. This customer purchases goods from the European 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.

9. 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

2011

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

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

9. Segment information *continued*

Other segment information:

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

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

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

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

10. Finance income and expense

	2012 ***$'000***	*2011* *$'000*
Finance income		
Interest on deposits and investments	**84**	82
Finance expense		
Interest on finance leases	**4**	7

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11. Tax expense

	2012 $'000	2011 $'000
Current tax as profit for the year	**7**	125
Deferred tax – origination and reversal of timing differences	**48**	32
Total tax expense	**55**	157

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:

	2012 $'000	2011 $'000
Loss before tax – continuing operations	**(6,450)**	(6,978)
Profit before tax – discontinued operations	**—**	2,036
	(6,450)	(4,942)
Expected tax credit based on the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	**(1,580)**	(1,310)
Disallowable (income)/expenses	**28**	(25)
Share-based payment expense per accounts	**41**	74
Share-based payment expense per tax returns	**(6)**	—
Losses available for carryover	**1,507**	1,454
Losses utilised in the year	**(2)**	(96)
Amortisation of intangibles	**14**	(29)
Other temporary differences	**5**	57
Movement in deferred tax	**48**	32
Actual tax charge for the year	**55**	157

At 31 December 2012, the Group had a potential deferred tax asset of $17,719,000, which includes tax losses available to carry forward of $16,824,000 (being actual federal, foreign and state losses of $61,600,000) arising from historical losses incurred and other timing differences of $895,000.

Deferred tax liability

	Deferred taxation $'000
At 1 January 2012	89
Charged to the profit and loss account	48
At 31 December 2012	137

The deferred tax liability comprises sundry timing differences.

12. Discontinued operations

In January 2011, the Group sold the trade and certain assets and liabilities of its US landscape and retail business, which represents the only operation presented as discontinued operations for the year ended 31 December 2011. The results of this business for the year ended 31 December 2011 are shown under "Profit of discontinued operations, net of tax" in the consolidated statement of comprehensive income.

(a) US landscape and retail: profit on disposal

In January 2011, the Group sold the trade and certain assets and liabilities of its US landscape and retail business.

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

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

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

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

	Landscape/retail business *$'000*
Year ended 31 December 2011	
Revenue	24
Expense other than finance costs	(98)
Gain on disposal of discontinued operations	2,110
	2,036

12. Discontinued operations *continued*

Earnings per share from discontinued operations

	2011
	$
Basic earnings per share	0.03
Diluted earnings per share	0.03

(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 2012 $'000	*Year ended 31 December 2011 $'000*
Operating outflows	**—**	(1,370)
Investing inflows	**400**	4,330

13. Loss per share

Basic loss per ordinary share has been calculated on the basis of the loss for the year of $6,505,000 (2011: loss of $5,099,000) and the weighted average number of shares in issue during the period of 53,261,442 (2011: 53,063,707). Basic loss per share from continuing operations has been calculated with a numerator of $6,505,000 loss (2011: $7,135,000 loss) and basic earnings per share from discontinued operations has been calculated with a numerator of $2,036,000 earnings for 2011. The weighted average number of shares used in the above calculation is the same as for total basic loss per ordinary share. Equity instruments of 3,434,500 (2011: 4,121,165), which includes share options and LTIPs as shown within Note 23, that could potentially dilute basic earnings per share in the future have been considered but not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. This is due to the Group incurring a loss on continuing operations for the year.

14. Intangible assets

	Goodwill $'000	Licenses and registrations $'000	Trade name and customer relationships $'000	Total $'000
Cost				
Balance at 1 January 2011	1,620	3,102	159	4,881
Additions – externally acquired	—	193	—	193
Balance at 31 December 2011	1,620	3,295	159	5,074
Additions – externally acquired	—	22	—	22
Balance at 31 December 2012	**1,620**	**3,317**	**159**	**5,096**
Accumulated amortisation				
Balance at 1 January 2011	—	1,158	159	1,317
Amortisation charge for the year	—	252	—	252
Balance at 31 December 2011	—	1,410	159	1,569
Amortisation charge for the year	—	275	—	275
Balance at 31 December 2012	**—**	**1,685**	**159**	**1,844**
Net book value				
At 31 December 2011	1,620	1,885	—	3,505
At 31 December 2012	**1,620**	**1,632**	**—**	**3,252**

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

Goodwill

Goodwill is comprised 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 six years.

PLANT HEALTH CARE plc

15. Property, plant and equipment

	Leasehold improvements $'000	Production machinery $'000	Office equipment $'000	Vehicles $'000	Total $'000
Cost					
Balance at 1 January 2011	38	16	693	434	1,181
Additions	—	15	4	—	19
Disposals	(38)	(15)	(38)	(38)	(129)
Balance at 31 December 2011	—	16	659	396	1,071
Additions	—	—	18	138	156
Disposals	—	(1)	(33)	(175)	(209)
Balance at 31 December 2012	**—**	**15**	**644**	**359**	**1,018**
Accumulated depreciation					
Balance at 1 January 2011	21	11	460	213	705
Depreciation charge for the year	2	4	99	66	171
Disposals	(23)	(13)	(29)	(20)	(85)
Balance at 31 December 2011	—	2	530	259	791
Depreciation charge for the year	—	4	88	60	152
Disposals	—	—	(36)	(124)	(160)
Balance at 31 December 2012	**—**	**6**	**582**	**195**	**783**
Net book value					
At 31 December 2011	—	14	129	137	280
At 31 December 2012	**—**	**9**	**62**	**164**	**235**

The net book value of property, plant and equipment includes an amount of $8,000 (2011: $45,000) in respect of assets held under finance leases. Depreciation expense includes an amount of $18,000 (2011: $27,000) in respect of assets held under finance leases.

16. Inventories

	2012 $'000	*2011 $'000*
Raw materials	**38**	13
Finished goods and goods for resale	**1,691**	1,661
	1,729	1,674

The write-down of inventory to net realisable value recognised as an expense during the year was $45,000 (2011: $37,000).

17. Trade and other receivables

	2012 $'000	2011 $'000
Current:		
Trade receivables	**3,053**	4,128
Less: provision for impairment	**(76)**	(1,537)
Trade receivables, net	**2,977**	2,591
Other receivables and prepayments	**500**	595
Lease receivable	**—**	178
Current trade and other receivables	**3,477**	3,364
Non-current:		
Trade receivables	**156**	245
Less: provision for impairment	**—**	—
Trade receivables, net	**156**	245
Lease receivable	**—**	357
Non-current trade and other receivables	**156**	602
	3,633	3,966

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

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

	2012 $'000	2011 $'000
Balance at the beginning of the year	**1,537**	1,560
Provided	**4**	99
Receivables written off as uncollectible	**(1,506)**	(10)
Unused amounts reversed	**(25)**	(16)
Foreign exchange	**66**	(96)
Balance at the end of the year	**76**	1,537

The gross value of trade receivables for which a provision for impairment has been made is $130,788 (2011: $1,620,401).

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

17. Trade and other receivables *continued*

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

	2012 **$'000**	2011 $'000
Current	**3,102**	3,270
Past due:		
Up to 30 days	**151**	345
31 to 60 days	**138**	133
61 to 90 days	**185**	60
Greater than 90 days	**57**	158
Total	**3,633**	3,966

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

18. Trade and other payables

	2012 **$'000**	2011 $'000
Trade payables	**685**	808
Accruals	**1,384**	1,619
Deferred income	**7**	21
Taxation and social security	**88**	125
Income tax liability	**26**	86
Deferred tax liability	**137**	89
	2,327	2,748

19. Borrowings

(a) Current borrowings

	2012 **$'000**	2011 $'000
Finance leases	**12**	10

(b) Non-current borrowings

	2012 **$'000**	2011 $'000
Finance leases	**48**	—

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

19. 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*	
	2012	*2011*	***2012***	*2011*
	$'000	*$'000*	***$'000***	*$'000*
In less than one year	**2,069**	2,427	**12**	10
In more than one year, but less than two years	**—**	—	**48**	—
	2,069	2,427	**60**	10

20. Provisions

	Warranty	*Post-employment insurance benefits*	*Total*
	$'000	*$'000*	*$'000*
Balance at 1 January 2012	154	175	329
Provided	(153)	(100)	(253)
Utilised in year	(1)	—	(1)
Balance at 31 December 2012	**—**	**75**	**75**
Due after more than one year	—	75	75

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

21. Financial instruments

(a) Capital risk management

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

21. Financial instruments *continued*

(b) Categories of financial assets and financial liabilities

	Fair value through profit or loss		Loans and receivables	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Financial assets				
Trade and other receivables	**—**	—	**3,633**	3,966
Investments	**4,204**	4,892	**—**	—
Cash and cash equivalents	**—**	—	**3,501**	8,906
	4,204	4,892	**7,134**	12,872

	Financial liabilities measured at amortised cost	
	2012	2011
	$'000	$'000
Financial liabilities		
Trade and other payables	**2,069**	2,427
Borrowings due within one year	**12**	10
Borrowings due after one year	**48**	—
	2,129	2,437

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

(c) Investments

Security type	*Moody's rating*	*Face value $'000*	*Coupon rate*	*Maturity date*	*2012 Value $'000*
Government	AAA	2,110	0.3% – 3.1%	26/02/13 – 15/08/15	2,129
Corporate*	>Aa3	790	0.4% – 2.1%	24/04/13 – 15/06/16	793
Corporate*	A1 – A3	770	0.5% – 6.7%	11/01/13 – 8/05/15	884
Corporate*	Baa1 – Baa2	295	0.8% – 6.4%	14/01/13 – 13/08/15	298
Corporate**	Unrated	100	0.8% – 0.9%	15/02/13 – 17/11/14	100
		4,065			4,204

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

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

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

21. Financial instruments *continued*

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. As the Group does not currently generate sufficient cash from its operations to meet its annual funding needs, it may be required to seek additional cash from its shareholders or lenders to fund its operations dependent on the strategy adopted.

(e) Financial risk management objectives

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

(f) Market risk

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

The Group is exposed to foreign currency risk from transactions and from translating the monetary net assets of overseas entities denominated in currencies other than 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*	
	2012	*2011*	***2012***	*2011*
	$'000	*$'000*	***$'000***	*$'000*
Euro	**668**	817	**183**	266
Pound	**1,445**	1,140	**177**	105
Peso	**1,239**	1,057	**388**	498

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.

21. Financial instruments *continued*

However, this impact would not be material to the Group's financial statements and, therefore, no analysis of the sensitivities has been presented.

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

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

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

(g) Price risk

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

(h) Interest rate risk

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

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

(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 17.

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

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

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

22. Subsidiary undertakings

The following were subsidiary undertakings of the Company at 31 December 2012.

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

* Held indirectly.

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

23. Share capital

(a) Authorised and issued share capital

	2012 $'000	*2011 $'000*
Authorised share capital:		
500,000,000 ordinary shares at £0.01 each	8,984	8,984
Allotted, called up and fully-paid share capital:		
53,386,127 (2011: 53,196,036) ordinary shares at £0.01 each	952	949

(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 2011	52,922,782	944
Shares issued for services received	156,754	3
Share options exercised	112,500	2
LTIP awards vested	4,000	—
In issue at 31 December 2011	53,196,036	949
Shares issued for services received	85,091	1
Share options exercised	105,000	2
In issue at 31 December 2012	**53,386,127**	**952**

23. Share capital *continued*

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

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

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

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

During the year ended 31 December 2012, the following fully-paid 1p 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 37 pence per share.

(c) Other equity instruments

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

	2012 Number	*2011 Number*
Share options	**2,101,500**	2,378,000
Share awards under the Long Term Incentive Plan	**1,333,000**	1,743,165
	3,434,500	4,121,165

23. Share capital *continued*

(d) Share options

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

The movements on share options are as follows:

	Options over ordinary shares			*Weighted average exercise*
	Directors	*Other*	*Total*	*price*
Outstanding at 1 January 2011	1,150,000	1,427,500	2,577,500	91p
Awarded	—	65,500	65,500	54p
Exercised	—	(112,500)	(112,500)	37p
Forfeited	—	(152,500)	(152,500)	256p
Outstanding at 31 December 2011	1,150,000	1,228,000	2,378,000	81p
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**

Of the total number of options outstanding at 31 December 2012, 1,791,500 (2011: 2,071,500) had vested and were exercisable. The weighted average exercise price was 64p (2011: 61p).

The weighted average share price at the dates of exercise for the share options exercised during 2012 was 93p (2011: 52p).

The options outstanding at 31 December 2012 have a weighted average remaining life of 2.3 years (2011: 2.9 years) and the range of exercise prices is 37p to 325p (2011: 37p to 325p).

PLANT HEALTH CARE plc

23. Share capital *continued*

(e) Share awards under long-term incentive plan

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

The movements on LTIP share awards are as follows:

	Share awards		
	Directors	*Other*	*Total*
Outstanding at 1 January 2011	406,498	700,000	1,106,498
Awarded	320,000	680,000	1,000,000
Vested	(4,000)	—	(4,000)
Forfeited	(79,333)	(280,000)	(359,333)
Outstanding at 31 December 2011	643,165	1,100,000	1,743,165
Awarded	—	—	—
Vested	—	—	—
Forfeited	(210,165)	(200,000)	(410,165)
Outstanding at 31 December 2012	**433,000**	**900,000**	**1,333,000**

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

The share price at the date of vesting of LTIPs during 2011 was 53p.

The LTIPs outstanding at 31 December 2012 have a weighted average remaining life of one year (2011: 1.64 years).

24. Reserves

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

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

25. Pensions

The Group does not maintain any defined benefit pension plans. The Group does maintain a retirement plan qualified under Section 401(k) of the United States Internal Revenue Code. This plan covers all US employees. In 2012, the Group's pension expense under the scheme was $70,500 (2011: $70,000). Mexico has a government run pension plan to which our operations there must contribute. In 2012, the expense for this plan was nil (2011: $32,000). Several United Kingdom employees receive contributions to their pension plans. The expense for this was $14,000 (2011: $27,000). The total pension liability at the end of the year was $88,000 (2011: $109,000).

26. Leases

Finance leases – as lessee

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

Future lease payments are due as follows:

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

2011

	Minimum lease payments $'000	*Interest $'000*	*Present value $'000*
Not later than one year	11	1	10

Finance Leases – as lessor

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

Leases receivable are due as follows:

2011

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

The above leases were repaid in full during 2012.

26. Leases *continued*

Operating leases

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

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

	2012	*2011*
	$'000	*$'000*
Not later than one year	**203**	167
Later than one year and not later than five years	**192**	317
	395	484

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2013 and which the Group has decided not to adopt early.

Those likely to affect the Group include:

Amendments to IAS 1: Presentation of items of other comprehensive income (effective for periods beginning on or after 1 January 2013). This requires companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement.

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

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

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

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

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

Company balance sheet

AT 31 DECEMBER 2012

	Note	**2012 $'000**	2011 $'000
Fixed assets			
Fixed asset investments	32	**35,954**	54,557
Current assets			
Debtors	34	**35**	19
Cash at bank and in hand		**519**	1,101
		554	1,120
Creditors: amounts falling due within one year	35	**99**	210
Net current assets		**455**	910
Provision for liabilities	36	**75**	175
Net assets		**36,334**	55,292
Capital and reserves			
Called-up share capital	23	**952**	949
Share premium	38	**50,624**	50,476
Reverse acquisition reserve	38	**14,455**	14,455
Share-based payment reserve	38	**2,480**	2,310
Retained earnings	38	**(32,177)**	(12,898)
Shareholders' funds		**36,334**	55,292

The financial statements were approved and authorised for issue by the Board on 26 March 2013.

J Brady
Director

Registered No: 05116780 (England and Wales)

The notes on pages 63 to 66 form part of these financial statements.

28. Accounting policies

Basis of preparation

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

Investments

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

Share-based payments

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

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

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

Deferred taxation

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

29. Loss for the financial year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group loss for the year includes a loss after tax of $19,279,000 (2011: loss of $1,250,000), which is dealt with in the financial statements of the parent company.

Notes forming part of the Company financial statements *continued*

30. Share-based payments

See Note 23 of the Group financial statements.

31. Directors' remuneration

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

32. Fixed asset investments

	Shares in Group undertakings $'000	*Loans to Group undertakings $'000*	*Total $'000*
Cost			
At 1 January 2011	16,580	38,250	54,830
Additions	198	—	198
Net repayments	—	(471)	(471)
At 31 December 2011	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**

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

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

33. Subsidiary undertakings

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

34. Debtors

	2012 $'000	*2011 $'000*
Prepayments	**35**	19

All amounts fall due within one year.

35. Creditors

	2012 $'000	2011 $'000
Trade creditors	**15**	88
Accruals	**84**	122
	99	210

36. Provision

	Post-employment insurance benefits $'000
Balance at 1 January 2012	175
Provided	(100)
Balance at 31 December 2012	**75**
Due after more than one year	75

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

37. Share capital

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

38. Reserves

	Share premium $'000	Reverse acquisition reserve $'000	Share-based payment reserve $'000	Retained earnings $'000
Balance at 1 January 2011	50,270	14,455	2,029	(11,648)
Shares issued	141	—	—	—
Share-based payments	—	—	281	—
Exercise of share options	65	—	—	—
Loss in the year	—	—	—	(1,250)
Balance at 31 December 2011	50,476	14,455	2,310	(12,898)
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)**

39. Company reconciliation of movements in shareholders' funds

	2012	*2011*
	$'000	*$'000*
Total recognised loss relating to the year	**(19,279)**	(1,250)
Shares issued	**89**	144
Exercise of share options	**62**	67
Share-based payment charge	**170**	281
Net decrease in shareholders' funds	**(18,958)**	(758)
Opening shareholders' funds	**55,292**	56,050
Closing shareholders' funds	**36,334**	55,292

40. Related party transactions

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

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