LEADING THE FIELD

PLANT HEALTH CARE PLC
ANNUAL REPORT AND ACCOUNTS 2017

Plant Health Care is a leading provider of proprietary agricultural biological products and technology solutions focused on improving crop performance. We work in both research and development as well as commercial sales.

Harpin aß

Harpin aß sales growing 23% CAGR 2013–2017

PRE*tec*

PRE*tec* has been under evaluation by nine partners

First PRE*tec* technology licence planned for 2018

Read more on page 4 →

Online report available at
ar17.planthealthcare.com

OPERATIONAL

- Significant progress in moving the PRE*tec*™ (Plant Response Elicitor) technology towards the Company's first Technology Licence.
- All five of the top global agricultural/seed companies and a number of other companies are testing lead peptides from our PRE*tec* platforms Innatus™ 3G, T-Rex 3G and Y-Max 3G.
- Four global agricultural/seed majors are running field trials in Brazil of Innatus 3G added to chemical sprays for the control of Asian Soybean Rust (ASR), a devastating fungal disease of soybeans. Farmers spent US$1.7 billion on soybean fungicides in 2016 in Brazil; there are increasing concerns about disease resistance and the resulting impact on yield.
- Exclusive rights to Innatus 3G for use in South American soybeans are expected to be licensed through a competitive licensing process in the second half of 2018.
- In the Company's trials, our lead peptides have shown promise for the control of ASR, especially for the control of resistant disease when used in mixture with conventional agrochemicals. Data from these ASR trials are due in Q2 2018.
- PHC expanded its programme of trials in other crops. Results continued to show good performance for Innatus 3G under disease and drought stress, and for T-Rex 3G against nematodes. Y-Max 3G peptides increased yields even under optimal growing conditions.
- Discussions continue with partners about future licensing of Innatus 3G in other crops and regions and of both T-Rex 3G and Y-Max 3G.

FINANCIAL

- On 27 February 2018, the Group successfully raised $6.7 million (net of costs) which was well supported by existing shareholders and brought in a number of new institutional investors.
- Revenue from commercial products in 2017 increased by 21% to $7.7 million (2016: $6.3 million); in constant currency*, sales increased by 23%. Strong external sales growth in Rest of World (up 100%; 107% in constant currency) was offset by weaker sales in Mexico due to low produce prices in the first half of the year; sales in external North America grew 8%.
- Sales of core Harpin™ αβ products increased by 42% (44% in constant currency), driven by broadly based growth in all geographies. Harpin αβ and Myconate® products represented 69% of sales in 2017 (2016: 59%).
- Harpin αβ was launched into sugarcane in Brazil in early 2018. Initial response has been very encouraging in this large market.
- Gross margin was steady at 62%.
- Cash, cash equivalents and investments at 31 December 2017 were $3.9 million.

* We calculate constant currency percentages by converting our prior-period local currency financial results using the current period exchange rates and comparing these adjusted amounts to our current period reported results.

REVENUE

($'000)

$7,685

CASH AND INVESTMENTS

($'000)

$3,894

BIOLOGICAL PRODUCTS – A GROWING OPPORTUNITY

Farmers confront many challenges in providing food for a rapidly growing and more prosperous world. These challenges include reducing the use of toxic agrochemical products. Biological products are becoming an increasingly important part of the solution because of the benefits they offer.

COMPARED TO CONVENTIONAL AGROCHEMICALS, BIOLOGICALS ARE:

- less toxic products which do not contaminate soils or the environment;
- safer for farmers to handle; and
- promote sustainable agriculture.

In addition to these advantages, biologicals such as Plant Health Care's products can promote more efficient agriculture through:

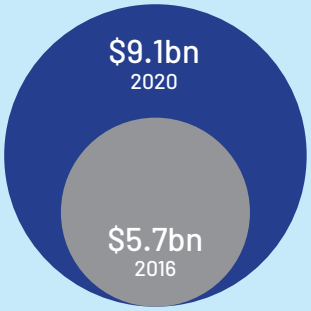
- protecting plants from stress such as drought;
- helping plants to resist disease; and
- increasing resistance to soil pests.

As a result of these advantages, regulatory authorities around the world are adopting accelerated regulations, which allow biological products to come to market more quickly than conventional agrochemicals. In addition, biological products tend to cost far less to develop than conventional agrochemicals.

The demand for biological products is increasing rapidly as a result.

BIOLOGICALS: AN EMERGING MARKET

(global demand for biologicals)

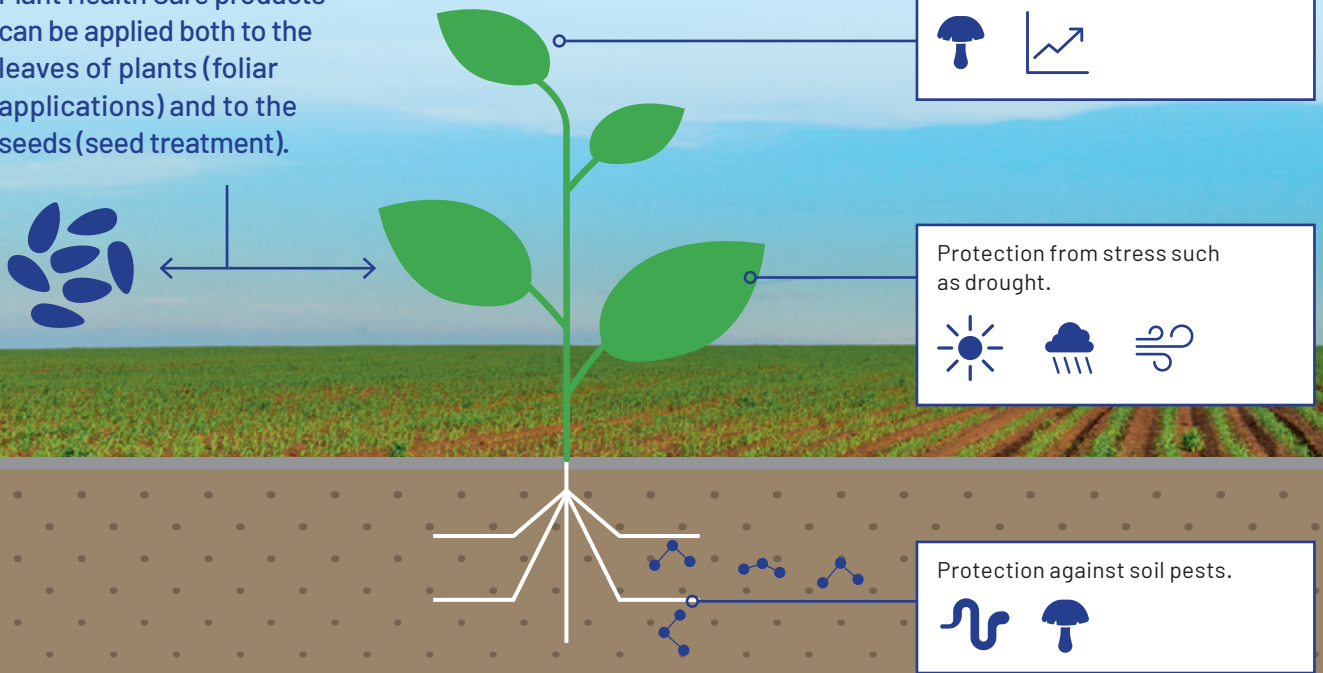


12% CAGR
(compound annual growth rate)

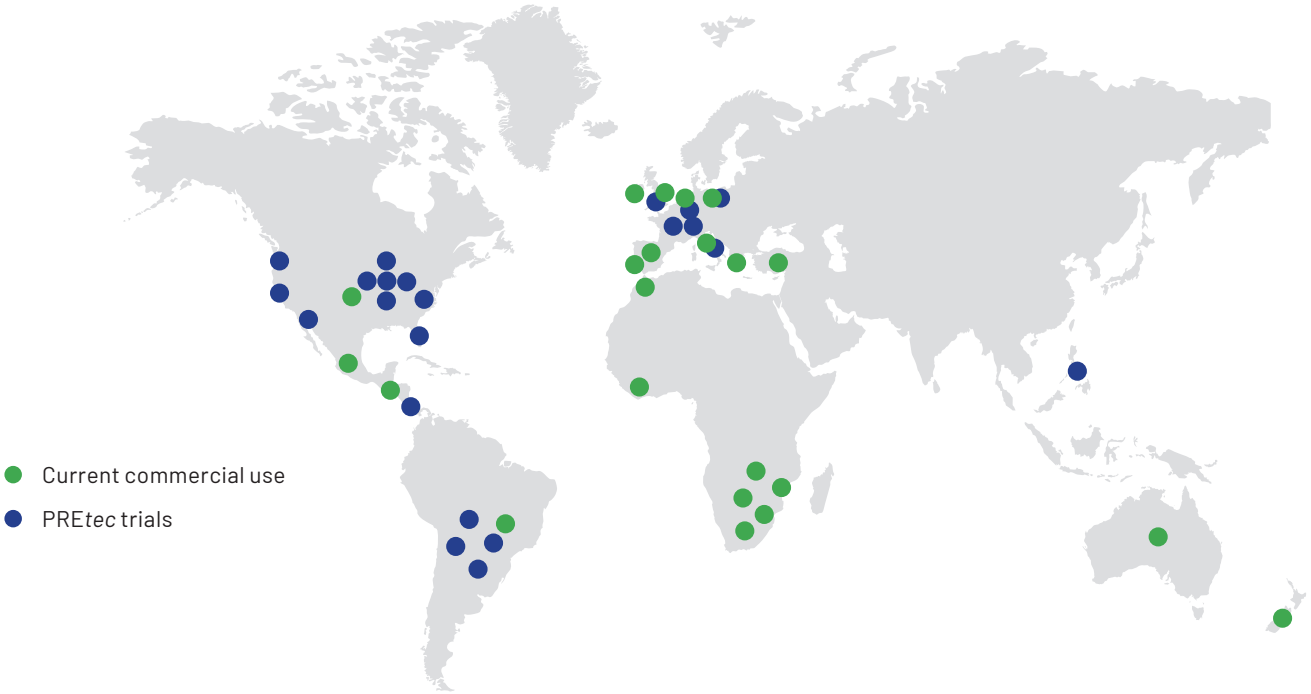
Source: Dunham Trimmer.

HOW THEY WORK

Plant Health Care products can be applied both to the leaves of plants (foliar applications) and to the seeds (seed treatment).



PLANT HEALTH CARE IS A LEADING PROVIDER OF PROPRIETARY BIOLOGICAL PRODUCTS



COMMERCIAL

Plant Health Care's Commercial business is driven by sales of Harpin αß, a recombinant protein which acts as a powerful biostimulant, promoting the yield and quality of crops. Sales are growing at more than 20% per annum. The Company sells the proprietary soil treatment Myconate in selected countries. The Company sells Harpin αß and Myconate through specialist distributors around the world. In Mexico, the Company also distributes third-party biological products.

NEW TECHNOLOGY

Plant Health Care's New Technology is focused on PRE*tec* – plant response elicitors. These are peptides (short chains of amino acids) which stimulate plants to increase yield and resist disease. The Company intends to license PRE*tec* platforms to large companies which will develop and commercialise them. The Company has so far launched three platforms of PRE*tec*, which have been under evaluation by nine potential licence partners.

WHERE BIOLOGICALS WORK

ROW CROPS

SPECIALTY CROPS

INNOVATIVE AND PROPRIETARY

Our innovative line of patent-protected products provides both economic and environmental benefits for our customers and capitalises upon long-term trends towards natural systems and biological solutions to promote plant health and growth.

Harpin αß

Sales of Harpinαß have grown at 23% CAGR over the five years to 2017, since we adopted a strategy of expanding registrations and developing distribution through new partners. We are now able to sell Harpin αß in more than 14 countries.

In the USA, we sell into corn as a component of seed treatment and, since 2016, as a component of fluency agents used in seed planters.

These treatments all improve crop yield. We also sell into fruit in the Pacific Northwest and into soft fruit and citrus in Florida. In Europe, we started sales into table grapes in Italy in 2016; sales are growing and there are plans to expand to other countries. In Spain, sales are growing rapidly in citrus and have also started in rice. In the UK, activity included the launch into potatoes in 2017 and sales also started in turf, where Harpin αß improves the vigour and condition of the grass. Extensive trials over the last three years have shown significant benefits of Harpin αß in sugarcane in Brazil, where the benefit is increased yield; the product was launched in Brazil in early 2018. In South Africa, sales have been developed into fruit, corn and sugarcane.

Benefits of Harpin αß in Brazil

- There are 10 million has of sugarcane in Brazil*.
- There are 5 million has of sugarcane in Sao Paulo state.
- Coplacana, our distributor, is the largest supplier of inputs for sugarcane in Sao Paulo state.
- Applications of H2Copla (Harpin αß) have been shown to potentially increase sugarcane yield by as much as 12% resulting in a possible 4x return for the grower**.
- Coplacana launched the H2Copla brand in February 2018.

* Based on 2016 sugarcane harvested data and 2017/2018 projected data from USDA Foreign Agricultural Service's GAIN report dated 19 April 2017.

** Yield increase based on Plant Health Care field trials conducted on sugarcane in Brazil in 2017; Value and ROI based on cost data from Agrianual 2016 FNP – Informa report.

PRE*tec*

PRE*tec* (plant response elicitor technology) is our core new technology, inspired by natural proteins found in plants and plant pathogens. We are able to identify families of peptides (chains of amino acids) that can provide various agronomic benefits for farmers. We have so far characterised four 3G peptide platforms from our research, three of which we have launched with partners. By platform, we mean a family of related peptide designs, all covered by extensive patent filings. 3G signifies third generation and indicates that these are small peptides. In addition, we have fourth generation or 4G platforms, which are applications of DNA or RNA forms of PRE*tec* for various genetic uses in agriculture and plant breeding.

Within each 3G platform, we are able to modify the peptide sequence in order to customise the performance of peptides in various ways. For example, to make them better at inducing resistance to pests and diseases in plants, to improve the tolerance of plants to drought or to accelerate root growth. Furthermore, we can optimise the physical and chemical stability of peptides, so that they are stable in mixtures with agrochemicals.

Technology

Innatus 3G was our first platform. It delivers a range of disease and yield benefits to growers. It has been under evaluation with four of the top global agricultural seed companies. Their field testing and other technical evaluation is well advanced. Our 3G peptides are designed to be combined with standard crop protection applications through both seed treatment and foliar applications to improve plant health.

T-Rex 3G is a platform developed to protect crop plants against pest nematodes. It also shows good effects in limiting the loss of yield caused by drought stress. Y-Max 3G behaves more like a biostimulant, promoting vigour and yield by regulating growth genes in the plant. T-Rex 3G and Y-Max 3G were introduced to selected partners in the latter part of 2016. During 2017, eight industry partners conducted evaluation trials on one or both of these platforms.

We are in the early stages of development of our 4G peptide platforms. The first platform entails the incorporation of genetic sequences in the plant that allow the plant to express peptides internally.

WHAT IS PRE*tec*?

PRE*tec* works by inducing natural defensive and metabolic responses in crop plants so that they suffer less harm from the usual stresses (like drought or disease) that they face during a growing season. This is achieved by designing short proteins (peptides) that mimic the active sites of larger naturally occurring proteins to which plants are evolved to respond defensively.

These peptides are generally accepted as being safe to handle and having negligible toxicity. They do not leave any detectable residue and rapidly degrade so that they do not persist on the plant after application. For these reasons, PREtec peptides should be generally easier, cheaper and quicker to register for commercial use than most other agricultural chemicals.

PRE*tec*: THREE PROPRIETARY PLATFORMS

BIOPESTICIDES	
Innatus 3G Broad plant defence and growth platform	**T-Rex 3G** Nematode defence platform

BIOSTIMULANTS
Y-Max 3G Yield and growth platform

Value propositions

Yield improvement

Crop protection value-add

Breeding: seed-applied traits

PRE*tec* IS PROTECTED BY EXTENSIVE IP:

Variations on peptide structures are patentable and, within each of these "platforms", it is possible to design and make a very large number of closely related peptide variants. Our first proprietary design platform, Innatus 3G, was introduced to partners in 2014–2015. In 2016, we presented the next two platforms – T-Rex 3G and Y-Max 3G. We continue to work on further patentable designs, which will be launched in due course.

Patent filings cover the various PREtec peptide designs in all agricultural applications – what we call 3G technologies. They also extend to the genes that code for those peptides, for example in crops bred to display increased defensive responses – what we call 4G. A number of patent filings are now being progressed.

EXCITING NEW DEVELOPMENTS

"2017 was a year of substantial progress. Our Commercial sales are now on a firm growth track. In New Technology, we are poised for our first technology licence of PRE*tec* in 2018."

Overview

Plant Health Care is a leading provider of proprietary agricultural biological products and technology solutions focused on improving crop performance.

2017 was a year of strong progress for the Group. Revenue and gross profit rose strongly in the Commercial business; we now have a well-diversified business. At the same time, great strides have been made in New Technology and we are well placed to deliver our first substantial technology licence during 2018.

Commercially, sales growth of 21% was driven by increased sales of our core product, Harpin αß; sales of Harpin αß have now grown at 21% Compound Annual Growth Rate ("CAGR") since we re-launched the business in 2013. The Commercial business is well placed to fulfil its mission of generating profit and cash to finance the business by 2021.

In New Technology, nine partners have been evaluating our PRE*tec* platforms of biorational peptides, including all five of the top global agricultural/seed companies. We are particularly excited about the potential for the first Innatus 3G technology licences, which we now plan will be for rights for use on South American soybeans; we expect that competitive licensing process to be completed by the end of Q3 2018, ahead of the planting of the next soybean crop.

We report here separately on the two areas of focus for the business: New Technology and Commercial. We are organised in these two lines of business and report our Commercial business in three geographic segments – Americas, Mexico and Rest of World. We report our New Technology business in a single segment.

New Technology

New Technology is focused on the discovery and early development of novel proprietary biological solutions using the Group's PRE*tec* science and technology capabilities (PRE*tec* signifies plant response elicitor technology). These new technologies will mainly be developed into final products in partnership with agricultural industry companies active downstream, who will take them to market; the Group would then receive licence payments on these sales. We expect to partner with major agrochemical companies for the larger arable crops such as corn and soybean; for specialty crops, such as regional crops and fruits and vegetables, we will work with a wider range of partners.

Our laboratory, glasshouse and field trials, and a number of other trials run for us by university groups and other specialists, confirm that peptides from Innatus 3G, T-Rex 3G and Y-Max 3G can be customised to deliver targeted agronomic benefits, such as, resistance to attack by fungi and soil pests and improved recovery from the effects of drought. All of these benefits increase crop yield.

Our peptides have been shown to be compatible with standard agricultural applications, such as seed treatment and foliar sprays, and to work with different genetic strains of crops. They can enhance the performance of established chemical and biological products, and resistant crop varieties. In some instances peptides on their own perform as effectively as significant commercial products currently on the market. However, we generally expect our peptides to be used in combination with conventional agricultural products, to extend the performance and to reduce their environmental impact.

This promise has encouraged an increasing number of potential licensees to evaluate PRE*tec* peptides. This now includes all five of the major global agricultural/seed companies. In total, nine potential partners ran field trials during 2017, under the terms of formal evaluation agreements with the Company.

During 2017, we also made significant progress in characterising the lead peptides from each of Innatus 3G, T-Rex 3G and Y-Max 3G. From the total of eight lead peptides we worked on in 2017, PHC279 is currently the focus for work in three main areas – demonstrating effectiveness; establishing the route towards regulatory licences to sell; and developing a cost-effective production process. While we are also working on a wide range of opportunities across the three platforms, I will focus here on PHC279, for purposes of illustration.

PRE*tec*: MOVING FROM PLATFORMS TO PRODUCTS

Many peptide variants possible within each platform: focusing on lead peptides

3G platform	Performance focus	Lead peptides (synthetic → fermented product)	Partner trials started
Innatus 3G	Disease resistance, vigour, quality, yield	PHC398 → PHC279 PHC296 → PHC863 PHC958 → PHC404 PHC180 → PHC148	2015
T-Rex 3G	Nematode, yield	PHC176 → PHC032 PHC097 → PHC949	2016
Y-Max 3G	Growth, roots, yield	PHC353 → PHC414 PHC326 → PHC535	2016

Discovery → Proof of concept → Early development → Advanced development → Pre-launch → Commercial

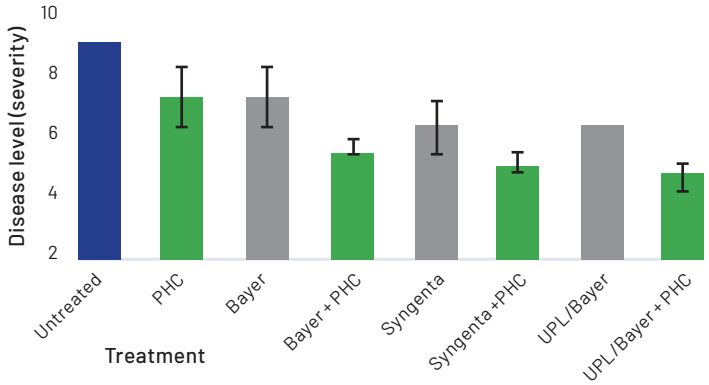
OUR LEAD PEPTIDE FOR SOYBEAN IN BRAZIL: PHC279

Value proposition

- Works on disease that is resistant to fungicides.
- Extends commercial life of existing fungicide products; defend or extend market share.
- Potential to boost yield through plant health effects.
- Innatus 3G platform can be mined for potentially even better peptides over time.

Asian Soybean Rust field trial Iracemápolis Brazil

21DAT4 Bars are one standard error from the mean



	2016	2017	2018	Before 2021
Efficacy	Lab/greenhouse	Evaluation field trials	Development field trials	Commercial sales
Ability to make	Synthesis	Bench-top fermentation	Pilot production	Commercial production
Regulatory		Fast-track strategy	Submit package	Approval
Technology licence	Competitive arena	Announce competitive licensing	Competitive licensing H2	Milestone payments

Complete | In progress | Planned

New Technology continued

PHC279 is showing notable promise for use in the control of Asian Soybean Rust ("ASR") in Brazil. ASR is a devastating disease of soybeans; Brazilian farmers spend some US$1.7 billion (according to the 2015 AgrAspire database) each year on its control. However, ASR is developing resistance even to the most advanced chemical fungicides in the market, leading to poorer control and the need for ever larger and more frequent applications. Our own trials, including repeated greenhouse tests and field trials in two countries, indicate that PHC279, when mixed with the market-leading fungicides, improves control of resistant ASR even on disease-tolerant soybean varieties. We also expect that PHC279 applications will boost soybean yield, by enhancing crop health.

The four market leaders in the fungicide market in Brazil are now running their own field trials with our lead peptides from the Innatus 3G platform. Trials started in late 2017 and results are anticipated late in Q2 2018. Embrapa, the highly regarded Brazilian government agricultural research entity, is also evaluating Innatus 3G peptides in the field, in parallel with our own field trials.

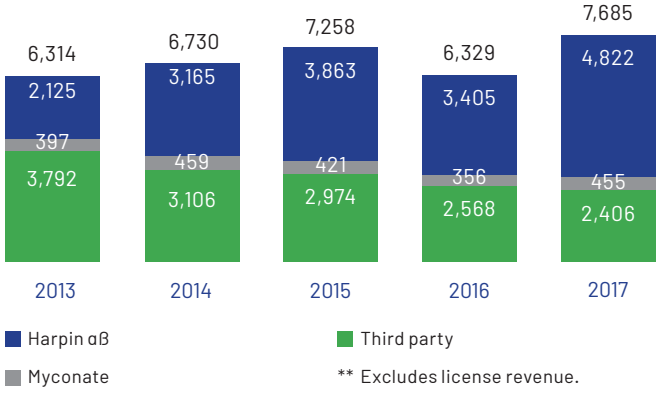
In parallel with these field trials, we are evaluating the path to regulatory licences needed to sell Innatus 3G peptides in Brazil, as well as in other countries. We are encouraged that regulatory authorities have indicated that they are likely to treat PRE*tec* peptides as biologicals, which have a substantially faster route to market than conventional agrochemicals.

The most cost-effective means of production for the Company's peptides is likely to be by industrial fermentation. We have now developed a high-yield fermentation process for PHC279 and taken it up to pilot scale. Material produced in this way has been shown to be fully effective in field and greenhouse trials and physically stable, including in mixtures with agricultural chemicals. Importantly, the costs of production have now achieved our targets to ensure cost-efficiency in the field. We are working towards a competitive licensing round in the second half of 2018 for rights to use Innatus 3G in South American soybean markets. Whoever licenses these rights will be seeking to use Innatus 3G as an ingredient or component of their own product ranges. If our peptides can show benefits such as performance improvement, resistance management and environmental and regulatory advantages this will be of significant commercial value.

We anticipate that a series of competitive licensing events in other crops, geographical regions and other value propositions will follow over the coming years.

PRODUCT SALES**

($'000)



** Excludes license revenue.

Commercial

Our Commercial business sells our proprietary products worldwide through distributors and also distributes complementary third-party products in Mexico.

Overall sales in 2017 were $7.7 million, an increase of 21% over 2016 ($6.3 million); in constant currency*, the increase was 23%. Strong external sales growth in Rest of World (up 100%; 107% in constant currency) was offset by weaker sales in Mexico due to low produce prices in the first half of the year. External sales in the Americas grew 8%, following moves in 2016 to reduce distributor inventories.

Sales of the core Harpin αß products increased by 42% (44% in constant currency), driven by broadly based growth in many countries. Harpin αß and Myconate products represented 69% of sales in 2017 (59% in 2016). Gross margin was steady at 62%. Sales of Harpin αß are now established on a strong growth track; CAGR from 2013–2017 was 23%.

In Rest of World, sales increased strongly in Spain and South Africa. Harpin αß is growing well in Italy, following the launch onto table grapes in 2016, through our partner Sipcam. Harpin αß was also successfully launched on potatoes in the UK. During the year, registration and first sales were achieved in Morocco. We anticipate further registrations and product launches in 2018.

In the Americas, sales by our largest distributor in the Pacific Northwest were held back by adverse weather. However, new outlets in Florida and as a fluency agent in corn (maize) helped to support modest sales growth.

Mexico had a challenging year, particularly due to very low prices of peppers, tomatoes and other produce exported to the USA in the first half of the year. Sales were more positive in the second half of the year but ended up 11% lower (in local currency) than in 2016.

In Brazil, Harpin αß was launched into sugarcane at the turn of the year. Results from demonstration trials have shown significant increases in yield, which is a promising indicator for the launch. First sales by the Company were expected at the end of 2017; due to delays in importation, these sales slipped into early 2018 but first in-country sales were not affected.

Financial and corporate

Operating expenses in 2017 were $10.5 million, compared with $15.2 million in 2016. Excluding the exceptional costs incurred in 2016 evaluating a potential US listing ($1.2 million) and a non-cash decrease in the value of loans from our UK subsidiary (a gain of $1.3 million in 2017, compared with a loss of $1.5 million in 2016), cash operating expenses reduced by $0.6 million to $11.9 million (2016: $12.5 million). R&D costs increased by $0.6 million to $5.1 million, while other costs excluding the exceptional costs detailed above decreased by $1.2 million.

As we report in US Dollars, the increase in Sterling value has resulted in a foreign currency gain of $1.3 million arising in respect of the Sterling loan between the holding company and the UK trading company. The net increase in the consolidated statement of comprehensive income in respect of the revaluation of these loans is $1.3 million.

* We calculate constant currency percentages by converting our prior-period local currency financial results using the current period exchange rates and comparing these adjusted amounts to our current period reported results.

Constant currency

We evaluate our results of operations on both an as reported and a constant currency basis. The constant currency presentation, which is a non-IFRS measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our results of operations, consistent with how we evaluate our performance. We calculate constant currency percentages by converting our prior-period local currency financial results using the current period exchange rates and comparing these adjusted amounts to our current period reported results.

Board changes

I have had the honour to act as Interim CEO, as well as Executive Chairman, since November 2016.

The Board reviewed these arrangements in early 2018 and has requested that I continue as Interim CEO for the time being. The Board will review the situation periodically and may initiate a search for a new CEO in due course.

The relevant experience and background of each member of the Board is set out on page 17.

Outlook

After depressed years in 2015–2016, agriculture markets appear to have stabilised at a new, lower level; commodity prices are unlikely to recover while grain stocks remain at relatively high levels. The global agrochemical market is estimated to have been flat in 2017. Even in depressed agrochemical markets; however, we believe that growers in key markets will continue to adopt agricultural biological products which increase their productivity. Based on various reports, we expect growth in the demand for biological products to increase at approximately 10% per annum from 2017 to 2020. We are confident that Harpin αβ sales will continue to grow significantly faster than the market for biological products as a whole over the medium term. However, sales in any one period will be subject to seasonal factors such as weather, timing of registrations and third-party relations". As a result, Group sales may not follow a strictly linear trend.

We are currently focused on ensuring successful field trials of PHC279 and other Innatus 3G peptides for the control of ASR and yield enhancement in soybeans. We are confident that our partners will replicate our own positive results, which will lead to a successful competitive licensing of rights to the platform for South American soybean during the H2 2018. In addition, we are working on a number of other value propositions for our PRE*tec* peptides, in co-operation with our partners; we expect these to lead to a series of technology licensing agreements over the coming years.

Plant Health Care has a clearly defined strategy, which we are implementing effectively. 2018 will be a decisive year for the Company, which we enter with confidence.

In closing, I would like to thank the entire Plant Health Care team for all its hard work during the year. Strong results come from great people, working towards shared goals. As Interim CEO, I am proud of the Group's impressive team of highly motivated professionals, in whom I have the greatest confidence.

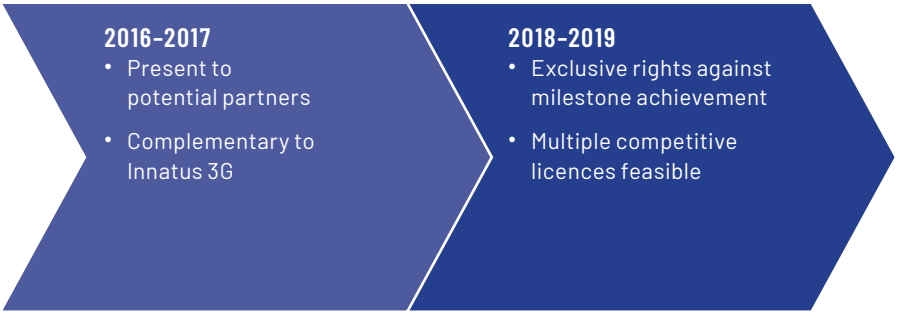
On 27 February 2018, the Group successfully completed an equity raise which generated $6.7 million (net of costs) from new and existing investors. The signal of our investors confidence in the Group is highly noteworthy.

Dr Christopher Richards
Executive Chairman and Interim Chief Executive Officer
9 April 2018

TECHNOLOGY LICENSING TIMELINES

Innatus 3G

T-Rex 3G Y-Max 3G and PRE*tec* 4G



HOW WE WORK

Plant Health Care believes that PRE*tec* has very significant commercial potential. We therefore plan to license the technology to larger companies, which will have the resources to turn our lead peptides into final products and take them to market.

RESEARCH AND DEVELOPMENT

↓

NEW TECHNOLOGY

Plant Health Care has so far characterised four platforms and launched three of them:

- **Innatus 3G**
- **T-Rex 3G**
- **Y-Max 3G**

1 Plant Health Care's laboratory in Seattle:
- Designs peptides from each platform and launched three of them.
- Screen them for activity in protecting plants from stress such as drought or disease.
- Select lead peptides for testing.

2 Field trials
Field trials are run through a network of universities and specialist contractors.

3 Collaborating with partners
Partners carry out laboratory, greenhouse and field trials on many crops and targets.

4 Manufacturing process
During 2017, we developed production processes for PHC279. Fermentation is now being done at pilot scale. We are moving other lead peptides down this route.

5 Obtaining regulatory approvals
Regulatory rules vary across the world; Plant Health Care is pursuing "fast-track" approvals for PRE*tec* peptides.

6 Out-licensing to partners
Plant Health Care intends to segment our licences by crop and geography. The Company anticipates that the first licence will be for Innatus 3G in South American soybean. Licences for Innatus 3G in other crops and geographies will follow, as well as licences to T-Rex 3G and Y-Max.

↓

OUR PARTNERS

PREtec has been under evaluation by nine partners, including all of the "big five" global agricultural/seed companies.

Our value proposition to our partners:

- Improving efficacy of fungicides, to combat disease resistance.
- Improving corn or soybean yield.
- Controlling of nematode infestations through the season.
- Safening chemical products used in seed treatment.
- Increasing yield and quality of grapes, tomatoes, peppers, lettuces and cucumbers.
- Improving turf health under heat and traffic stress.

OUR GROWTH STRATEGY

Our future growth will be achieved by focusing on the following key areas:

INCREASING SALES OF EXISTING COMMERCIAL PRODUCTS

We intend to drive revenue in the short term in our Commercial business, focusing on Harpin αβ, particularly in specialty crops. We plan to grow in crops where Harpin αβ provides the most benefits to farmers, including sugarcane, citrus, tomatoes and potatoes.

LICENSING OF PRE*tec* PLATFORMS: INNATUS 3G, T-REX 3G AND Y-MAX 3G

Our partners have been evaluating our peptide platforms since 2016. With partners currently evaluating these platforms in many crops and countries, we anticipate a series of competitive licensing rounds, leading to licensing events by crop and geography over several years. We are currently focused on our first technology licence, which we anticipate will be for Innatus 3G in South American soybeans, during the second half of 2018.

BUILDING FURTHER THE CAPABILITY TO SUPPORT OUR LICENCES

Plant Health Care has a unique understanding of PRE*tec*, which will be important for supporting partners as they develop and commercialise products from our platforms. Our capacity to develop cost-effective production, processes and our skill in achieving fast-track registrations will enable our partners to accelerate market launches. Our extensive experience of the platforms will enable us to mine our platforms for further peptides over time, in co-operation with our licensees.

CONTINUING TO DEVELOP FURTHER PEPTIDE PLATFORMS

We have already filed a patent application for a further peptide platform, beyond the three already under evaluation by partners. We expect to discover more platforms over time.

OUR RESEARCH AND DEVELOPMENT PROCESS

Discovery

Characterisation

Partner evaluation

Product development

MONITORING THE BUSINESS

The Group uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial. The most significant relate to Group financial performance and to the Group's progress in driving the two pillars of its strategy.

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

The KPIs for financial performance for the year ended 31 December 2017, with comparatives for the year ended 31 December 2016, are set out below:

REVENUE

($'000)

$7,685

GROSS PROFIT

($'000)

$4,732

GROSS PROFIT MARGIN

(%)

61.6%

OPERATING LOSS

($'000)

$(5,801)

In addition, an important KPI is the movement in revenue achieved from the sale of our proprietary products. These movements are shown below, separating out the product revenue from the receipt of licence/milestone payments and other one-off payments, which are less predictable and tend to distort the product sales growth.

Proprietary sales (excluding licencing revenue)

	2017 $'000	2016 $'000
The Americas	**1,574**	1,424
Mexico	**570**	734
Rest of World	**3,200**	1,603
Total	**5,344**	3,761

Non-financial

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

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

MEASURING RISK

Our business is subject to a number of potential risks and uncertainties, including those listed below. The occurrence of any of these risks may materially and adversely affect our business, financial condition, results of operations and future prospects. We manage and mitigate these risks by executing the strategy described on page 11.

Risk	Description
FINANCIAL AND LIQUIDITY RISK	• We have a history of losses since inception, and anticipate continuing to incur losses in the future, and may not achieve or maintain profitability. • We expect to require additional financing in the future and may be unable to obtain such financing on favourable terms or at all, which could force us to delay, reduce or eliminate our research, development or commercial activities.
TECHNOLOGY AND COMMERCIALISATION RISK	• Our PRE*tec* out-licensing strategy depends on evaluation partners converting their declared interest into formal commercial offers. • We are subject to risks relating to product concentration due to the fact that we derive substantially all of our revenues from our Harpin αβ and Myconate product lines and from the sale of third-party products. • We may be unable to establish or maintain successful relationships with third-party distributors and retailers, which could materially and adversely affect our sales. • We have a limited number of sales and marketing personnel and will need to expand our sales and marketing capabilities to grow revenues from our commercial products. • While a number of patents have been filed to date, we may be unable to secure adequate protection for the intellectual property covering our New Technology and product candidates, or develop and commercialise these product candidates without infringing the intellectual property rights of third parties. • Our partners' trials can be influenced by weather and other factors, which can result in the trials having to be repeated; this can lead to delays of a year in planned licences.
REGULATORY AND LEGAL RISK	• If we are unable to obtain regulatory approvals, or comply with ongoing and changing regulatory requirements, it could delay or prevent sales of our commercial products or impede the development of potential products. • If we use PRE*tec* in trait development, our technologies and product candidates will face more stringent regulatory regimes. • If we are unable to comply with regulations applicable to our facilities and procedures and those of our third-party manufacturers, our research and development or manufacturing activities could be delayed, limited or prevented.
CREDIT RISK	• The majority of our net sales are credit sales that are made primarily to customers whose ability to pay is dependent, in part, upon the economic strength of the industry and geographic areas in which they operate, and the failure to collect, or, timely collect, monies owed from customers could materially and adversely affect our financial condition.
PERSONNEL	• Our future growth and ability to compete depend on retaining our key personnel and recruiting additional qualified personnel.

Financial instruments

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

Information on the risks associated with the Group's involvement in financial instruments is given in note 19 to the financial statements.

On behalf of the Board

Dr Christopher Richards
Executive Chairman and Interim Chief Executive Officer
9 April 2018

STRONG SALES GROWTH

"Plant Health Care had strong sales growth in 2017. Sales increased 21% to $7.7 million. At the same time, operating expenses decreased 31% to $10.5 million."

A summary of the financial results for the year ended 31 December 2017 with comparatives for the previous financial year is set out below:

	2017 $'000	2016 $'000
Revenue	**7,685**	6,329
Gross profit	**4,732**	3,893
Operating loss	**(5,801)**	(11,350)
Finance income (net)	**86**	50
Net loss for the year	**(5,716)**	(11,217)

Revenues

Revenues in 2017 increased by 21% to $7.7 million (2016: $6.3 million) as a result of strong growth in our Rest of World segment, in particular Spain and South Africa. The gross margin remained steady at 62% of sales in 2017.

The Americas

External revenue in the Americas segment increased 8% to $1.6 million (2016: $1.5 million). The increase in revenue was primarily due to increased sales of Harpin αß in potatoes in the Upper Midwest and strawberries in Florida. The Americas includes revenues from the sales to North and South America. Initial sales to Brazil were delayed due to importation issues; these sales occurred in early 2018, with the launch into sugarcane. Revenue in Americas is predominantly from Harpin αß sales.

Mexico

A significant portion of the Group's revenue continues to come from Mexico. Revenue from the Mexican segment decreased 11% (10% in local currency) to $2.9 million (2016: $3.2 million). This was due to lower than expected produce prices in the north-west portion of Mexico. Revenue in Mexico includes sales of Harpin αß, Myconate and third-party products.

Rest of World

In 2017, the Group's largest revenues were derived from the Rest of World segment. External revenue increased 100% to $3.2 million (2016: $1.6 million). The increase was primarily due to increased sales in the South African and Spain regions. Sales increased 104% and 60% for South Africa and Spain, respectively. Revenue in the Rest of World segment is predominantly from Harpin αß sales.

Operating expenses

Operating expenses decreased to $10.5 million from $15.2 million. The factors that contributed to the decrease were continued investment in Research and Development up 11% to $5.1 million, non-cash expenses associated with the increase in the value of loans from our UK subsidiary of a foreign currency gain of $1.3 million (2016: foreign currency loss of $1.5 million) and costs of approximately $1.2 million were incurred in 2016 in association with evaluating a potential USA listing. There were no USA listing costs in 2017. The 2016 costs associated with a potential USA listing were charged to administration. Administration expenses also included $1.3 million (2016: foreign currency loss of $1.5 million) of a non-cash foreign currency gain associated with the increase in the value of the loans from our UK subsidiary.

Expenditure within the New Technology segment increased $0.5 million to $5.5 million in 2017 (2016: $5.0 million). The increase was due to the hiring of additional R&D staff, increased contract research and intellectual property costs.

In addition, we have set out in note 9 the separate category of expenditure relating to Business Development, which decreased to $0.6 million in 2017 (2016: $1.0 million). This relates to reduced personnel costs and other costs relating to customer support and market research.

Unallocated corporate expenses decreased $4.7 million to a gain of $0.3 million (2016: $4.4 million). The increase was attributable to costs in 2016 associated with a USA listing and the increase in the value of Sterling loans from our UK subsidiary due to the appreciation of the Pound.

Balance sheet

At 31 December 2017 and 2016, investments cash and cash equivalents were $3.9 million and $10.1 million respectively.

Working capital was $7.2 million at 31 December 2017 (31 December 2016: $12.5 million). The $5.3 million reduction is primarily due to an increase in accounts receivable, accounts payable and further spend in research and development activities.

Translation of the results of foreign subsidiaries for inclusion within the consolidated Group results resulted in an exchange loss of $1.3 million recorded within Other Comprehensive Income and Foreign Exchange Reserves (2016: gain of $1.3 million).

Cash flow and liquidity

Net cash used in operations was $4.9 million in 2017 (2016: $9.2 million), a decrease of $4.3 million. This decrease was primarily the result of a decrease in the Group's net loss offset by an increased working capital position.

Net cash provided by investing was $2.6 million in 2017 (2016: $1.8 million). The Group holds surplus cash in several bond and money market funds. The movement in these funds was used to further invest in the New Technology business and fund the Commercial business.

Net cash provided by financing activities was $nil for 2017 (2016: $9.7 million). The decrease is due to a $9.7 million fundraise concluded in 2016.

On 27 February 2018, the Group successfully completed an equity raise which generated $6.7 million (net of costs) from new and existing investors.

Based upon the Group's current cash and cash equivalent position, projected revenue from product sales, anticipated operating costs and the additional funding received post year end, the Group is confident that it will have sufficient cash to meet its working capital needs through the next 12 months.

Jeffrey Hovey
Chief Financial Officer
9 April 2018

CORPORATE GOVERNANCE

THE RIGHT TEAM

Dr Christopher G J Richards
(Executive Chairman and Interim Chief Executive Officer)

Dr Christopher Richards joined the Company as Non-executive Chairman in August 2012. He became Executive Chairman in April 2015 to take on a more active role in investor relations and in developing strategy, particularly the focus on New Technology. Following the departure of Paul Schmidt in November 2016, Dr Christopher Richards became the Interim Chief Executive Officer. Dr Christopher Richards spent 20 years at Syngenta and its predecessor companies in various strategic management positions in South America, Europe and Asia. In November 2003, he was appointed COO of Arysta LifeScience, and he served as CEO from 2004 until 2010, leading Arysta LifeScience's transformation into a global agrochemical company with sales above $1.6 billion. He also served as a director of Arysta LifeScience from 2003 to 2015. He serves on the board of directors of Origin Enterprises plc, a service provider to farmers for food production solutions, and Nanoco Group plc, a technology company carrying out research, development and commercialisation of products based on heavy metal-free quantum dots.

Michael J Higgins
(Senior Independent Director)

Michael Higgins joined the Company in May 2013 as Senior Independent Director and Chair of the Audit Committee. He also serves as a member of the Remuneration Committee. He currently serves as non-executive chairman of Ebiquity plc, a leading independent marketing and media consultancy, a non-executive director of Progility plc, a project management services group, and a non-executive director of Premier Technical Services Group plc, a niche specialist services provider. Michael is also non-executive Chairman of IPSX UK Ltd, which, subject to regulatory approval, will operate the first regulated securities exchange dedicated to the IPO and secondary trading in Exchange-Traded Properties, and a non-executive director of the Quoted Companies Alliance, a non-profit organisation that champions the interests of small to mid-sized publicly traded companies. He is also an alternate member of the Panel on Takeovers and Mergers on behalf of the Quoted Companies Alliance. Michael Higgins was a partner at KPMG for 10 years and subsequently served as a senior adviser at KPMG. Prior to KPMG, Michael Higgins was a director at Charterhouse Bank, worked at Saudi International Bank and qualified as an accountant with Price Waterhouse (now PricewaterhouseCoopers).

Dr Richard H Webb
(Executive Director, New Technology)

Dr Richard Webb joined the Company in September 2013 as a Non-executive Director. In January 2015, he was appointed an Executive Director, responsible for supporting the Chief Science Officer, Dr Zhongmin Wei, as the Company was expanding its research and development capability. He leads the New Technology strategy and licensing for the business. He was previously engaged by the Company as a consultant, contracted through StepOut Ltd., a consultancy business he founded in 1995. In this capacity, between 2012 and 2014, he was instrumental in the development of the Company's new business strategy. He previously held various positions at Imperial Chemical Industries, including responsibilities for managing laboratory discovery and field development programmes for its public health pesticide business. His doctorate, in pest biology, was from the London School of Hygiene and Tropical Medicine.

William M Lewis
(Non-executive Director)

William Lewis joined the Company as a Non-executive Director in April 2015. He also currently serves as Chairman of the Remuneration Committee and as a member of the Audit Committee. Since June 2014, William Lewis has served as President and CEO of Summit Agro USA, LLC, a joint venture agrochemicals business between Sumitomo Corporation and ISK Biosciences. He previously held senior roles within Arysta LifeScience, Syngenta Crop Protection and Zeneca/ICI. William Lewis has also been an owner/operator of two John Deere dealerships in GA, where he improved the overall operations and value of the business, which led to the successful sale of the businesses.

HIGH STANDARDS OF GOVERNANCE

Plant Health Care plc has taken note of the UK Corporate Governance Code (the "UK Code") published in April 2016. The UK Code and associated guidance can be found on the Financial Reporting Council website at https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code. The rules of the London Stock Exchange do not require companies that have securities traded on AIM to formally comply with the UK Code and the Company does not seek to formally comply nor give a statement of compliance. However, the Board is accountable to the Company's shareholders for good governance and has sought to apply those principles of corporate governance commensurate with the Company's size.

The Company's approach is set out below:

Board composition

The Board comprises an Executive Chairman, who is also the Interim Chief Executive Officer, one Executive Director and two Non-executive Directors. The Board considers both of the Non-executives to be independent in judgement and character.

Biographies of the Board members appear on page 17. These indicate the high levels and range of business experience which is essential to oversee effectively a business of the size, complexity and geographical spread of the Group. Concerns relating to the executive management of the Group or the performance of the Directors can be raised in confidence by contacting the Senior Independent Director, Michael Higgins, through the Company Secretary.

Board Committees

The Board has established Audit and Remuneration Committees, as described on page 19. No separate Nominations Committee has been established. A Nominations Working Group comprised of Non-executive Directors provides advice and guidance on the selection of candidates; the full Board acts as a Nominations Committee when changes to the Board of Directors are proposed.

Workings of the Board

The Board meets on a pre-scheduled basis at least six times each year and more frequently when required. The Board has reserved certain matters to it for decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the Group. This 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. 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. Dr Christopher Richards, Executive Chairman and Interim CEO, is currently filling both of these roles. The Senior Independent Director acts as a point of contact for shareholders and other stakeholders with concerns which have failed to be resolved, or would not be appropriate to be addressed, through the normal channels of the Chairman or Chief Executive.

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

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

In line with the requirements of the UK Code, the Board normally conducts an internal Board performance evaluation on a regular basis, including during 2017.

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 21 to 25. Executive Directors abstain from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package.

Communication

The Company places a great deal of importance on communication with its shareholders. The Company publishes online both an interim statement and its full-year report and accounts. The annual report is mailed to all shareholders who have so requested 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/for-investors.

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 Executive Chairman or 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 on Board Effectiveness 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 evaluate whether they are designed appropriately to mitigate emerging risks and in anticipation of expected growth. Twice a year, the Chief Financial Officer presents to the Board, for discussion and approval, a summary of the key internal controls in place during the prior period and proposals for enhancements to these controls in the forthcoming period. Based on this process, the Directors believe that the Group has internal control systems in place appropriate to its size and nature.

The Remuneration Committee is chaired by William Lewis. Michael Higgins is also a member. Both are Non-executive Directors. The Committee is responsible for determining the contract terms, remuneration and other benefits of the Executive Directors including the Executive 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.

Remuneration Committee

The members of the Remuneration Committee are William Lewis (Chairman) and Michael Higgins. The Remuneration Committee's responsibilities include the following:

- reviewing and approving, or making recommendations to the Board with respect to, the compensation of the Executive Directors and senior management;
- overseeing an evaluation of senior management; and
- overseeing and administering the Group's employee share option scheme and equity incentive plans in operation from time to time.

The Remuneration Committee report is set out on pages 21 to 25.

The Audit Committee is chaired by Michael Higgins. The Audit Committee is made up solely of independent Non-executive Directors.

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 ensures appropriate challenge and governance around accounting treatment and the Group's risk management and internal control practices. 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.

Elements of remuneration – Executive Directors

The following comprised the principal elements of the Group's Executive Directors during 2017:

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

Long-term share-based incentives

Each of the Executive Directors was eligible to participate in the Company's share option schemes and long-term incentive stock award plans. The main features of these plans are:

(a) 2004 Unapproved Share Option Scheme

In July 2004, the Board adopted the Plant Health Care plc Unapproved Share Option Scheme 2004. Under this scheme, the Board could 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 option holder remaining an eligible employee. In 2014, the scheme reached the 10th anniversary of its approval by shareholders; no further options may be granted. The Company was authorised to 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 from 1996 and 2001, amounts to no more than 10% of the issued share capital of the Company.

(b) Value Creation Plan

On 2 July 2013, the Company adopted the Plant Health Care plc 2013 Equity Incentive Plan, or the Value Creation Plan. Participants (which include the Executive Chairman, Chief Executive Officer and key members of the Group's senior management team) are entitled to receive a share of the Executive total incentive pool established by the plan. The Executive total incentive pool equals up to 10% of the equity value created. Equity value created is defined as the value generated for shareholders in excess of the initial market value of the ordinary shares increased by an 8% annual hurdle, over a four-year performance period. The initial market value was 78p (corresponding to the price of the ordinary shares issued in the April 2013 private placement). The performance period extends from 16 April 2013 to the measurement date (the 20th market trading day after announcement of the Group's financial results for the year ended 31 December 2016 or such shorter period in the event of certain changes of control). The mechanics of the plan accommodate equity issuances, including option awards and ordinary shares issued in new placements or as consideration for acquisitions by adjusting the Executive total incentive pool by up to 10% of any value generated from additional fundraisings in excess of the issue price of those fundraisings increased by an annual hurdle of 8% (multiplied by the number of shares issued in the additional fundraising) from the date of the fundraising up to the measurement date and the payment of dividends during the performance period. The vesting of awards under this plan is generally subject to exercise conditions. The Company may not award options that amount to more than 10% of the issued share capital of the Company.

No awards have been made under the VCP plan since 15 April 2015. As at 31 December 2017, no shares were deemed to have been earned, options over Ordinary Shares granted pursuant to the VCP have expired and are no longer capable of being exercised.

(c) 2015 Employee Share Option Plan

On 16 June 2015, the Company adopted the Plant Health Care plc 2015 Employee Share Option Plan, or the EMI Plan, which provides for the grant of options to acquire the Company's ordinary shares. Under the EMI Plan, the Company may grant enterprise management incentive options, known as EMI options, to eligible bona fide employees who qualify under applicable United Kingdom ("UK") tax law, as well as options that do not qualify as EMI options, or NQOs. Vesting of options is subject to the performance conditions set out in the applicable option agreement and pursuant to the EMI Plan.

Elements of remuneration – Executive Directors continued

Long-term share-based incentives continued

(c) 2015 Employee Share Option Plan continued

The Board has the discretion and authority to set and measure the satisfaction of the performance conditions, which under the EMI Plan must be linked to the achievement of challenging financial performance over a period of at least three years, but no more than 10 years, from the date of grant and the enhancement of shareholder value. Performance conditions may be amended, relaxed or waived by the Board provided that any varied performance conditions would be a fairer measure of performance than the original performance conditions and are no more or no less difficult to satisfy than prior to the amendment. At any time, the total market value of the shares that can be acquired upon the exercise of all EMI options under the EMI Plan may not exceed £3 million.

As part of the EMI Plan, the Board has adopted rules governing options awarded to the Company's US employees, or the US Sub-plan to the EMI Plan. The US Sub-plan to the EMI Plan provides for grants of both incentive stock options qualifying under section 422 of the Internal Revenue Code of 1986, as amended, and non-statutory stock options. The term of an incentive stock option may not exceed 10 years (subject to certain limitations with respect to any employee who owns more than 10% of the voting power of all classes of the Company's outstanding ordinary shares). In the event the option holder ceases to be an employee before he or she exercises the vested portion of the option for any reason other than death, disability or by the employer for cause, the option shall expire three months after the date on which the option holder ceases to be an employee. In the event the option holder ceases to be an employee because of death or disability, the option holder, or his or her personal representative in the event of death, may exercise the vested portion of the option during the 12-month period following the date the option holder ceases to be an employee. In the event that the option holder's employment is terminated for cause by the employer, the option will expire immediately upon the date employment is terminated.

On 16 June 2015, the Company also adopted the Plant Health Care plc 2015 Non-Employee Share Option Plan, or the Non-Employee Option Plan, that provides for the grant of options to acquire ordinary shares to eligible option holders who are not employees.

As part of the Non-Employee Option Plan, the Board has adopted rules governing options awarded to individuals who are not employees, or the US Sub-plan to the Non-Employee Option Plan. This sub-plan provides for grants of non-statutory stock options. As of 31 December 2017, no awards were outstanding under the Non-Employee Option Plan or the US Sub-plan to the Non-Employee Option Plan.

(d) 2017 Employee Share Option Plan

On 19 May 2017, the Company adopted the Plant Health Care plc 2017 Employee Share Option Plan, or the 2017 ESOP, which provides for the grant of options to acquire the Company's ordinary shares. Under the 2017 ESOP, the Company may grant enterprise management incentive options, known as EMI options, to eligible bona fide employees who qualify under applicable United Kingdom ("UK") tax law, as well as options that do not qualify as EMI options, or NQOs. Vesting of options is subject to any performance conditions set out in the applicable option agreement and pursuant to the EMI Plan. At any time, the total market value of the shares that can be acquired upon the exercise of all EMI options under the 2017 ESOP may not exceed £3 million.

As part of the 2017 ESOP, the Board has adopted rules governing options awarded to the Company's US employees, or the US Sub-plan to the 2017 ESOP. The US Sub-plan to the EMI Plan provides for grants of both incentive stock options qualifying under section 422 of the Internal Revenue Code of 1986, as amended, and non-statutory stock options. The term of an incentive stock option may not exceed 10 years (subject to certain limitations with respect to any employee who owns more than 10% of the voting power of all classes of the Company's outstanding ordinary shares).

(e) Options granted outside option schemes

The Company has granted options to acquire shares pursuant to separate unapproved option agreements to Michael Higgins, William Lewis and Dr Richard Webb. Generally, the options may only be exercised while the option holder is a service provider to the Company. In the event that the option holder ceases to be a service provider as a result of injury, ill health or disability, upon the company for which the option holder works ceasing to be a member of the Group, or the transfer of the business that employs the option holder to a person that is not in the Group, the option may be exercised during the six-month period beginning on the date upon which the option holder is no longer a service provider to the Company. Shares allotted under these options rank equally with all other shares in the same class in issue at the date of allotment. If and for so long as the allotted shares are listed or traded on any stock exchange, the Company shall apply for the shares allotted under these options to be admitted to the relevant exchange. In the event of any capitalisation issue, rights issue, consolidation, sub-division, reduction or other variation of the Company's share capital, the number and description of the shares subject to each option or the exercise price of each option shall be varied as the Board determines, provided that it considers such adjustment to be fair and appropriate. Limitations apply to the extent to which any such adjustment may reduce the price at which shares may be purchased pursuant to the exercise of an option and the exercise price for a share to be newly issued on the exercise of an option shall not be reduced below its nominal value.

Pension benefit

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

- participation is open to all US-based employees who have completed a probationary period after initial employment;
- employees may contribute a percentage of salary to the plan through a payroll withholding scheme;
- in 2017, the Group made matching contributions of up to 2% through September of 2017 and 3% thereafter of compensation to participating employees. In 2018, the Group will continue to match contributions up to 3% of compensation to participating employees;
- beginning in 2014, Group contributions vest immediately; and
- the plan is subject to various statutory non-discrimination tests to ensure that it does not favour highly compensated employees.

Elements of remuneration – Non-executive Directors

During 2016 and 2017, the remuneration for Non-executive Directors consisted solely of fees for their services in connection with the Board and Board Committees. The Non-executive Directors receive their fees wholly in cash.

Service contracts

During 2016 and 2017, the Company had service contracts with all Executive and Non-executive Directors.

The Group's Chief Executive Officer's employment continued through 30 November 2016, at which time his employment agreement was terminated.

Provisions in the service contracts of other Executive Directors (including the Executive Chairman/Interim Chief Executive Officer) include:

- termination may be initiated by the Company or the Director at any time with three months' written notice;
- the Company may also terminate the agreement with immediate effect by paying a sum in lieu of notice equal to the basic fixed salary the Director would have been entitled to receive during the notice period; and
- the Company may also terminate the agreement with immediate effect at any time without notice or payment in lieu of notice for certain circumstances including gross misconduct affecting the business.

Provisions in the service contracts of Non-executive Directors include:

- each Director's appointment may be terminated with no less than three months' prior written notice; and
- each Director's appointment may also be terminated with immediate effect for certain circumstances including serious breach or repeated breach of any obligations to the Company; any act of fraud or dishonesty; or a declaration of bankruptcy.

Directors' remuneration

For the years ended 31 December 2016 and 31 December 2017, the table below sets forth the compensation paid to the Directors and, in the case of Paul Schmidt, reflects the compensation paid for his services as Chief Executive Officer through November 2016. In the case of James Ede-Golightly, reflects the compensation paid for his services as Non-executive Director through November 2016.

	Base salary and fees $'000	Performance-related bonus $'000	Other benefits $'000	Share option benefit $'000	**Total 2017 $'000**	Total 2016 $'000
Executive:						
Dr C Richards	130	–	–	178	**308**	134
Dr R Webb	200	–	–	144	**344**	107
P Schmidt (resigned 30 November 2016)	–	–	–	–	**–**	529
Non-executive:						
M Higgins	58	–	–	–	**58**	60
W Lewis (appointed 1 April 2015)	33	–	–	–	**33**	33
J Ede-Golightly (resigned 30 November 2016)	–	–	–	–	**–**	31
	421	–	–	322	**743**	894

Executive salaries

At the time of his resignation, at 30 November 2016, Paul Schmidt had a base salary of $250,000 and bonus potential of 100%.

Other benefits

In 2017, the Company contributed to the 401(k) Plan 3% (2016: 2%) of eligible compensation. In 2017, pension expense for the Executive Directors was $nil (2016: $5,523).

In 2017, the Company incurred $nil (2016: $19,228) of medical, dental and life insurance expense on behalf of one Director.

Other information

During the year, the Company's share price on AIM ranged between 13.5p and 33.0p. At 31 December 2017, the share price was 16.25p. At 9 April 2018, the last working day prior to the approval of this annual report, the share price was 22.2p.

Report of the Directors

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2017. See note 19 for discussion of financial risk management objectives and policies, and exposure to price, credit, liquidity and cash flow risk.

Results and dividends

The results of the Group for the year are set out on page 33 and show a loss for the year of $5,454,000 (2016: loss of $11,217,000).

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

Directors

The beneficial interests of the Directors in the ordinary share capital of the Company and options to purchase ordinary shares of the Company as of 31 December 2017 were as follows:

	At 31 December 2017	
	Shares	Options
Dr C Richards	**1,263,253***	**1,503,673**
Dr R Webb	**868,400**	**1,606,189**
M Higgins	**60,000**	**117,647**
W Lewis	**373,460**	**89,686**

* Includes a beneficial interest of William Richards, a minor child of Dr Christopher Richards, of 34,578 ordinary shares.

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

Substantial shareholders

On 9 April 2018, the Directors are aware of the following persons who, directly or indirectly, are interested in 3% or more of the Company's existing ordinary share capital:

Name	Shares held	Percent of issued share capital*
Richard Griffiths	63,447,432	36.71
1798 Volantis	35,675,171	20.64
Boulder River Capital Corporation and its affiliates	12,651,444	7.32
Polar Capital	12,044,098	6.97
City Financial	6,529,245	3.78
Universities Superannuation Scheme (USS)	5,531,558	3.20

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

Research and development

The Group continues to invest in R&D activities with an emphasis on the improvement of existing technologies, the formulation of products to meet specific customer needs and the development of proprietary Group's biostimulants based on the Company's Harpin platform technology. For further details of the Group's R&D activities, see the Chairman's letter and Strategic report on pages 6 to 15.

Business review

For a discussion of the Group's 2017 performance and future developments, see the Chairman's letter and Strategic report on pages 6 to 15.

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 2017 financial year:

	Board	Audit Committee	Remuneration Committee
Number of meetings held	9	4	5
Dr C Richards	9	1	–
Dr R Webb	9	–	–
M Higgins	9	4	5
W Lewis	9	2	5

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.

Post balance sheet event

On 27 February 2018, the Group successfully completed an equity raise which generated $6.7 million from new and existing investors.

Going concern

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

Annual general meeting

At the forthcoming annual general meeting of the Company, resolutions will be put forward to re-elect Dr Richard Webb as a Director and to re-appoint BDO LLP as the auditor of the Company.

By Order of the Board

Christine Mazzone
Company Secretary
9 April 2018

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 AIM.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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 the Group 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 the Group 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.

FINANCIAL STATEMENTS

Independent auditor's report
to the members of Plant Health Care plc

Opinion
We have audited the financial statements of Plant Health Care plc (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2017 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 statement of financial position, the Company statement of changes in equity and the related notes to the financial statements, including a summary of significant accounting policies.

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, including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 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 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report
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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Audit response
Revenue recognition (note 3) The Group generates revenue primarily from the sale of Third party and proprietary products. We considered there to be a significant audit risk arising from inappropriate or incorrect recognition of revenue where the Group makes sales under specific agreements and contracts. These contractual sales differ to "normal" product sales in that the terms are more complex and the accounting is therefore more susceptible to fraud/error. The sales agreements will frequently have several components such as protracted payment terms, multiple performance conditions and other rebate/support payments which need to be suitably considered and accounted for so as to ensure revenue is not recorded inaccurately/recognised prematurely.	Our procedures included reviewing the Group's adopted revenue recognition policy to ensure that it complies with accounting standards and has been consistently applied throughout the year. A sample of sales agreements subject to additional contractual terms signed during the year were reviewed in conjunction with management's proposed accounting treatment and BDO assessed whether the terms under the contract had been fulfilled and the revenue appropriately recognised. Where rebates/marketing support payments are provided by the Group, for a sample BDO has agreed the estimations made by management to the supporting information (historical, current and forecast) to ensure that the amount of revenue recognised is appropriate.
Recoverability of accounts receivable (note 16) The Group has significant accounts receivable balances at the year end, as the credit terms provided are frequently in excess of 90 days extending in some instances to greater than 12 months, the collectability of these balances at the point of sign off is judgemental.	Where funds have been collected post year end we have reviewed evidence of the bank receipts and for balances subject to payment plans we have checked that receipts are in accordance with these plans. In instances where balances are not yet due we have reviewed management's assessment of the recoverability which included looking at historical payment patterns. This was discussed with both Executive and Non-executive Directors who explicitly confirmed their expectation that the accounts receivable balance would be recovered in full.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be $300,000 (2016: $400,000) which represents 5% of loss before tax (2016: 5% loss before tax excluding non-recurring items).

We used loss before tax as a benchmark as this is a primary KPI used to address the performance of the business by the Board.

Materiality for the parent company was set at $150,000 (2016: $200,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2016: 75%) of materiality. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of $15,000 (2016: $20,000), which are identified during the audit, would be reported to it, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting unit in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

Classification of components

A full scope statutory audit was carried out for the UK subsidiary.

BDO Mexico was engaged as both local statutory auditor and component auditor, to perform a full scope audit of financial information. We instructed BDO Mexico as to the scope and timing of its work on the financial information for Group reporting purposes; we met with the audit team to review its audit documentation and findings. Furthermore, we visited the Group's Mexican facility to ensure we obtained a full understanding of the operational activities and appropriately scoped risks and agreed responses to those risks, meeting local management.

Work on all remaining components was completed by BDO UK, with individual component audits carried out using component materialities of between 18–50% of overall financial statement materiality.

The US was identified as an individually significant component (determined as those that were greater than 15% revenue) and full scope audit procedures were planned and performed by the UK team accordingly. We visited this location to ensure we obtained a full understanding of the operational activities, met with management and appropriately scoped risks.

Specific procedures have been performed over the Spanish subsidiary. This was also inclusive of a meeting with local management.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept, 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Iain Henderson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street London
W1U 7EU
9 April 2018

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 2017

	Note	2017 $'000	2016 $'000
Revenue	4	**7,685**	6,329
Cost of sales		**(2,953)**	(2,436)
Gross profit		**4,732**	3,893
Research and development expenses		**(5,127)**	(4,485)
Business development expenses		**(623)**	(954)
Sales and marketing expenses		**(2,995)**	(2,518)
Administrative expenses		**(1,788)**	(7,286)
Operating loss	5	**(5,801)**	(11,350)
Finance income	10	**87**	52
Finance expense	10	**(2)**	(2)
Loss before tax		**(5,716)**	(11,300)
Income tax credit	11	**262**	83
Loss for the year attributable to the equity holders of the parent company		**(5,454)**	(11,217)
Other comprehensive income:			
Items which will or may be reclassified to profit or loss:			
Exchange difference on translation of foreign operations		**(1,282)**	1,393
Total comprehensive loss for the year attributable to the equity holders of the parent company		**(6,736)**	(9,824)
Basic and diluted loss per share	12	**$(0.04)**	$(0.11)

The notes on pages 37 to 58 form part of these consolidated financial statements.

Consolidated statement of financial position
at 31 December 2017

	Note	2017 $'000	2016 $'000
Assets			
Non-current assets			
Intangible assets	13	**1,898**	2,162
Property, plant and equipment	14	**968**	1,236
Trade and other receivables	16	**134**	131
Total non-current assets		**3,000**	3,529
Current assets			
Inventories	15	**1,536**	1,245
Trade and other receivables	16	**4,668**	3,284
Investments	19	**2,719**	5,349
Cash and cash equivalents		**1,175**	4,727
Total current assets		**10,118**	14,605
Total assets		**13,118**	18,134
Liabilities			
Current liabilities			
Trade and other payables	17	**2,879**	2,088
Finance leases	18	**8**	8
Total current liabilities		**2,887**	2,096
Non-current liabilities			
Finance leases	18	**–**	7
Total non-current liabilities		**–**	7
Total liabilities		**2,887**	2,103
Total net assets		**10,231**	16,031
Share capital	21	**2,237**	2,237
Share premium	22	**79,786**	79,786
Foreign exchange reserve	22	**(389)**	893
Accumulated deficit	22	**(71,403)**	(66,885)
Total equity		**10,231**	16,031

The consolidated financial statements were approved and authorised for issue by the Board on 9 April 2018.

Christopher Richards
Director

Registered no: 05116780 (England and Wales)

The notes on pages 37 to 58 form part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2017

	Share capital $'000	Share premium $'000	Foreign exchange reserve $'000	Accumulated deficit $'000	Total $'000
Balance at 1 January 2016	1,236	71,040	(500)	(56,731)	15,045
Loss for the year	–	–	–	(11,217)	(11,217)
Exchange difference arising on translation of foreign operations	–	–	1,393	–	1,393
Total comprehensive income/(loss)	–	–	1,393	(11,217)	(9,824)
Shares issued	1,001	8,746	–	–	9,747
Share-based payments	–	–	–	1,063	1,063
Options exercised	–	–	–	–	–
Balance at 31 December 2016	2,237	79,786	893	(66,885)	16,031
Loss for the year	–	–	–	(5,454)	(5,454)
Exchange difference arising on translation of foreign operations	–	–	(1,282)	–	(1,282)
Total comprehensive income/(loss)	–	–	(1,282)	(5,454)	(6,736)
Shares issued	–	–	–	–	–
Share-based payments	–	–	–	936	936
Options exercised	–	–	–	–	–
Balance at 31 December 2017	**2,237**	**79,786**	**(389)**	**(71,403)**	**10,231**

The notes on pages 37 to 58 form part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Loss for the year		**(5,454)**	(11,217)
Adjustments for:			
Depreciation	14	**393**	359
Amortisation of intangibles	13	**264**	273
Share-based payment expense		**936**	1,063
Finance income	10	**(87)**	(52)
Finance expense	10	**2**	2
Income taxes credit		**(262)**	(83)
(Increase)/decrease in trade and other receivables		**(1,024)**	1,145
Gain on disposal of fixed assets		**(4)**	(14)
(Increase)/decrease in inventories		**(291)**	146
Increase/(decrease) in trade and other payables		**771**	(973)
Income taxes paid		**(121)**	205
Net cash used in operating activities		**(4,877)**	(9,146)
Investing activities			
Purchase of property, plant and equipment	14	**(125)**	(469)
Sale of property, plant and equipment		**4**	71
Finance income	10	**87**	52
Purchase of investments		**(2,258)**	(7,918)
Sale of investments		**4,888**	10,060
Net cash provided by investing activities		**2,596**	1,796
Financing activities			
Finance expense	10	**(2)**	(2)
Issue of ordinary share capital		**–**	9,747
Repayment of finance lease principal		**(8)**	(9)
Net cash (used)/provided by financing activities		**(10)**	9,736
Net (decrease)/increase in cash and cash equivalents		**(2,291)**	2,386
Effects of exchange rate changes on cash and cash equivalents		**(1,261)**	1,393
Cash and cash equivalents at the beginning of period		**4,727**	948
Cash and cash equivalents at the end of period		**1,175**	4,727

The notes on pages 37 to 58 form part of these consolidated financial statements.

1. General information

Plant Health Care plc (the "Company") is a public limited company incorporated in England and Wales. The address of its registered office is 1 Scott Place, 2 Hardman Street, Manchester M3 3AA. The Company and its subsidiaries (together, the "Group") is a leading provider of proprietary agricultural biological products and technology solutions focused on improving crop performance by activating a growth response and bolstering plant defence mechanisms against both abiotic and biotic stresses. 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 thousands of 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 rates used to convert British Pounds to US Dollars at 31 December 2017 and 2016 were 1.3491 and 1.2336, respectively, and the average exchange rate for the years then ended were 1.2885 and 1.3548, respectively.

The functional currency of the parent company is US Dollars.

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

Amounts are rounded to the nearest thousand, unless otherwise stated.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments designated at fair value through the profit and loss.

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 2017 adopted by the Group

A number of new and amended standards have become effective since the prior year. None of the new amendments 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 Group has decided not to adopt early.

A summary of these standards is given in note 25 to the financial statements.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Group and the entities controlled by the Group. Control exists when the Group has (i) power over the investee, (ii) exposure, or rights, to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions, balances, revenues and expenses have been eliminated.

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.

Revenue

The Group recognises revenue at the fair value of consideration received or receivable. Sales of goods to external customers are at invoiced amounts less value-added tax or local tax on sales. The Group currently generates revenue solely within its Commercial business through the sale of its proprietary and third-party products, as well as from granting certain licences for the use of its intellectual property. Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Accounting policies continued

Revenue continued

The Group typically transfers significant risks of ownership and title in the products upon shipment of goods from one of its locations. After the Group transfers title and ships goods to the customer, it typically does not retain significant involvement nor does it have effective control over the goods sold. Therefore, if all other revenue recognition criteria are met, revenue is recognised upon shipment of the goods to the customer. Payment terms range from 30 to 270 days depending on the local custom. This applies to both proprietary and third-party products.

In the limited situation where the Group offers a product rebate to the customer, it records the fair value of the product rebate as a reduction to product revenue. An accrued liability for these product rebates is estimated and recorded at the time the revenues are recorded.

Licence/milestone payment income is recognised when the Group has no remaining obligations to perform under a non-cancellable contract which permits the user to act freely under the terms of the agreement and the collection of the resulting receivable is reasonably assured. To date the Group has not achieved the performance obligations for any milestone payments.

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 for acquisitions before 1 January 2010. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

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.

Expenditure 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.

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

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. The Group has not capitalised any development costs to date.

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

Licences	–	12 years
Registrations	–	5-10 years

Impairment of goodwill and other intangible assets

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

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

2. Accounting policies continued

Foreign currency

Foreign currency transactions of individual companies are translated into the individual company's functional currency at the date of transaction.

At the year end, non-functional currency monetary assets and liabilities are translated at the year-end rate with the differences being recognised in the 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.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

Financial instruments

Trade receivables collectible within one year from the date of invoicing are recognised at invoice value less provision for amounts the collectability of which is uncertain. Trade receivables collectible after more than one year from the 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. Investments are designated as at fair value through profit and loss upon initial recognition when they form part of a group of financial assets which is actively managed and evaluated by key management personnel on a fair value basis in accordance with the Company's documented investment strategy that seeks to improve the rate of return earned by the Company on its excess cash while providing unrestricted access to the funds. The Company's investments are carried at fair value as determined by quoted prices on active markets, with changes in fair values recognised through profit or loss.

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

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

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

Employee benefits

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

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

Equity share-based payments

The Group operates a number of equity-settled, share-based payment plans, under which it receives services from employees and non-employees as consideration for the Company's equity instruments, in the form of options or restricted stock units (''awards''). The fair value of the award is recognised as an expense, measured as of the grant date using a binomial option pricing model. The total amount to be expensed is determined by reference to the fair value of instruments granted, excluding the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is typically the period over which all of the specified vesting conditions are to be met.

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 lower of fair value and 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 over the shorter of useful economic life and lease term.

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.

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
Leasehold improvements	–	25% per annum

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is based upon a weighted average cost method. The Group compares the cost of inventory to its net realisable value and writes down inventory to its net realisable value, if lower than its cost. Cost comprises all costs of purchase and all other costs of conversion. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The inventory provision is based on which products have been determined to be obsolete.

Taxation

Companies within the Group may be entitled to claim special tax allowances in relation to qualifying research and development expenditure (e.g. R&D tax credits). The Group accounts for such allowances as tax credits which means they are recognised when it is probable that the benefit will flow to the Group and that the benefit can be reliably measured. R&D tax credits reduce current tax expense and to the extent the amounts are due in respect of them and not settled by the balance sheet date, reduce current tax payable.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position 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 joint arrangements 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.

3. Critical accounting estimates and judgements

In preparing its financial statements, the Group makes certain estimates and judgements regarding the future. Estimates and judgements 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 judgements 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.

Revenue

The Group recognises revenue at the fair value of consideration received or receivable. Sales of goods to external customers are at invoiced amounts less value-added tax or local tax on sales. The Group currently generates revenue solely within its Commercial business through the sale of its proprietary and third-party products, as well as from granting certain licences for use of its intellectual property. When the Group makes product sales under contracts/agreements which may be inclusive of additional performance conditions, different payment terms and associated rebate or support payments judgement can be required in the assessment of the fair value of consideration.

3. Critical accounting estimates and judgements continued

Licensing arrangements and milestone payments

The Group granted a limited number of intellectual property licences to other biotechnology and agricultural companies. The terms of the Group's licensing agreements require delivery of an intellectual property licence for use of the Group's intellectual property in either research only, or in research and commercial development of biological products. Payments to the Group under these arrangements may include upfront payments and payments based on the achievement of certain milestones.

If the licence for the Group's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Group recognises revenues from non-refundable, upfront fees allocated to the licence when the licence is transferred to the customer and the customer is able to use and benefit from the licence.

Non-refundable upfront payments are generally received upon signing of a licensing agreement. All non-refundable upfront payments received or to be received under these arrangements are recognised when IAS 18 revenue recognition criteria are met, they are receivable, they are non-refundable, and provided they are in substance consideration for a completed separate earnings process.

Milestone payments are recognised as revenue when the performance obligations, as defined in the contracts, are achieved. These milestone payments are generally tied to a specific performance condition and are recognised in full when the performance obligation is met. To date, the Group has not achieved the performance obligations for any milestone payments.

At the inception of each agreement that includes milestone payments, the Group evaluates whether each milestone is substantive on the basis of the contingent nature of the milestone. We recognise revenues related to substantive milestones in full in the period in which the substantive milestone is achieved. If a milestone payment is not considered substantive, we recognise the applicable milestone over the remaining period of performance.

Judgement can be required in assessing whether milestones have been achieved.

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. Additional information on carrying values is included in note 13.

Impairment of intangible assets (excluding goodwill)

At the end of the financial period, the Group reviews the carrying amounts of its definite lived 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. Additional information on carrying values is included in note 13.

4. Revenue

Revenue arises from:	**2017 $'000**	2016 $'000
Proprietary products	**5,344**	3,761
Third-party products	**2,341**	2,568
Total	**7,685**	6,329

5. Operating loss

	Note	2017 $'000	2016 $'000
Operating loss is arrived at after charging/(crediting):			
Share-based payment charge	8	**936**	1,063
Depreciation	14	**393**	359
Amortisation of intangibles	13	**264**	273
Operating lease expense		**446**	446
Gain on disposal of property, plant and equipment		**(4)**	(14)
Costs associated with abandoned USA listing		**–**	1,247
Employee termination costs		**228**	267
Foreign exchange losses		**(1,432)**	1,927
Auditor's remuneration:			
Amounts for audit of parent company and consolidation		**79**	68
Amounts for audit of subsidiaries		**34**	29
Total auditor's remuneration		**113**	97

6. Staff costs

Staff costs for all employees, including Executive Directors, comprise:

	2017 $'000	2016 $'000
Wages and salaries	**3,910**	4,273
Social security and payroll taxes	**326**	341
Defined contribution pension costs	**58**	54
Medical and other benefits	**275**	225
Redundancy	**228**	267
	4,797	5,160
Share-based payments charge	**936**	1,063
	5,733	6,223

The average number of employees of the Group during the year, including Executive Directors, was as follows:

	2017	2016
Research	**12**	13
Development	**2**	2
Administration	**7**	8
Sales and marketing	**16**	17
	37	40

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 only the 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 24.

	2017 $'000	2016 $'000
Base salary, fees and bonuses	**421**	599
Other short-term employee benefits	**–**	19
Share-based payments	**338**	723
Social security and taxes	**45**	37
Pensions and other post-retirement benefits	**–**	6
Compensation for loss of office	**–**	257
	804	1,641

No Executive Directors who served during the year were eligible to participate in the Group's 401(k) retirement plan (2016: one).

The highest paid Director earned $200,000 (2016: $234,000), consisting of an annual salary as well as $nil (2016: $19,000) of other benefits and $nil (2016: $5,523) of pension. In 2016, the compensation for loss of office expense incurred for the former Director was $250,000 of annual salary as well as $1,770 of other benefits and $5,000 of pension.

8. Share-based payments

The Company operates four equity-settled share-based remuneration schemes for employees: a share option scheme, a Value Creation Plan and two employee share option plans, as described in the "Elements of remuneration" section for Executive Directors within the Remuneration Committee report on pages 21 to 23.

(a) Share options

In June 2004, the Company approved the 2004 Unapproved Share Option Scheme (the "Option Plan"). The Option Plan provides for the issuance of options for ordinary share capital of the Group to all eligible employees.

In 2014, the scheme reached the 10th anniversary of its approval by shareholders and no further options may be granted under the Option Plan.

In addition, in limited instances, the Company has granted options to certain management for ordinary share capital of the Company under separate unapproved option agreements.

(b) Value Creation Plan

In July 2013, the Group approved the 2013 Value Creation Plan (the "VCP"). The VCP provides for the issuance of restricted stock units and options for ordinary share capital of the Company. The Chairman, CEO and key members of the senior executive team are able to participate. The VCP calculates value generated for shareholders from the point of the April 2013 fundraising over a four-year period, with the plan participants receiving in aggregate up to 10% of value generated above an annual hurdle of 8%, paid in shares valued at that end point.

No awards have been made under the VCP plan since 15 April 2015. As at 31 December 2017, no shares were deemed to have been earned and all outstanding awards were forfeited.

(c) 2015 Employee Share Option Plan

In June 2015, the Board approved the 2015 Employee Share Option Plan and the 2015 Non-Employee Share Option Plan (the "Plans"). The Plans provide for the issuance of options for ordinary share capital of the Company to both employees and non-employees. The 2015 Employee Share Option Plan provides for the grant of both enterprise management incentive ("EMI") options as well as non-qualifying options ("NQO").

8. Share-based payments continued

(c) 2015 Employee Share Option Plan continued

The valuation of the awards granted under the 2015 Employee Share Option Plan during the year ended 31 December 2017 were as follows:

	6 February 2017
Share options granted	4,285,132
Weighted average fair value	7p
Assumptions used in measuring fair value:	
Weighted average share price	17p
Exercise price	20p
Risk-free rate	0.44%
Expected vesting period (years)	1.0–3.0
Option life (years)	10.0
Expected volatility	60.0%
Expected dividend rate	0.0%

The valuation of the share options granted during the year ended 31 December 2017 was as follows:

- the weighted average share price and the expected volatility were determined by reference to the share price of Plant Health Care plc on AIM and the historical share price of Plant Health Care plc on AIM for the applicable expected vesting period, respectively;
- the expected vesting period reflects market-based performance conditions for these options;
- one-third of options are exercisable when the arithmetic mean closing price of the shares over 60 trading days exceeds 25p since the grant date;
- one-third of options are exercisable when the arithmetic mean closing price of the shares over 60 trading days exceeds 40p since the grant date; and
- one-third of options are exercisable when the arithmetic mean closing price of the shares over 60 trading days exceeds 50p since the grant date.

(d) 2017 Employee Share Option Plan

In May 2017, the Board approved the 2017 Employee Share Option Plan. The plan provides for the issuance of options for ordinary share capital of the Company to both employees and non-employees. The 2017 Employee Share Option Plan provides for the grant of both enterprise management incentive ("EMI") options as well as non-qualifying options ("NQO").

The valuation of the awards granted under the 2017 Employee Share Option Plan during the year ended 31 December 2017 were as follows:

	19 May 2017	10 July 2017
Share options granted	2,842,788	3,936,920
Weighted average fair value	12p	14p
Assumptions used in measuring fair value:		
Weighted average share price	27p	28p
Exercise price	26p	25p
Risk-free rate	0.28%	0.61%
Expected vesting period (years)	1.0–3.0	1.0–3.0
Option life (years)	10.0	10.0
Expected volatility	60.0%	60.0%
Expected dividend rate	0.0%	0.0%

The valuation of the share options granted during the year ended 31 December 2017 was as follows:

- the weighted average share price and the expected volatility were determined by reference to the share price of Plant Health Care plc on AIM and the historical share price of Plant Health Care plc on AIM for the applicable expected vesting period, respectively; and
- the expected vesting period reflects performance conditions for these options.

Additional details of share-based payments are provided in note 21.

9. Segment information

The Group's CODM views, manages and operates the Group's business segments according to its strategic business focuses – Commercial and New Technology. The CODM further analyses the results and operations of the Group's Commercial business on a geographical basis and therefore the Group has presented separate geographic segments within its Commercial business below: Commercial – Americas (North and South America, other than Mexico); Commercial – Mexico; and Commercial – Rest of World. The Rest of World segment includes the results of the United Kingdom and Spanish subsidiaries, which together operate across Europe and South Africa. The Group's Commercial segments are focused on the sale of biological products and are the Group's only revenue generating segments. The Group's New Technology segment is focused on the research and development of the Group's PRE*tec* platform.

Below is information regarding the Group's segment loss information for the year ended:

2017	The Americas $'000	Mexico $'000	Rest of World $'000	Elimination $'000	Total Commercial $'000	New Technology $'000	Total $'000
Revenue*							
Proprietary product sales	**1,574**	**570**	**3,200**	**–**	**5,344**	**–**	**5,344**
Third-party product sales	**25**	**2,310**	**6**	**–**	**2,341**	**–**	**2,341**
Intersegment product sales	**1,608**	**–**	**85**	**(1,693)**	**–**	**–**	**–**
Total revenue	**3,207**	**2,880**	**3,291**	**(1,693)**	**7,685**	**–**	**7,685**
Group consolidated revenue	**3,207**	**2,880**	**3,291**	**(1,693)**	**7,685**	**–**	**7,685**
Cost of sales	**(1,978)**	**(1,440)**	**(1,228)**	**1,693**	**(2,953)**	**–**	**(2,953)**
Research and development	**–**	**–**	**–**	**–**	**–**	**(4,350)**	**(4,350)**
Business development	**(561)**	**–**	**–**	**–**	**(561)**	**(62)**	**(623)**
Sales and marketing	**(1,277)**	**(688)**	**(1,030)**	**–**	**(2,995)**	**–**	**(2,995)**
Administration	**(860)**	**(318)**	**(58)**	**–**	**(1,236)**	**(188)**	**(1,424)**
Non-cash expenses:							
Depreciation	**(30)**	**(55)**	**(7)**	**–**	**(92)**	**(301)**	**(393)**
Amortisation	**(255)**	**–**	**(9)**	**–**	**(264)**	**–**	**(264)**
Share-based payment	**(83)**	**(3)**	**(70)**	**–**	**(156)**	**(632)**	**(788)**
Segment operating (loss)/profit	**(1,837)**	**376**	**(889)**	**–**	**(572)**	**(5,533)**	**(6,105)**
Corporate expenses**							
Wages and professional fees							**(1,048)**
Administration***							**1,352**
Operating loss							**(5,801)**
Finance income							**87**
Finance expense							**(2)**
Loss before tax							**(5,716)**

* Revenue from one customer within the Americas segment totalled $1,001,000, or 13% of Group revenues.
Revenue from one customer within the RoW segment totalled $1,958,000, or 25% of Group revenues.
Revenue from one customer within the Mexico segment totalled $989,000 or 13% of Group revenues.

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

*** Includes net share-based payment expense of $148,000 attributed to corporate employees who are not affiliated with any of the Commercial or New Technology segments.

Other segment information

	The Americas $'000	Mexico $'000	Rest of World $'000	Elimination $'000	Total Commercial $'000	New Technology $'000	Total $'000
Segment assets	**7,014**	**1,997**	**3,198**	**–**	**12,209**	**909**	**13,1178**
Segment liabilities	**1,630**	**251**	**420**	**–**	**2,301**	**586**	**2,887**
Capital expenditure	**–**	**34**	**4**	**–**	**38**	**87**	**125**

9. Segment information continued

2016	The Americas $'000	Mexico $'000	Rest of World $'000	Elimination $'000	Total Commercial $'000	New Technology $'000	Total $'000
Revenue*							
Proprietary product sales	1,424	734	1,603	–	3,761	–	3,761
Third-party product sales	53	2,513	2	–	2,568	–	2,568
Intersegment product sales	1,252	–	–	(1,252)	–	–	–
Total revenue	2,729	3,247	1,605	(1,252)	6,329	–	6,329
Group consolidated revenue	2,729	3,247	1,605	(1,252)	6,329	–	6,329
Cost of sales	(1,556)	(1,620)	(512)	1,252	(2,436)	–	(2,436)
Research and development	–	–	–	–	–	(3,868)	(3,868)
Business development	(954)	–	–	–	(954)	–	(954)
Sales and marketing	(916)	(733)	(869)	–	(2,518)	–	(2,518)
Administration	(293)	(206)	(1,233)	–	(1,732)	(220)	(1,952)
Non-cash expenses:							
Depreciation	(33)	(53)	(7)	–	(93)	(266)	(359)
Amortisation	(255)	–	(18)	–	(273)	–	(273)
Share-based payment	(295)	(5)	–	–	(300)	(631)	(931)
Segment operating (loss)/profit	(1,573)	630	(1,034)	–	(1,977)	(4,985)	(6,962)
Corporate expenses**							
Wages and professional fees							(2,494)
Administration***							(1,894)
Operating loss							(11,350)
Finance income							52
Finance expense							(2)
Loss before tax							(11,300)

* Revenue from one customer within the Americas segment totalled $1,024,000, or 16% of Group revenues.
Revenue from one customer within the RoW segment totalled $835,000, or 13% of Group revenues.

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

*** Includes net share-based payment expense of $132,000 attributed to corporate employees who are not affiliated with any of the Commercial or New Technology segments.

Other segment information

	The Americas $'000	Mexico $'000	Rest of World $'000	Eliminations $'000	Total Commercial $'000	New Technology $'000	Total $'000
Segment assets	12,963	1,966	2,115	–	17,044	1,090	18,134
Segment liabilities	1,527	164	92	–	1,783	320	2,103
Capital expenditure	1	79	2	–	82	387	469

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.

9. Segment information continued

Geographic information

The Group operates in three principal countries – the United Kingdom (country of domicile), the US and Mexico.

The Group's revenues from external customers by location of operation are detailed below:

	Year ended 31 December 2017		Year ended 31 December 2016	
	Amount $'000	**Percent**	Amount $'000	Percent
United Kingdom	**2,687**	**35**	1,280	20
United States	**1,598**	**21**	1,477	23
Mexico	**2,880**	**37**	3,247	51
All other	**520**	**7**	325	6
Total	**7,685**	**100**	6,329	100

The Group's non-current assets by location of assets are detailed below:

	Year ended 31 December 2017		Year ended 31 December 2016	
	Amount $'000	**Percent**	Amount $'000	Percent
United Kingdom	**31**	**1**	26	1
United States	**2,782**	**93**	3,297	94
Mexico	**180**	**6**	193	4
All other	**7**	**–**	13	1
Total	**3,000**	**100**	3,529	100

10. Finance income and expense

	2017 $'000	2016 $'000
Finance income		
Interest on deposits and investments	**87**	52
Finance expense		
Interest on finance leases	**(2)**	(2)

11. Tax credit

	2017 $'000	2016 $'000
Current tax on profit for the year	**(256)**	(50)
Deferred tax – origination and reversal of timing differences	**(6)**	(33)
Total tax credit	**(262)**	(83)

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:

	2017 $'000	2016 $'000
Loss before tax	**(5,716)**	(11,300)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.0%)	**(1,100)**	(2,260)
Disallowable expenses	**31**	57
Share-based payment expense per accounts	**180**	213
Prior-period R&D credit	**(360)**	(242)
Losses available for carryover	**1,225**	2,268
Losses utilised in the year	**(398)**	–
Capital allowances in excess of amortisation	**(80)**	(83)
Other temporary differences	**240**	(36)
Actual tax credit	**(262)**	(83)

11. Tax credit continued

Deferred tax asset	Deferred taxation $'000
At 1 January 2017	60
Charged to the profit and loss account	6
At 31 December 2017	66

The deferred tax asset comprises sundry timing differences.

At 31 December 2017, the Group had a potential deferred tax asset of $17,557,554 which includes tax losses available to carry forward of $16,226,770 (being actual federal, foreign and state losses of $89,835,719) arising from historical losses incurred and other timing differences of $1,330,574. Due to US tax reform the potential U.S. deferred tax asset as of December 31, 2017 was reduced by $7,715,912 due to the reduction in US tax rate from 35% to 21% beginning 1 January 2018 to the final amount of $17.6 million as shown above.

12. Loss per share

Basic loss per ordinary share has been calculated on the basis of the loss for the year of $5,454,000 (2016: loss of $11,217,000) and the weighted average number of shares in issue during the period of 147,822,881 (2016: 100,369,025).

Equity instruments of 9,709,418 (2016: 8,383,332), which includes share options, the Value Creation Plan, the 2015 Employee Share Option Plan and 2017 Employee Share Option Plan, as shown within note 21, 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 operations for the year.

13. Intangible assets

	Goodwill $'000	Licences and registrations $'000	Trade name and customer relationships $'000	Total $'000
Cost				
Balance at 1 January 2016	1,620	3,342	159	5,121
Additions – externally acquired	–	–	–	–
Balance at 31 December 2016	1,620	3,342	159	5,121
Additions – externally acquired	–	–	–	–
Balance at 31 December 2017	**1,620**	**3,342**	**159**	**5,121**
Accumulated amortisation				
Balance at 1 January 2016	–	2,527	159	2,686
Amortisation charge for the year	–	273	–	272
Balance at 31 December 2016	–	2,800	159	2,959
Amortisation charge for the year	–	264	–	264
Balance at 31 December 2017	**–**	**3,064**	**159**	**3,223**
Net book value				
At 1 January 2016	1,620	815	–	2,435
At 31 December 2016	1,620	542	–	2,162
At 31 December 2017	**1,620**	**278**	**–**	**1,898**

The intangible asset balances have been tested for impairment using discounted budgeted cash flows of the relevant cash generating units. For the years ended 31 December 2016 and 2017, cash flows are projected over a five-year period with a residual growth rate assumed at 0%. For the years ended 31 December 2016 and 2017, a pre-tax discount factor of 16.4% and 15.6% has been used over the forecast period.

Goodwill

Goodwill comprises a net book value of $1,432,000 related to the 2007 acquisition of the assets of Eden Bioscience and $188,000 related to an acquisition of VAMTech LLC in 2004. The entire amount is allocated to Harpin, a cash generating unit within the Commercial - The Americas 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.

Licences and registrations

These amounts represent the cost of licences 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 licence or registration. Impairment is reviewed and tested according to the method expressed above. Licences and registrations have a weighted average remaining amortisation period of three years. 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 licences and registrations.

14. Property, plant and equipment

	Production machinery $'000	Office equipment $'000	Leasehold improvements $'000	Vehicles $'000	Total $'000
Cost					
Balance at 1 January 2016	13	837	570	352	1,772
Additions	–	82	337	50	469
Disposals	–	–	–	(72)	(72)
Reclassification	–	97	(97)	–	–
Balance at 31 December 2016	13	1,016	810	330	2,169
Additions	–	90	5	30	125
Disposals	(13)	–	–	–	(13)
Balance at 31 December 2017	**–**	**1,106**	**815**	**360**	**2,281**
Accumulated depreciation					
Balance at 1 January 2016	13	392	38	146	589
Depreciation charge for the year	–	141	158	60	359
Disposals	–	–	–	(15)	(15)
Reclassification	–	3	(3)	–	–
Balance at 31 December 2016	13	536	193	191	933
Depreciation charge for the year	–	338	13	42	393
Disposals	(13)	–	–	–	(13)
Balance at 31 December 2017	**–**	**874**	**206**	**233**	**1,313**
Net book value					
At 1 January 2016	–	448	529	206	1,183
At 31 December 2016	–	483	614	139	1,236
At 31 December 2017	**–**	**232**	**609**	**127**	**968**

During 2016, it was identified that some fixed assets were not correctly classified. These assets were re-categorised accordingly. There was no impact on depreciation charged.

The net book value of property, plant and equipment includes an amount of $6,429 (2016: $14,144) in respect of assets held under finance leases. Depreciation expense includes an amount of $7,700 (2016: $7,700) in respect of assets held under finance leases.

15. Inventories

	2017 $'000	2016 $'000
Raw materials	**41**	30
Finished goods and goods for resale	**1,495**	1,215
	1,536	1,245

The inventory provision amount reversed during the year was $10,794 (2016: reversal of $5,890). In 2017, raw materials and finished goods for resale included in cost of sales was $2.8 million (2016: $2.4 million).

16. Trade and other receivables

	2017 $'000	2016 $'000
Current:		
Trade receivables	**4,131**	3,124
Less: provision for impairment	**(52)**	(51)
Trade receivables, net	**4,079**	3,073
Other receivables and prepayments	**232**	211
Tax receivable	**377**	–
Current trade and other receivables	**4,688**	3,284
Non-current:		
Trade receivables	**68**	71
Less: provision for impairment	**–**	–
Deferred tax asset	**66**	60
Non-current trade and other receivables	**134**	131
	4,822	3,415

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:

	2017 $'000	2016 $'000
Balance at the beginning of the year	**51**	62
Provided	**(2)**	10
Receivables written off as uncollectible	**(1)**	(11)
Foreign exchange	**4**	(10)
Balance at the end of the year	**52**	51

The net value of trade receivables for which a provision for impairment has been made is $80,000 (2016: $52,000).

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

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

	2017 $'000	2016 $'000
Current	**3,927**	2,617
Past due:		
Up to 30 days	**7**	13
31 to 60 days	**17**	84
61 to 90 days	**39**	259
Greater than 90 days	**157**	100
Total	**4,147**	3,073

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

17. Trade and other payables

	2017 $'000	2016 $'000
Current:		
Trade payables	**1,523**	491
Accruals	**1,292**	1,542
Taxation and social security	**62**	53
Income tax liability	**2**	2
	2,879	2,088

18. Finance leases

(a) Current borrowings

	2017 $'000	2016 $'000
Finance leases	**8**	8

(b) Non-current borrowings

	2017 $'000	2016 $'000
Finance leases	**–**	7

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

(c) Due date for payment:

The contractual maturity of the Group's financial liabilities on a gross basis is as follows:

	Trade and other payables		Finance leases	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
In less than one year	**1,863**	1,261	**8**	8
In more than one year, but less than two years	**–**	–	**–**	7
	1,863	1,261	**8**	15

19. 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 accumulated deficit as disclosed in note 22.

(b) Categories of financial assets and financial liabilities

	Fair value through profit or loss		Cash and receivables	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial assets				
Trade and other receivables	**–**	–	**4,147**	3,144
Investments	**2,719**	5,349	**–**	–
Cash and cash equivalents	**–**	–	**1,175**	4,727
	2,719	5,349	**5,322**	7,871

	Financial liabilities measured at amortised cost	
	2017 $'000	2016 $'000
Financial liabilities		
Trade and other payables	**1,863**	1,261
Borrowings due within one year	**8**	8
Borrowings due after one year	**–**	7
	1,871	1,276

The amounts disclosed for all of the above financial assets and financial liabilities approximate fair value in all material respects. Accrued liabilities are not included in the table as owing to their nature they are not classified as financial liabilities.

19. Financial instruments continued

(c) Investments

2017 – investments

Description	Classification	2017 value $'000
PNC Money Market Fund	Government	**1**
PNC Ultra Short Bond Fund	Mutual fund	**2,718**
		2,719

2016 – investments

Description	Classification	2016 value $'000
PNC Ultra Short Bond Fund	Mutual fund	5,349

The above instruments are Level 1 in the IFRS 13 fair value measurements hierarchy.

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

(d) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by reference to continuously monitored forecast and actual cash flows. As part of its monitoring, the Group ensures that the financial liabilities due to be paid can be met by existing cash and cash equivalents. Cash equivalents are composed of short-term investment grade securities and are readily marketable and convertible to cash. The Group does not currently generate sufficient cash from its operations to meet its annual funding needs. However, the Group is well funded due to an equity placement in August 2016 and is able to meet its obligations.

(e) Financial risk management objectives

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

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

	Assets		Liabilities	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Euro	**220**	206	**263**	41
Pound	**2,595**	1,699	**157**	52
Mexican Peso	**1,360**	1,343	**251**	164

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. A significant change in the Mexican Peso or British Pound could have a negative impact on the Group's gross profit.

19. Financial instruments continued

(f) Market risk continued

A hypothetical 10% change (positive or negative) in foreign currency exchange rates applicable to our business would have the following effect (increase or decrease) on revenue:

	2017 $'000	2016 $'000
Mexican Peso	**288**	325
Pound Sterling	**277**	128

A hypothetical 10% change (positive or negative) in foreign currency exchange rates applicable to our business would have the following effect (increase or decrease) on expenses:

	2017 $'000	2016 $'000
Mexican Peso	**250**	261
Pound Sterling	**690**	785

(g) Price risk

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

(h) Interest rate risk

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

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

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

The Group's borrowings comprise finance leases, which are at fixed rates.

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

(i) Credit risk management

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

The Group sells to a large number of customers across international locations within the US, Europe, South Africa and Mexico.

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

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

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

The maximum exposure to credit risk on cash balances at the reporting date is the carrying value of the cash balances. The Group ensures that its investments are maintained in high-quality investment grade securities to limit credit risk.

20. Subsidiary undertakings

The following were subsidiary undertakings of the Company at 31 December 2017:

Name	Registered addresses	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Plant Health Care, Inc.	701 S. Carson Street Suite 200 Carson City, NV 89701	United States (Nevada)	100%	Holding company
Plant Health Care, Inc.		United States (Pennsylvania)	100%*	Sales
Plant Health Care Brazil	Rua Dr Antonio Cento 560 – cj 708 São Paulo – SP CEP 04750-001 Brazil	Brazil	100%*	Sales
Plant Health Care de Mexico S. de R.L. de C.V.	Bodega 26 Avenida Ceylan 959 Colonia Industrial Vallejo 2300 Ciudad de Mexico CDMX, Mexico	Mexico	100%*	Sales
Plant Health Care (UK) Limited	Chess Park Moor Road Unit 30 Chesham HP5 1SD	United Kingdom	100%*	Sales
Plant Health Care España	CL. Serrano, 76 28.612, Madrid	Spain	100%*	Sales
VAMTech, LLC	2711 Centerville Road Suite 400 Wilmington, DE 19808	United States (Delaware)	100%*	Sales

* Held indirectly.

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

21. Share capital

(a) Issued share capital

	2017 $'000	2016 $'000
Allotted, called up and fully paid share capital:		
147,822,881 (2016: 147,822,881) ordinary shares at £0.01 each	**2,237**	2,237

(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 2016	71,855,085	1,236
Shares issued	75,967,796	1,001
In issue at 31 December 2016	147,822,881	2,237
Shares issued	—	—
In issue at 31 December 2017	**147,822,881**	**2,237**

During the year ended 31 December 2016, the following fully paid £0.01 ordinary shares in the Company were issued:

75,967,796 new ordinary shares with net proceeds of $9,746,312 (directly attributable costs of $262,000) were issued pursuant to an equity placing at £0.10 per share.

On 27 February 2018, the Company successfully completed an equity raise which generated $6.7 million (net of costs) from new and existing investors. The Company issued 25,000,000 ordinary shares at 20p per share, directly attributable costs of $270,000 were incurred.

21. Share capital continued

(c) Other equity instruments

The Company had the following other equity instruments in issue at 31 December 2017 and 2016:

	2017 Number	2016 Number
Share awards under the VCP	**–**	5,335,544
Share awards under the 2004 plan	**806,038**	991,538
Share awards under 2015 plan	**4,359,212**	2,056,250
Share awards under 2017 plan	**4,544,168**	–
	9,709,418	8,383,332

(d) Share options

The Company has issued share options to certain employees under the Plant Health Care plc Unapproved Share Option Scheme 2004. In 2014, the scheme reached the 10th anniversary of its approval by shareholders; no further options may be granted. 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. In addition, in limited instances, the Company has granted options to certain management for ordinary share capital of the Company under separate unapproved option agreements.

The movements on share options are as follows:

	Options over ordinary shares			
	Directors and former Directors	Other	Total	Weighted average exercise price
Outstanding at 1 January 2016	535,538	506,000	1,041,538	147p
Awarded	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	(50,000)	(50,000)	123p
Outstanding at 31 December 2016	535,538	456,000	991,538	148p
Awarded	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	(185,500)	(185,500)	225p
Outstanding at 31 December 2017	**535,538**	**270,500**	**806,038**	**131p**

Of the total number of options outstanding at 31 December 2017, 716,652 (2016: 702,000) had vested and were exercisable. The weighted average exercise price was 133p (2016: 179p).

The options outstanding at 31 December 2017 have a weighted average remaining life of 2.28 years (2016: 2.68 years) and the range of exercise prices is 53p to 325p (2016: 53p to 325p).

21. Share capital continued

(e) Value Creation Plan

The Chairman, CEO and key members of senior management participate in the VCP.

The movements in Value Creation Plan awards are as follows:

	Directors	Other	Total	Weighted average exercise price
Outstanding at 1 January 2016	2,571,821	2,763,723	5,335,554	77p
Awarded	–	–	–	–
Outstanding at 31 December 2016	2,571,821	2,763,723	5,335,554	77p
Awarded	–	–	–	–
Forfeited	(2,571,821)	(2,763,723)	(5,335,554)	77p
Outstanding at 31 December 2017	**–**	**–**	**–**	**–**

Of the total number of options outstanding at 31 December 2016, none had vested and were exercisable.

The options outstanding at 31 December 2016 had a weighted average remaining life of 0.3 years and a range of exercise prices of 55p to 111p.

During 2017, all options awarded under the Value Creation Plan were forfeited due to the performance targets and vesting conditions not being met based on the four-year Performance Period.

(f) 2015 Employee Share Option Plan

	Directors	Other	Total	Weighted average exercise price
Outstanding at 31 December 2015	1,790,000	266,250	2,056,250	105p
Awarded	–	–	–	–
Forfeited	–	–	–	–
Outstanding at 31 December 2016	1,790,000	266,250	2,056,250	105p
Awarded	–	4,285,132	4,285,132	20p
Forfeited	(1,790,000)	(192,170)	(1,982,170)	99p
Outstanding at 31 December 2017	**–**	**4,359,212**	**4,359,212**	**24p**

Of the total number of options outstanding at 31 December 2017, 177,500 (2016: 685,000) had vested and were exercisable.

The options outstanding at 31 December 2017 have a weighted average remaining life of 3.0 years (2016: 2.5 years) and the range of exercise prices is 20p to 89p (2016: 89p to 107p).

(g) 2017 Employee Share Option Plan

	Directors	Other	Total	Weighted average exercise price
Outstanding at 31 December 2015	–	–	–	–
Awarded	–	–	–	–
Forfeited	–	–	–	–
Outstanding at 31 December 2016	–	–	–	–
Awarded	3,768,577	3,011,131	6,779,708	25p
Forfeited	(786,920)	(1,448,620)	(2,235,540)	25p
Outstanding at 31 December 2017	**2,981,657**	**1,562,511**	**4,544,168**	**25p**

Of the total number of options outstanding at 31 December 2017, 1,701,380 (2016: nil) had vested and were exercisable.

The options outstanding at 31 December 2017 have a weighted average remaining life of 9.4 years and the range of exercise prices is 25p to 26p.

22. 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.
Foreign exchange reserve	Gains/losses on retranslating the net assets of overseas operations.
Accumulated deficit	Cumulative net gains and losses recognised in the consolidated income statement. During the year ended 31 December 2014, the Company transferred the amounts in the share-based payment reserve and reverse acquisition reserve into retained earnings.

23. 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 2017, the Group's pension expense under the scheme was $50,532 (2016: $41,987). Mexico has a government-run pension plan to which our operations there must contribute. In 2017, the expense for this plan was $1,828 (2016: $14,055). Several United Kingdom employees receive contributions to their pension plans. The expense for this was $7,310 (2016: $12,594). The total pension liability at the end of the year was $59,670 (2016: $68,636).

24. 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:

2017	**Minimum lease payments $'000**	**Interest $'000**	**Present value $'000**
Not later than one year	**8**	**–**	**8**
Later than one year and not later than five years	**–**	**–**	**–**
	8	**–**	**8**

2016	Minimum lease payments $'000	Interest $'000	Present value $'000
Not later than one year	9	1	8
Later than one year and not later than five years	8	–	8
	17	1	16

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:

	2017 $'000	2016 $'000
Not later than one year	**364**	376
Later than one year and not later than five years	**554**	971
	918	1,347

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

The IASB and the International Financing Reporting Interpretations Committee ("IFRIC") have issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

New standards and interpretations currently in issue but not effective, based on EU mandatory effective dates are:

Standard impact	Description	Effective date	Expected
IFRS 9	Financial Instruments	1 January 2018	No material impact
IFRS 15	Revenue from Contracts with Customers	1 January 2018	See below
IFRS 16	Leases	1 January 2019	Assessment ongoing

IFRS 9: In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The Group's primary financial instruments include cash, trade receivables & payables and short-term investments. The Group has determined the adoption of IFRS 9 will not result in material alterations to the reporting of these financial instruments and does not expect to there to be any material impact going forward.

IFRS 15: As per note 9 Segment information on pages 45 to 47, 100% of the Group's revenues in 2017 were derived from the sale of its proprietary and third-party products. The Group typically transfers significant risks of ownership and title in the products upon shipment of goods from one of its locations. Revenue is typically recognised at the time of shipment and is not expected to change after the implementation of IFRS 15 due to no further performance obligations.

The recognition of any milestone or licence revenues received in future years could be impacted by the new accounting standard. The Group is assessing the impact of the accounting changes that will arise under IFRS 15.

IFRS 16: "Leases" was issued in January 2016 to replace IAS 17 "Leases". The standard is effective for accounting periods beginning on or after 1 January 2019.

IFRS 16 will primarily change lease accounting for lessees; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but will be substantively different to existing accounting for operating leases where rental charges are currently recognised on a straight-line basis and no lease asset or lease loan obligation is recognised.

The Group is still assessing the potential impact of the alterations.

No other standards or amendments are considered likely to have an effect on the financial statements going forward. Plant Health Care does not anticipate that the adoption of these standards and interpretations will have a material accounting impact on the Group's financial statements.

Company statement of financial position
at 31 December 2017

	Note	2017 $'000	2016 $'000
Fixed assets			
Fixed asset investments	32	**19,018**	22,650
Current assets			
Debtors	34	**18**	37
Cash at bank and in hand		**220**	1,878
Total current assets		**238**	1,915
Creditors: amounts falling due within one year	35	**299**	246
Net current assets		**(60)**	1,669
Total assets less current liabilities		**18,958**	24,319
Capital and reserves			
Called-up share capital	29	**2,237**	2,237
Share premium	29	**79,786**	79,786
Accumulated deficit	29	**(63,065)**	(57,704)
Shareholders' funds		**18,958**	24,319

The financial statements were approved and authorised for issue by the Board on 9 April 2018.

Christopher Richards
Director

Registered no: 05116780 (England and Wales)

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 in these financial statements. The Group loss for the year includes loss after tax of $6,297,000 (2016: loss of $15,052,000), which is dealt with in the financial statements of the parent company.

The notes on pages 61 to 63 form part of these financial statements.

Company statement of changes in equity
for the year ended 31 December 2017

	Share capital $'000	Share premium $'000	Accumulated deficit $'000	Total $'000
Balance at 1 January 2016	1,236	71,040	(43,715)	28,561
Shares issued	1,001	8,746	–	9,747
Share-based payment	–	–	1,063	1,063
Loss in the year	–	–	(15,052)	(15,052)
Balance at 31 December 2016	2,237	79,786	(57,704)	24,319
Share-based payment	–	–	936	936
Profit in the year	–	–	(6,297)	(6,297)
Balance at 31 December 2017	**2,237**	**79,786**	**(63,065)**	**18,958**

The notes on pages 61 to 63 form part of these financial statements.

26. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The principal accounting policies, which have been applied consistently, are set out below.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. See note 27.

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- no cash flow statement has been presented for the parent company;
- disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- disclosures in respect of the parent company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- no disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

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 judgements 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

The Company operates a number of equity-settled, share-based payment plans, under which it receives services from employees and non-employees as consideration for the Company's equity instruments, in the form of options or restricted stock units ("awards"). The fair value of the award is recognised as an expense, measured as of the grant date using a binomial option pricing model. The total amount to be expensed is determined by reference to the fair value of instruments granted, excluding the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is typically the period over which all of the specified vesting conditions are to be met.

The Company grants share options and shares under its share-based payment plans 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 accumulated deficit.

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.

27. Judgement in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Directors have made the following judgements:

At the end of the financial period, the Company reviews the carrying amounts of its fixed asset investments to determine whether there is any indication that those assets have suffered any impairment loss. The recoverable amount is determined based on a value-in-use calculation. 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 details are included in note 33.

28. Share-based payments

See note 21 of the Group financial statements.

29. Reserves

See note 22 of the Group financial statements for a description of the nature and purpose of each reserve within owner's equity.

30. Directors' remuneration

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

31. Staff costs

Staff costs for all employees, including Executive Directors, comprise:

	2017 $'000	2016 $'000
Wages and salaries	**261**	280
Social security and payroll taxes	**34**	32
	295	312
Share-based payments charge	**515**	833
	810	1,145

The average number of employees of the Group during the year, including Executive Directors, was four (2016: five).

32. Fixed asset investments

	Shares in Group undertakings $'000	Loans to Group undertakings $'000	Total $'000
Cost			
Cost at 1 January 2016	16,915	55,677	72,592
Additions, net of repayments	–	4,529	4,529
Cost at 31 December 2016	16,915	60,206	77,121
Additions, net of repayments	–	3,946	3,946
Cost at 31 December 2017	**16,915**	**64,152**	**81,067**
Impairments			
Impairments at 1 January 2016	(16,915)	(27,263)	(44,178)
Charge	–	(10,293)	(10,293)
Impairments at 31 December 2016	(16,915)	(37,556)	(54,471)
Charge	–	(7,578)	(7,578)
Impairments at 31 December 2017	**(16,915)**	**(45,134)**	**(62,049)**
Net book value			
At 31 December 2016	–	22,650	22,650
At 31 December 2017	**–**	**19,018**	**19,018**

The fixed asset investment balances have been tested for impairment using discounted budgeted cash flows, a pre-tax discount rate of 15.6% (2016: 16%), and performance projections over five years. The calculated net present value in this review is $19,018,000 (2016: net present value of $22,650,000), which caused an impairment of $7,577,000 in 2016 (2017: nil).

33. Subsidiary undertakings

The subsidiary undertakings of the Company are disclosed in note 20 of the Group financial statements.

34. Debtors

	2017 $'000	2016 $'000
Prepayments	**18**	37

All amounts fall due within one year.

35. Creditors

	2017 $'000	2016 $'000
Trade creditors	**103**	51
Accruals	**195**	195
Totals	**298**	246

36. Share capital

The share capital of the Company is disclosed in note 21 of the Group financial statements.

37. Related party transactions

The Company has taken advantage of the exemption allowed by Financial Reporting Standard 102 "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.

38. Post balance sheet events

On 27 February 2018, the Company successfully completed an equity raise which generated $6.7 million (net of costs) from new and existing investors. The Company issued 25,000,000 ordinary shares at 20p per share, directly attributable costs of $270,000 were incurred.

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Dr Richard H Webb
Executive Director

Michael J Higgins
Senior Independent Director

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