PLANT HEALTH™
CARE

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Contents

Plant Health Care is a leading provider of novel patent-protected biological products to global agriculture markets. Through the commercialisation of these products, Plant Health Care is capitalising on current long-term trends towards natural systems and biological solutions to promote plant health and higher yields. The Company's ordinary shares have been quoted on the AIM market of the London Stock Exchange since July 2004 (ticker symbol: PHC).

Directors and advisers

Directors	Dr. Christopher G. J. Richards	*Chairman*
	Paul M. Schmidt	*Chief Executive*
	Dr. Richard H. Webb	*Executive Director*
	Michael J. Higgins	*Senior Independent Director*
	James L. Ede-Golightly	*Non-executive Director*
Secretary	Andrew C. Wood FCIS	
Registered office	48 Chancery Lane London WC2A 1JF	
Company number	05116780	
Broker and nominated adviser	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY	
Auditor	BDO LLP 55 Baker Street London W1U 7EU	
Company solicitor	Michelmores LLP 48 Chancery Lane London WC2A 1JF	
Registrar	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	

Trademarks:

Myconate, Harpin, ProAct, N-Hibit and Innatus are trademarks or trade names which Plant Health Care owns or which others own and license to Plant Health Care for use. All other third party trade mark rights are acknowledged.

Chairman's letter

Overview

Plant Health Care is an agricultural bio-technology company and a leader in bio-stimulants. Plant Health Care's bio-stimulants are products which mobilise plants to increase yields and to defend themselves against attack by pests or from the debilitating effects of drought.

This has been a year of strong progress for the Group. Following significant investment to expand the research capability and accelerate the pace of innovation, the business now comprises two areas of focus, based on the Company's core competences: (i) Bio-stimulant Discovery and Development; and (ii) Commercial Products.

Bio-stimulant Discovery and Development ("Discovery") is focused on the discovery and early development of novel proprietary bio-stimulants using the Group's PRE*tec* science and technology (PRE*tec* signifies Plant Response Elicitor technology) and its world-leading research capability. New technologies are being invented and patented by Plant Health Care; they will mainly be developed into final products in partnership with major industry players, who will be responsible for commercialising them. Although research and development ("R&D") expenditure was broadly flat year-on-year at $2.0m and 100 per cent. ("%") over 2012, there was an increase in spending on our core activities. R&D expenditure is expected to increase further as progress accelerates.

During the year, the Discovery area has made enormous strides under the technical leadership of our Chief Scientific Officer ("CSO"), Dr. Zhongmin Wei. PRE*tec* is showing the potential to spin out multiple families of peptides capable of raising crop yields, typically by more than 5%. They do this by managing the plant's allocation of resources and by priming its defences against diseases and pests. As products, they can be applied as seed treatments, or as foliar sprays. We are also exploring the feasibility of embedding them as traits in the germplasm of plants. The potential for PRE*tec* has been illustrated by the launch of the Innatus™ 3G technology platform. Major industry players have responded positively to Innatus 3G and we are in active discussions with several companies as we pursue potential partnerships. Our intellectual property ("IP") portfolio continues to strengthen our leading position in protein-based bio-stimulants.

The Commercial Products area is focused on the commercialisation and sale of bio-stimulant and related products into markets around the world. The area's core competence is the final stage development and registration of commercial bio-stimulants and the management of channels to market to deliver the commercial success of those products in target markets. This area is currently focused on driving the sales of Harpin αβ and Myconate around the world, both directly and with value chain partners.

The two areas of focus reflect the Group's complementary technical and commercial competences. while providing the flexibility to partner externally across the value chain or in specific geographies.

Financially, the revenues of the Group are dominated by the activities in the area of Commercial Products. Harpin αβ experienced underlying strong growth in 2014, supported by the distribution agreements signed in the previous year. Material new distribution agreements were signed during 2014 and management is working on an active pipeline of projects which are expected to lead to substantial sales growth over future years. Alongside this effort, work is proceeding to obtain product registrations outside current markets, which will underpin this sales growth; we expect to achieve sales permits in Brazil during 2015. Product sales growth was in line with expectations, but the absence of meaningful license/milestone payments resulted in a year-on-year decline in headline revenue. However, as a consequence of cost control and working capital management, net loss and cash balances were in line with expectations.

Chairman's letter *continued*

Board changes

Given the exciting expectations we now have for the Group, the Board has requested me to take a more active role in developing strategy and in investor relations. I will, therefore, become Executive Chairman with effect from 1 April 2015. My role is to support Paul Schmidt and the management team, who are responsible for all aspects of implementation.

In January 2015, Dr. Richard H. Webb, formerly a non-executive director, became an Executive Director of Plant Health Care plc. Dr. Webb will be responsible for supporting the CSO, Dr. Zhongmin Wei, as the Company continues to expand its R&D programme.

With effect from 1 April 2015, William ("Bill") M. Lewis will join the Company as a non-executive director. He is currently President and CEO of Summit Agro USA, LLC, a joint venture agro chemicals business between Sumitomo Corporation and ISK Biosciences. He previously held senior roles within Arysta LifeScience, Syngenta Crop Protection and Zeneca/ICI. Mr. Lewis brings a wealth of commercial experience and a demonstrated ability to build successful business strategies.

Dr. Webb will step down from the Audit Committee after the 2015 AGM. James Ede-Golightly joined the Audit Committee on 16 January 2015.

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

I am delighted to be working with such an experienced, effective and dynamic Board. This is a remarkably capable group which provides outstanding support to our excellent management team.

Outlook

Bio-stimulants are increasingly favoured within the agriculture sector. Regulatory and public pressure on the use of agrochemicals encourages the major companies to seek new, greener product ranges, with easier, quicker regulatory pathways. The majors are seeking technology platforms from which to develop new products quickly, to sell alongside their existing product lines, which will enable them to offer higher yields and benefits such as drought protection and product differentiation.

Plant Health Care has come a long way over the past two years. The results we are seeing confirm that these are the early steps in a very exciting journey. We are poised to become technology leaders in the dynamic and growing new bio-stimulant marketplace.

In closing, I would like to thank the entire Plant Health Care team for their efforts throughout the year in positioning the Group for future success.

Dr. Christopher Richards
Chairman

30 March 2015

Strategic report

Introduction

Plant Health Care is a global leader in bio-stimulants. Our products mobilise plants to increase yields and defend themselves against attack by pests or the debilitating effects of drought. Our vision is to establish Plant Health Care as a highly profitable technology licensing business, embedded in the agrochemical industry.

As outlined in the Chairman's letter, we have now aligned our business around two strategic areas of focus; Commercial Products and Discovery. The Commercial Products area is focused on the marketing and sales of our proprietary products portfolio and is structured around certain markets and geographies. The Discovery area has no specific geographic focus; its activities target all global markets and, as such, the costs associated with this area, being our research expenditure, are treated as a Group expense.

Discovery

This area of focus encompasses PRE*tec* (our science and technology assets in Plant Response Elicitors) and is focused on the discovery and evaluation of novel bio-stimulants, which we intend to license to major companies for further development, registration and sale. At present this area is primarily engaged in R&D activities, and we plan to increase substantially our investment in this during the coming year, to reflect the exciting results achieved during 2014.

Expansion of R&D continued through 2014, under the leadership of our CSO, Dr. Zhongmin Wei. Staff numbers are now twice those of 18 months ago, and are set to double again in the next 12 months. Despite the progress we have made, R&D expenditure was broadly flat in 2014 compared to 2013 because of better research focus and a reduction in non-core activities. Costs will rise faster in 2015 when we move into expanded laboratory space in Seattle.

Progress in 2014 exceeded expectations, with the invention and characterisation of more diverse and customisable arrays of new peptides than was thought possible a year ago. Inspired by earlier Harpin proteins, this novel chemistry is covered by established patents and permits new IP rights to be secured that will provide proprietary protection for decades to come.

As a consequence, we have raised our ambitions and developed a strategy for bringing this new technology to market. Rather than developing or licensing individual products, we are offering new technology platforms to the major research-based companies in the agrochemical and related industries. These corporations are uniquely placed to exploit the richness of the design space associated with each platform, and have the development capabilities and market access to derive huge value from them.

In 2014 we presented our first new peptide, Innatus 3G, to a number of large research-based companies, proposing a programme of co-evaluation leading to a competitive licensing process for certain exclusive rights to the platform. Initial responses have been very positive.

Meanwhile, we continue to pursue research into the mode of action of PRE*tec*, including a substantial amount of work outsourced to university groups. This brings benefits in suggesting better genetic and bioassay methods and, where these are deemed valuable, we are bringing them in-house.

Commercial Products

The Commercial Products area is focused on the commercialisation and sale of bio-stimulant and related products globally. Within the area, approximately 53% of sales (excluding license/milestone payments) relate to products over which the Group holds proprietary rights; the balance comes from the distribution and sale of third party products, almost exclusively in Mexico. Commercial

Strategic report *continued*

Products comprises three segments (Europe, Mexico and the United States of America ("USA")).

The area's core competence is the final stage development and registration of commercial bio-stimulants and the management of channels to market. This includes the development of formulations and the registration of final products globally. The current focus is on driving the sales of Harpin αβ and Myconate around the world, both directly and with value chain partners. Income from sales of Harpin and Myconate in 2014, excluding license/milestone payments, hit a new high of $3.6m (2013: $2.5m), an increase of 44%. Cumulative Harpin αβ treated area has now exceeded 12 million acres around the world, which is testimony to the value of the product to our customers.

We have enhanced our ability to take existing and future products to market, with the creation of a Business Development function and by focusing our development and commercial resources on those projects which show most promise of earnings over the next three years. We are emphasising the pursuit of distribution agreements for Harpin αβ and Myconate with a larger number of regional and country agreements with mid-sized and smaller partners and now have a full pipeline of new commercial opportunities, which will drive increased sales over the next three years.

With respect to the agrochemical majors, our focus is to access these important players by means of the new technology platforms being developed in our Discovery area, as this is an excellent fit with their product development strategies.

We have worked hard during 2014 to develop sales outside the USA and Mexico. We have now submitted registrations in 11 countries (Argentina, Belgium, Brazil, Canada, Germany, Italy, Kenya, New Zealand, Poland, Sri Lanka and Thailand) and we expect further registrations of Harpin αβ to be granted in 2015. We have also started to increase resources to support the development and sale of our existing products in South America.

In October 2014, we announced an agreement with SipCam, to sell proprietary Plant Health Care technologies in Italy. We anticipate that this agreement will bring substantial revenues once the products are registered in other European Union ("EU") countries.

In December 2014, we announced a development and distribution agreement with Arysta LifeScience Brazil for the foliar use of Harpin αβ in sugar cane. We have demonstrated remarkable increases, both in the biomass of sugar cane harvested and in the sugar content, leading to substantial economic benefit from the use of Harpin αβ. This will be a very new type of product for end-use customers and we will have to create a new market, which will take time. Once registration is achieved, we will work with our partner, Arysta LifeScience Brazil, to demonstrate to growers the benefits of Harpin αβ and to ensure a successful product launch.

In April 2013, we announced an agreement with Arysta LifeScience Corporation to sell Harpin αβ in combination with certain Arysta products for foliar applications in the USA and elsewhere. Due to delays in achieving product registration, the 2014 launch of the introductory product offering (Astera™ Fungicide with αβpro™ Yield Enhancer) was limited in scale; we anticipate that Arysta will achieve substantial sales in 2015.

We continue actively to explore opportunities to expand and enhance sales of Harpin αβ for seed treatment, particularly in the Americas on major row crops such as corn and soybean. Direct Enterprises, Inc. ("DEI") continues to sell N-Hibit (Harpin αβ) for seed treatment in the USA, satisfying its customers' needs for an effective defence against nematodes.

Strategic report *continued*

We now anticipate DEI will consume the inventory purchased in previous years during 2015 and will then be in a position to resume purchasing from Plant Health Care.

Sales to South Africa were broadly flat in 2014, due to changes in our local partner. However, this business remains fundamentally strong and we anticipate a material uplift of the revenue in this and neighbouring markets within the next three years.

In 2014, we conducted a major review of our Myconate manufacture supply chain and now understand our costs and options more clearly. Sales of the product are anticipated to grow; however, they are likely to remain relatively modest in the near term.

In the USA, revenues derived from our proprietary products increased to $1.82m from $0.93m in 2013, excluding license/milestone payments. There was an increase from $1.0m to $1.2m in proprietary product sales in Europe; this was largely due to increased sales of our proprietary products in Poland and Turkey.

Our Mexican subsidiary increased sales by 4% to $3.5m (2013: $3.4m). Sales of our proprietary products in Mexico now represent 16% of the total. In 2014, our operations in Mexico represented approximately 51% of the gross sales of the Group (2013: 45%). The Mexican subsidiary consistently delivers a positive EBITDA and cash flow.

Product development and process development work continues. We have undertaken a specific effort to expand the commercial potential of Harpin αβ by developing a cost-effective, long-life liquid formulation. However, we have had only limited success, with the longest shelf-life we have achieved being less than one year. Exploratory work confirms that the new peptides should be much easier to formulate. In 2014, we completed the initial steps to demonstrate that these small protein molecules can be produced by fermentation technology, although for small research and evaluation quantities we continue to use synthesised material.

Financial summary

A summary of the financial results for the twelve months to 31 December 2014, with comparatives for the previous financial year, is set out below:

	2014	2013
	$'000	*$'000*
Revenue	**6,880**	7,455
Gross profit	**3,501**	5,163
Operating loss from continuing operations	**(6,077)**	(6,946)
Loss on disposal of discontinued operations	**—**	(89)
Finance income (net)	**116**	37
Net loss for the year	**(6,130)**	(6,881)

Revenues from continuing operations in 2014 decreased by 8% to $6.9m (2013: $7.5m) due to a reduction in license/milestone payments. The gross margin decreased to 51% of sales in 2014, compared to 69% in 2013. The decrease is attributable to the higher margin licensing fees recognised in the prior period.

Operating expenses decreased to $9.6m from $12.1m. Of this decrease, $2.1m related to restructuring costs in 2013. These restructuring costs related principally to the severance costs of directors, the cost of closing the Pittsburgh office and associated staff severance costs, and the set-up of the new administrative head office in Raleigh.

Expenditure within R&D was broadly flat year-on-year at $2.0m in 2014 (2013: $2.1m). There was an increase in spending on our core activities and there is some lead time in the ability to expand our facilities to enable an uplift in expenditure. There will be a material increase in spending in the current year.

Strategic report *continued*

In addition, we have set out in Note 10 the separate category of expenditure relating to Business Development, which increased slightly to $1.0m in 2014 (2013: $0.85m). This relates to expenditures for field trials with existing and potential customers and other costs relating to customer support, market research and the negotiation of commercial agreements.

Unallocated corporate expenses decreased to $1.2m (2013: $1.4m).

Cash and investments at 31 December 2014 amount to $16.7 million (2013: $20.5 million).

Key performance indicators ("KPIs")

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

The KPIs for financial performance of the Commercial Products 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 2014, with comparatives for the year ended 31 December 2013, are set out below; these figures exclude sales attributable to the business divested in November 2013.

	2014	2013
Revenue ($'000)	**6,880**	7,455
Gross profit ($'000)	**3,501**	5,163
Gross profit margin (%)	**50.9**	69.3
Operating loss ($'000)	**(6,077)**	(6,946)

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

Proprietary sales

	2014 $'000	2013 $'000
USA	**1,821**	929
Mexico	**563**	579
Europe	**1,240**	1,009
Total	**3,624**	2,517

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

The Board continues to monitor the progress of its R&D 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.

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

Principal risks and uncertainties

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

Strategic report *continued*

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

Technology and commercialisation risk
There are technology and commercialisation risks associated with the Group's proprietary products and its partners. If the Group's key technologies do not perform as well as anticipated or are not received as favourably as forecasted in the marketplace, the Group's financial results would be adversely affected. To mitigate this risk, the Group has prioritised its strategic focus and has worked closely with key existing and potential partners to review, evaluate and improve its technologies to ensure continued innovation and commercial viability.

Regulatory risk
The Group is only able to sell products once appropriate registrations have been obtained, permitting commercial sales. While this process is substantially less onerous for bio-stimulants, for example, compared with agrochemicals, the time-lines and certainties of obtaining final sales permits are unpredictable. This is exacerbated by uncertainty in the regulatory system with respect to bio-stimulants in many countries, which can lead to delays while governments establish the regulations and procedures under which to review submissions.

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

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

Financial instruments

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

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

On behalf of the Board

Paul Schmidt
Chief Executive

30 March 2015

Directors

Dr. Christopher G. J. Richards *(Chairman)*

Dr. Richards, who joined the Group as non-executive Chairman on 1 August 2012, has a wealth of experience in the agriculture industry. A UK citizen, he spent 20 years at Syngenta and its predecessor companies, in roles spanning strategic product management and front line management in South America, Europe and Asia. In 2003, he was appointed CEO of Arysta LifeScience and led its transformation into a global agrochemical company with sales above $1.6 billion. He was Non-Executive Chairman of Arysta from 2010 until February 2015. His current portfolio includes board positions with Dechra plc, an international specialist veterinary pharmaceuticals business, and Cibus Global, a precision gene editing company focused on non-transgenic breeding and non-transgenic crop development; he is also Chairman of Oxitec Ltd., a pioneer in controlling insects that spread disease and damage crops.

To take a more active role in developing strategy and investor relations, He will become Executive Chairman on 1 April 2015.

Paul M. Schmidt *(Chief Executive)*

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

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

Michael J. Higgins *(Senior Independent Director)*

Michael is a UK citizen and joined the Group on 9 May 2013 as Senior Independent Director and Chair of the Audit Committee. He is also a member of the Remuneration Committee.

He is currently non-executive Chairman of Ebiquity PLC, independent marketing performance specialists, a non-executive director of Arria NLG plc, a software development business, a non-executive director of Progility plc, a project management services group, and is Chairman of the Quoted Companies Alliance. He also has interests in early-stage businesses in online publishing and medical services.

He was a senior adviser at KPMG, following 10 years as a partner. Prior to KPMG, Michael was a director at Charterhouse Bank, worked at Saudi International Bank and qualified as an accountant with Price Waterhouse (now PricewaterhouseCoopers).

James L. Ede-Golightly (*Non-executive Director*)

James is a UK citizen and joined the Group as a non-executive director on 7 June 2013. He is Chair of the Remuneration Committee and a member of the Audit Committee.

He is chairman of East Balkan Properties Plc and Quoram Plc and has extensive experience as a non-executive on the boards of AIM-quoted companies with international business interests.

He was a founder in 2006 of ORA Capital Partners, having previously worked as an analyst at Merrill Lynch Investment Managers and Commerzbank. He is a CFA Charterholder and Chartered Director.

Directors *continued*

Dr. Richard H. Webb *(Executive Director)*

Dr. Webb is a UK citizen and joined the Group on 16 September 2013 as a non-executive director. In January 2015, he became an Executive Director of Plant Health Care plc and will be responsible for supporting the CSO, Dr. Zhongmin Wei, as the Group continues to expand its R&D programme. He was previously engaged by the Group as a consultant, and was instrumental in the development of its new business strategy and its current research and development programme.

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

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

Board committees

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

Audit Committee

The Audit Committee is chaired by Michael Higgins. Dr. Webb became a member of the Committee in September 2013 and, in January 2015 when Dr. Webb took on executive responsibilities, James Ede-Golightly was added as a member of the Committee. To maintain continuity, Dr. Webb will remain a member of the Audit Committee until the end of the 2015 AGM. The majority of the Audit Committee is made up 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 monitors the Group's risk management and internal control practices and reports to the Board on these. The Committee advises the Board on the appointment of the external auditor and on its remuneration, both for audit and non-audit work. It also discusses the nature and scope of the audit with the auditor.

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

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

Remuneration Committee

The Remuneration Committee is chaired by James Ede-Golightly. Michael Higgins became a member in May 2013.

The Remuneration Committee is responsible for determining the contract terms, remuneration and other benefits for executive directors and senior management. Its policy is to ensure that, through a process of regular review, the Group's remuneration arrangements attract and incentivise the quality of executive management that the Group needs to achieve its goals and grow shareholder value, and are in line with best practice. The Committee may take independent specialist advice to assist it in its work. When required, the Committee is also involved in the selection process for executive directors and approves remuneration before a final offer is made. The Remuneration Committee report is set out on pages 16 to 21.

Corporate governance

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

The Company's approach is set out below:

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

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

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

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

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

The differing roles of Chairman and Chief Executive are acknowledged and defined in separate statements approved by the Board. The key functions of the Chairman are to conduct Board meetings and meetings of shareholders and to ensure that all

Corporate governance *continued*

directors are properly briefed in order to take a full and constructive part in Board discussions. The Chief Executive is required to develop and execute business strategies and processes to enable the Group's business to meet the requirements of its shareholders.

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

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

In line with the requirements of the UK Code, the Board normally conducts an internal Board performance evaluation on an annual basis. However, in view of the planned restructuring of the Board in early 2015, a decision was taken to defer the 2014 evaluation until the latter part of 2015.

Re-election of directors

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

Remuneration of directors

A statement of the Company's remuneration policy and full details of directors' remuneration are set out in the Remuneration Committee report on pages 16 to 21. Executive directors abstain from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package.

Communication

The Company places a great deal of importance on communication with its shareholders. The Company publishes online both an interim statement and its full-year report and accounts. The annual report is mailed to all shareholders and, upon request, to other parties who have an interest in the Group's performance. Regular communication with shareholders also takes place via the Company's website **www.planthealthcare.com/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 Chairman or non-executive directors. All shareholders have the opportunity to ask questions at the Company's annual general meeting.

Corporate governance *continued*

Risk management and internal controls

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

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

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

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

Remuneration Committee report

The Remuneration Committee is chaired by James Ede-Golightly. Michael Higgins is also a member. Both are non-executive directors. The Committee is responsible for determining the contract terms, remuneration and other benefits of the executive directors and of the Chairman, and for monitoring the remuneration of first-line executive management. The Committee may call on outside compensation experts as required.

Remuneration policy

It is Group policy to set directors' remuneration levels to attract, incentivise and retain the quality of individuals that the Group requires to succeed in its chosen objectives. It is also Group policy to ensure that there is a strong link between the level of executive directors' remuneration and the performance of the Group in achieving its goals.

Elements of remuneration – executive directors

The following comprised the principal elements of executive directors' remuneration during 2013 and 2014:

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

Basic salary and benefits

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

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

- ➢ up to 15 days holiday per annum;
- ➢ coverage under the Company's health insurance plans; and
- ➢ coverage under the Company's long-term and short-term disability and group term life insurance plans.

Annual bonus

Annual bonuses are payable to the executive director based on achievement of financial, strategic and sustainability objectives, both corporate and personal. For 2014, the director had bonus potential of 100% of his basic salary; for 2015, the potential remains 100%. This ensures that there is a significant element of "at risk" pay, which is only available when good results are achieved.

Remuneration Committee report *continued*

Long-term share-based incentives

Each of the executive directors was eligible to participate in the Company's share option schemes and long-term incentive stock award plans. The Company may award options and shares under these plans up to the greater of 3% of its issued share capital or such number as, when aggregated with any outstanding options converted from the Plant Health Care, Inc. option plans described below, amounts to no more than 12% of the issued share capital of the Company. The main features of these plans are:

(a) Share option schemes

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

In July 2004, the Board of directors adopted the Plant Health Care plc Unapproved Share Option Scheme 2004. Under this scheme, the Board may grant options at an exercise price of not less than the market value of a share on the date of award. Options may normally be exercised between three and 10 years from grant. In most cases, vesting is also dependent upon the Company's total shareholder return exceeding that of the AIM All-Share Index for the period from grant to vesting. In 2014, the scheme reached the tenth anniversary of its approval by shareholders; no further options may be granted.

(b) Long-term incentive stock award plan

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

- all employees of the Company and its subsidiaries are eligible to participate in the LTIP. The Remuneration Committee selects the employees to receive awards and determines the number of ordinary shares subject to a particular award;
- the grantee must pay at least the nominal value per share to receive the stock award;
- the Remuneration Committee determines the period of vesting for any given stock award. Vesting of any stock award is contingent on the fulfilment of challenging performance criteria set by the Committee. The Committee may accelerate the vesting or amend or relax performance conditions, to the extent that conditions which are amended or relaxed will be no more or less difficult to satisfy than when they were originally imposed;
- if a grantee terminates employment for any reason prior to vesting of all or a portion of a stock award, the unvested portion must be returned to the Company; and
- the LTIP automatically terminates 10 years from its effective date of 8 June 2007, unless terminated earlier by the Company or extended by the Company with the approval of the shareholders.

Remuneration Committee report *continued*

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

(c) Value creation plan

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

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

Pension contributions

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

- participation is open to all US-based employees who have completed a probationary period after initial employment;
- employees may contribute a percentage of salary to the plan through a payroll withholding scheme;
- in past years, the Group has contributed an amount up to 3% of compensation, at the discretion of the Board, for all employees eligible to participate. In 2014, the Group made matching contributions of up to 2% of compensation to participating employees. In 2015, the Group will continue to match contributions up to 2% 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.

Post-employment health benefits

John Brady's severance arrangements agreed in 2013 included a benefit for payment for health insurance for up to 18 months after his termination of employment.

Elements of remuneration – non-executive directors

During 2013 and 2014, 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. In addition, certain of the non-executive directors provide consultancy services to the Group.

Remuneration Committee report *continued*

Service contracts

During 2013 and 2014, the Company had service contracts with all executive and non-executive directors. Provisions in the service contracts included:

For executive directors:

- termination may be initiated by the Company at any time. Termination by the director is subject to a notice period ranging from 20 days to six months;
- if the Company terminates other than for cause, the individual is entitled to a payment equal to 12 months' base salary, plus payment for accrued but unused vacation and either one year's full cash bonus or *pro rata* cash bonus for the year to date (if targets are being met); and
- in the event of termination for cause, the individual would receive only base salary through the date of termination and accrued vacation pay. "For cause" includes fraud or felonious conduct; embezzlement or misappropriation of Company funds or property; refusal, misconduct in or disregard of the performance of the individual's duties and obligations; abandonment or voluntary resignation; death, retirement or permanent disability.

For non-executive directors:

- termination is on prior written notice of between one and three months; and
- directors may be terminated with immediate effect for serious breach or repeated or continued material breach of any obligations to the Company; any act of dishonest or serious misconduct or conduct which tends to bring the director or the Company into disrepute; or a declaration of bankruptcy.

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

Remuneration Committee report *continued*

Directors' remuneration

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

		Base salary, and fees $'000	*Performance-related bonus $'000*	*Other benefits $'000*	*Total 2014 $'000*	*Total 2013 $'000*
Executive:						
P Schmidt	Appointed 2 April 2013	250	125	42	417	307
Non-executive:						
C Richards		87	—	—	87	87
M Higgins *	Appointed 9 May 2013	74	—	—	74	47
J Ede-Golightly	Appointed 7 June 2013	41	—	—	41	23
R Webb **	Appointed 16 September 2013	91	—	—	91	14
J Brady	Resigned 16 September 2013	—	—	—	—	942
S Weaver	Resigned 16 September 2013	—	—	—	—	479
S Wauchope	Resigned 2 April 2013	—	—	—	—	16
D Buckeridge	Resigned 16 September 2013	—	—	—	—	47
		543	125	42	710	1,962

* The 2013 amount included in the table for Michael Higgins represents fees for services provided as a non-executive director in the amount of $37,000, as well as remuneration for consultancy services in the amount of $10,000.

** The 2014 amount included in the table for Richard Webb represents fees for services provided as a non-executive director in the amount of $41,000, as well as remuneration for consultancy services in the amount of $50,000.

Executive salaries

At 31 December 2014, Paul Schmidt had a base salary of $250,000 (2013: $250,000) and bonus potential of 100%.

Other benefits

In 2014, the Company contributed to the 401(k) Plan 2% (2013: 2%) of eligible compensation. In 2014, pension expense for the executive directors was $5,350 (2013: $11,000).

In 2014, the Company incurred $17,550 (2013: $14,400) of other payroll expense.

In 2014, the Company incurred $18,666 (2013: $34,600) of medical, dental and life insurance expense.

In 2014, the Company incurred nil (2013: $33,000) of costs for disposal of a vehicle.

Remuneration Committee report *continued*

Directors' share-based incentives

Movements in 2013

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

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

(a) Awards under the VCP

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

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

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

(b) Other awards of options

During 2013, the following share option awards were made to non-executive directors:

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

Movements in 2014

(a) Awards under the VCP

During 2014, no awards were made under the VCP.

(b) Other awards of options

During the year, the following share option award was made to the executive director:

Director	*Date of award*	*Number of options*	*Exercise price £*	*Expiry date*
P Schmidt	9 April 2014	200,000	0.595	9 April 2018

Other information

During the year, the Company's share price on AIM ranged between 43p and 124p. At 31 December 2014, the share price was 118p. At 27 March 2015, the last working day prior to the approval of this annual report, the share price was 116.5p.

Report of the directors

The directors present their annual report together with the audited financial statements for the year ended 31 December 2014. See note 21 for discussion of financial risk management objectives and policies, 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 28 and show a loss for the year of $6,130,000 (2013: loss of $6,881,000).

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

Directors

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

	At 31 December 2014		
	Shares	*Options*	*LTIP*
C Richards	76,324	862,000	—
P Schmidt	57,000	1,909,821	—
M Higgins	—	117,647	—
J Ede-Golightly	445,111	—	—
R Webb	10,000	128,205	—

Further details of the directors' share options and awards under the VCP are shown in the Remuneration Committee report on pages 16 to 21.

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

Report of the directors *continued*

Substantial shareholders

On 27 March 2015, the directors are aware of the following persons who, directly or indirectly, are interested in 3% or more of the Company's existing Ordinary Share capital:

Name	*Shares held*	*Percent of issued share capital**
Henderson Global Investors Limited	17,927,782	25.00
Richard Griffiths**	14,446,072	20.15
Blake Holdings Limited**	9,133,837	12.74
Boulder River Capital Corporation and its affiliates	7,955,397	11.09
Polar Capital	3,846,154	5.37
Sarossa Plc	3,837,304	5.35
Seren Capital Management Limited	3,606,443	5.03

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

** Blake Holdings Limited is controlled by Richard Griffiths, hence the interest of Blake Holdings Limited is also included within that of Richard Griffiths.

Research and development

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

Business review

For a discussion of the Group's 2014 performance and future developments, see the Chairman's letter and Strategic report on pages 3 to 9.

Board meetings and attendance

The following table shows the attendance of directors at meetings of the Board, Audit Committee and Remuneration Committee held during the 2014 financial year:

	Board	*Audit Committee*	*Remuneration Committee*
Number of meetings held	**11**	**3**	**2**
C Richards	11	—	—
P Schmidt	11	—	—
M Higgins	11	3	2
J Ede-Golightly	11	—	2
R Webb	11	3	—

Report of the directors *continued*

Auditor

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

Going concern

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

Annual general meeting

At the forthcoming annual general meeting of the Company, resolutions will be put forward to re-elect Dr. Christopher Richards as a director, to elect William Lewis as a director and to re-appoint BDO LLP as the auditor of the Company.

By Order of the Board

Andrew C. Wood FCIS
Company Secretary

30 March 2015

Statement of directors' responsibilities

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

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

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

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

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

Website publication

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

Independent auditor's report

To the members of Plant Health Care plc

We have audited the financial statements of Plant Health Care plc for the year ended 31 December 2014 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Company balance sheet, and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report *continued*

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Julian Frost
(Senior statutory auditor)

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

30 March 2015

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 2014

	Note	2014 $'000	As restated (Note 13) 2013 $'000
Revenue	4	6,880	7,455
Cost of sales		(3,379)	(2,292)
Gross profit		3,501	5,163
Research and development expenses		(2,044)	(2,079)
Business development expenses		(1,037)	(852)
Sales and marketing expenses		(2,731)	(3,474)
Administrative expenses		(3,766)	(3,606)
Restructuring expenses	5	—	(2,098)
Total administrative expenses		(3,766)	(5,704)
Operating loss	6	(6,077)	(6,946)
Finance income	11	119	38
Finance expense	11	(3)	(1)
Loss before tax		(5,961)	(6,909)
Income tax (expense)/credit	12	(169)	117
Net loss from continuing operations		(6,130)	(6,792)
Loss on discontinued operations, net of tax	13	—	(89)
Loss for the year		(6,130)	(6,881)
Other comprehensive income:			
Items which will or may be reclassified to profit or loss:			
Exchange difference on translation of foreign operations		(29)	(2)
Total comprehensive loss for the year		(6,159)	(6,883)
Net loss attributable to:			
Owners of the parent		(6,130)	(6,900)
Non-controlling interest		—	19
		(6,130)	(6,881)
Total comprehensive loss attributable to:			
Owners of the parent		(6,159)	(6,902)
Non-controlling interest		—	19
		(6,159)	(6,883)
Basic and diluted loss per share	14	$(0.09)	$(0.11)
Basic and diluted loss per share from continuing operations	14	$(0.09)	$(0.11)

The notes on pages 32 to 65 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2014

	Note	2014 $'000	2013 $'000
Assets			
Non-current assets			
Intangible assets	15	**2,707**	3,004
Property, plant and equipment	16	**298**	276
Trade and other receivables	18	**41**	316
Total non-current assets		**3,046**	3,596
Current assets			
Inventories	17	**1,084**	2,510
Trade and other receivables	18	**2,710**	3,170
Investments	21	**12,775**	11,054
Cash and cash equivalents		**3,898**	9,495
Total current assets		**20,467**	26,229
Total assets		**23,513**	29,825
Liabilities			
Current liabilities			
Trade and other payables	19	**1,832**	3,034
Finance leases	20	**10**	9
Total current liabilities		**1,842**	3,043
Non-current liabilities			
Trade and other payables		**—**	153
Finance leases	20	**24**	34
Total non-current liabilities		**24**	187
Total liabilities		**1,866**	3,230
Total net assets		**21,647**	26,595
Share capital	23	**1,234**	1,215
Share premium	24	**70,895**	70,206
Reverse acquisition reserve	24	**—**	10,548
Share-based payment reserve	24	**—**	2,556
Foreign exchange reserve	24	**(611)**	(582)
Retained earnings	24	**(49,871)**	(57,348)
		21,647	26,595
Non-controlling interests	24	**—**	—
Total equity		**21,647**	26,595

The financial statements were approved and authorised for issue by the Board on 30 March 2015.

P Schmidt

Director

Registered No: 05116780 (England and Wales)

The notes on pages 32 to 65 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2014

	Share capital $'000	*Share premium $'000*	*Reverse acquisition reserve $'000*	*Share-based payment reserve $'000*	*Foreign exchange reserve $'000*	*Retained earnings $'000*	*Total $'000*	*Non-controlling interests $'000*	*Total equity $'000*
Balance at 1 January 2013	952	50,624	10,548	2,780	(580)	(50,502)	**13,822**	270	**14,092**
Loss for year	—	—	—	—	—	(6,900)	**(6,900)**	19	**(6,881)**
Exchange difference arising on translation of foreign operations	—	—	—	—	(2)	—	**(2)**	—	**(2)**
Total comprehensive income	—	—	—	—	(2)	(6,900)	**(6,902)**	19	**(6,883)**
Shares issued	263	20,207	—	—	—	—	**20,470**	—	**20,470**
Placement costs	—	(641)	—	—	—	—	**(641)**	—	**(641)**
Share-based payments	—	—	—	(224)	—	—	**(224)**	—	**(224)**
Options exercised	—	16	—	—	—	—	**16**	—	**16**
Purchase of minority interest	—	—	—	—	—	54	**54**	(289)	**(235)**
Balance at 31 December 2013	1,215	70,206	10,548	2,556	(582)	(57,348)	**26,595**	—	**26,595**
Loss for year	—	—	—	—	—	(6,130)	**(6,130)**	—	**(6,130)**
Exchange difference arising on translation of foreign operations	—	—	—	—	(29)	—	**(29)**	—	**(29)**
Total comprehensive income	—	—	—	—	(29)	(6,130)	**(6,159)**		**(6,159)**
Reverse acquisition reserve reclassification	—	—	(10,548)	—	—	10,548	**—**	—	**—**
Share-based payments reclassification	—	—	—	(2,556)	—	2,556	**—**	—	**—**
Share-based payments						503	**503**		**503**
Options exercised	19	689	—	—	—	—	**708**	—	**708**
Balance at 31 December 2014	1,234	70,895	—	—	(611)	(49,871)	**21,647**	—	**21,647**

The notes on pages 32 to 65 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Loss for the year		(6,130)	(6,881)
Adjustments for:			
Depreciation	16	87	108
Amortisation of intangibles	15	297	273
Share-based payment expense/(credit)		503	(224)
Finance income	11	(119)	(38)
Finance expense	11	3	1
Income taxes expense/(credit)		169	(117)
Decrease/(increase) in trade and other receivables		735	(117)
Loss on sale of discontinued operations, net of tax	13	—	185
Loss on disposal of fixed assets		5	43
Decrease/(increase) in inventories		1,426	(1,166)
(Decrease)/increase in trade and other payables		(1,334)	1,826
Decrease in provisions		—	(75)
Income taxes paid		(190)	(69)
Net cash used in operating activities		(4,548)	(6,251)
Investing activities			
Purchase of property, plant and equipment	16	(114)	(278)
Expenditure on externally-acquired intangible assets	15	—	(25)
Disposal of discontinued operations, net of cash	13	—	(252)
Finance income	11	119	38
Purchase of investments		(20,831)	(24,765)
Sale of investments		19,110	17,915
Net cash used in investing activities		(1,716)	(7,367)
Financing activities			
Interest paid	11	(3)	(1)
Issue of ordinary share capital		—	19,829
Exercise of options		708	16
Purchase of minority shares		—	(235)
Repayment of borrowings		(9)	(17)
Net cash provided by financing activities		696	19,592
Net (decrease)/increase in cash and cash equivalents		(5,568)	5,974
Effects of exchange rate changes on cash and cash equivalents		(29)	20
Cash and cash equivalents at beginning of period		9,495	3,501
Cash and cash equivalents at end of period		3,898	9,495

The notes on pages 32 to 65 form part of these financial statements.

Notes forming part of the Group financial statements

for the year ended 31 December 2014

1. General information

Plant Health Care plc ("the Group") is a public limited company incorporated in England. The address of its registered office is set out on page 2. The principal markets of the Company and its subsidiaries are described in Note 10.

2. Accounting policies

Reporting currency

The financial statements are presented in US dollars. The directors believe that it is appropriate to use US dollars as the presentational currency for reporting, since the majority of the Group's transactions are conducted in that currency. The exchange rate used to convert British Pounds to US Dollars at 31 December 2014 was 1.5532 and the average exchange rate for the year was 1.6476.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRSs") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union and those parts of the Companies Act 2006 which apply to companies preparing their financial statements under IFRSs.

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 2014 adopted by the Group

A number of new and amended standards have become effective since the beginning of the year. None of the new amendments 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 and their probable impact on the Group is given in Note 28 to the financial statements.

Basis of consolidation

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

2. Accounting policies *continued*

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

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.

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

Revenue

Revenue comprises sales of goods to external customers and revenues generated through the commercialisation of the Group's technology (fee income). Sales of goods to external customers are at invoiced amount less value added tax or local taxes on sales and are recognised at the point that the customer takes legal title to the goods sold.

License/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.

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.

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

2. Accounting policies *continued*

Other intangible assets

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

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

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.

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

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

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

Licenses	–	12 years
Registrations	–	5-10 years

Impairment of goodwill and other intangible assets

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

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

2. Accounting policies *continued*

Foreign currency

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

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

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

Financial instruments

Trade receivables collectible within one year from date of invoicing are recognised at invoice value less provision for amounts the collectibility of which is uncertain. Trade receivables collectible after more than one year from date of invoicing are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Investments comprise short-term investments in notes and bonds having investment grade ratings. These assets are actively managed and evaluated by key management personnel on a fair value basis in accordance with a documented investment strategy. They are carried at fair value as determined by quoted prices on active markets, with changes in fair values recognised through profit or loss.

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

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

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

2. Accounting policies *continued*

Employee benefits

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

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

Equity share-based payments

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

Leased assets: lessee

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

Property, plant and equipment

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

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

2. Accounting policies *continued*

Inventories

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

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the 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 judgments

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

Impairment of intangible assets (excluding goodwill)

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

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

3. Critical accounting estimates and judgments *continued*

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

Impairment of goodwill

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

Useful lives of intangible assets

Intangible assets are amortised over their useful lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue and are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to income in specific periods. More details on carrying values are included in Note 15.

Inventory

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

Receivables

The Group reviews the net recoverable value of its accounts receivable on a periodic basis to provide assurance that recorded accounts receivable are stated net of any required provision for impairment. Factors that could impact recoverability include the financial propriety of customers and related economic trends. Changes in these factors that differ from management's estimates can result in adjustment to the carrying value and amounts charged to income in specific periods. More details on gross balances and provisions made are included in Note 18.

4. Revenue

Revenue arises from:	***2014*** ***$'000***	*2013* *$'000*
Proprietary products	**3,774**	4,997
Third-party products	**3,106**	2,458
Total	**6,880**	7,455

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

5. Restructuring costs

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

6. Operating loss

	Note	2014 $'000	2013 $'000
Operating loss is arrived at after charging/(crediting):			
Share-based payment charge/(credit)	9	503	(224)
Depreciation	16	87	108
Amortisation of intangibles	15	297	273
Operating lease expense		339	443
Loss on disposal of property, plant and equipment		5	43
Foreign exchange losses/(gains)		458	(28)
Auditor's remuneration:			
Amounts for audit of parent company and consolidation		69	61
Amounts for audit of subsidiaries		29	28
Amounts for other services		10	—
Total auditor's remuneration		108	89

7. Staff costs

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

	2014 $'000	2013 $'000
Wages and salaries	3,268	3,854
Redundancy costs	—	1,705
Social security and payroll taxes	280	337
Defined contribution pension costs	31	107
Medical and other benefits	157	206
	3,736	6,209
Share-based payments charge/(credit)	503	(224)
	4,239	5,985

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

7. Staff costs *continued*

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

	2014	*2013*
Research	7	5
Development	2	2
Administration	11	16
Sales and Marketing	14	11
	34	34

8. Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, and includes 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 20.

	2014 *$'000*	*2013* *$'000*
Base salary, fees and bonuses	668	890
Termination benefits	—	1,054
Other short-term employee benefits	37	(26)
Share-based payments	322	(17)
Pensions and other post-retirement benefits	5	11
	1,032	1,912

One executive director who served during the year was eligible to participate in the Group's 401(k) retirement plan (2013: three). The negative in 2013 is indicative of the fact that the value of these benefits is annually reassessed. Any decrease in value is shown as a negative.

The highest-paid director earned $375,000 consisting of an annual salary and performance-related bonus as well as $37,000 of other benefits and $5,000 of pension.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

9. Share-based payments

The Company operates three equity-settled share-based remuneration schemes for employees: a share option scheme, an LTIP and a VCP, as described in the "Elements of remuneration" section for executive directors within the Remuneration Committee report on page 16.

(a) Share options

Valuation of the share options granted during the years ended 31 December 2014 and 2013 was as follows:

	9 April 2014	*16 April 2013*	*9 May 2013*	*17 September 2013*
Share options granted	200,000	24,000	117,647	128,205
Weighted average fair value	19p	52p	49p	34p
Assumptions used in measuring fair value:				
Weighted average share price	**60p**	90p	85p	64p
Exercise price	**60p**	90p	85p	78p
Expected volatility	**46%**	49%	49%	49%
Option life (years)	**4**	10	10	10
Expected vesting period (years)	**3.0**	4.5	4.5	4.5
Expected dividend yield	**Nil**	Nil	Nil	Nil
Risk-free interest rate	**1.32%**	0.75%	0.75%	0.75%

For valuation of both the share options granted in 2014 and 2013:

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

(b) Long-term incentive awards

There were no LTIP awards granted during the year ended 31 December 2014.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

9. Share-based payments *continued*

(c) Value creation plan

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

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

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

For valuation of the VCP in 2013:

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

There were no VCP awards granted during the year ended 31 December 2014.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

10. Segment information

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

2014

	USA *$'000*	*Mexico* *$'000*	*Europe* *$'000*	*Unallocated/ Eliminations* *$'000*	*Total* *$'000*
Revenue*					
Proprietary product sales	1,971	563	1,240	—	3,774
Third-party product sales	138	2,917	51	—	3,106
Inter-segment sales	1,552	38	33	(1,623)	—
Total revenue	3,661	3,518	1,324	(1,623)	6,880
Group consolidated revenue	3,661	3,518	1,324	(1,623)	6,880
Business development	(1,037)	—	—	—	(1,037)
Sales and marketing	(1,174)	(903)	(654)	—	(2,731)
Administration	(1,222)	(303)	(173)	—	(1,698)
Depreciation	(52)	(30)	(5)	—	(87)
Amortisation	(253)	—	(44)	—	(297)
Share-based payment	(169)	(10)	(2)	(322)	(503)
Segment operating (loss)/profit on commercial activities	(2,705)	505	(330)	(322)	(2,852)
Corporate expenses **					
Wages and professional fees					(811)
Administration expenses					(370)
Research and development ***					(2,044)
Operating loss					(6,077)
Finance income					119
Finance expense					(3)
Loss before tax and discontinued operations					(5,961)

* Revenue includes $150,000 from a license/milestone payment which is included in proprietary product sales within the US segment.

Revenue from one customer within the USA segment totals $1,000,000 or 14.5% of Group revenues. In addition, revenue for a customer within the UK segment totals $717,500 or 10.4% 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.

*** The research and development expense comprise the Group's Discovery area.

Of the European segment, $1,168,000 of revenue is related to the Group's UK subsidiary and $156,000 to the Group's Spanish subsidiary.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

10. Segment information *continued*

Other segment information

	USA *$'000*	*Mexico* *$'000*	*Europe* *$'000*	*Unallocated/ Eliminations* *$'000*	*Total* *$'000*
Segment assets	18,522	2,103	2,888	—	23,513
Segment liabilities	1,370	418	78	—	1,866
Capital expenditure	33	81	—	—	114
Non-cash expenses:					
Depreciation	52	30	5	—	87
Amortisation	253	—	44	—	297
Share-based payment	169	10	2	322	503

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

10. Segment information *continued*

2013

	USA *$'000*	*Mexico* *$'000*	*Europe* *$'000*	*Unallocated/ Eliminations* *$'000*	*Total* *$'000*
Revenue*					
Proprietary product sales	2,169	579	1,009	—	3,757
Third-party product sales	72	2,791	2,464	—	5,327
Inter-segment sales	1,274	—	540	(1,814)	—
Total revenue	3,515	3,370	4,013	(1,814)	9,084
Discontinued operations	—	—	(1,629)	—	(1,629)
Group consolidated revenue	3,515	3,370	2,384	(1,814)	7,455
Business development	(852)	—	—	—	(852)
Sales and marketing	(1,624)	(970)	(880)	—	(3,474)
Administration	(1,615)	(292)	(186)	—	(2,093)
Restructuring	(2,098)	—	—	—	(2,098)
Depreciation	(47)	(33)	(28)	—	(108)
Amortisation	(255)	—	(18)	—	(273)
Share-based payment	308	(53)	(48)	17	224
Segment operating profit/(loss) on commercial activities	(3,659)	376	(226)	(2)	(3,511)
Corporate expenses **					
Wages and professional fees					(1,101)
Administration expenses					(255)
Research and development					(2,079)
Operating loss					(6,946)
Finance income					38
Finance expense					(1)
Loss before tax and discontinued operations					(6,909)

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

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

Of the European segment, $2,072,000 of revenue is related to the Group's UK subsidiary, $312,000 to the Group's Spanish subsidiary and $1,629,000 to the Group's Netherlands business divested in November 2013.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

10. Segment information *continued*

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

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

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

11. Finance income and expense

	2014 ***$'000***	*2013* *$'000*
Finance income		
Interest on deposits and investments	**119**	38
Finance expense		
Interest on finance leases	**(3)**	(1)

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

12. Tax expense

	2014 *$'000*	*2013* *$'000*
Current tax on profit for the year	**167**	43
Deferred tax – origination and reversal of timing differences	**2**	(160)
Total tax expense	**169**	(117)

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:

	2014	2013
Loss before tax – continuing operations	**(5,961)**	(6,909)
Loss before tax – discontinued operations	**—**	(89)
	(5,961)	(6,998)
Expected tax credit based on the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%)	**(1,281)**	(1,625)
Disallowable expenses	**24**	10
Share-based payment expense per accounts	**138**	(52)
Share-based payment expense per tax returns	**1**	(2)
Losses available for carryover	**1,521**	1,717
Losses utilised in the year	**—**	(13)
Amortisation of intangibles	**(83)**	(73)
Other temporary differences	**(153)**	81
Movement in deferred tax	**2**	(160)
Actual tax charge for the year	**169**	(117)

At 31 December 2014, the Group had a potential deferred tax asset of $21,407,000, which includes tax losses available to carry forward of $20,740,000 (being actual federal, foreign and state losses of $75,425,000) arising from historical losses incurred and other timing differences of $667,000.

Deferred tax asset	*Deferred taxation* *$'000*
At 1 January 2014	23
Charged to the profit and loss account	(2)
At 31 December 2014	21

The deferred tax asset comprises of sundry timing differences.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

13. Discontinued operations

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

(a) Plant Health Care BV: profit on disposal

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

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

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

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

	2013 $'000
Earnings per share from discontinued operations	
Basic earnings per share	0.00
Diluted earnings per share	0.00

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

13. Discontinued operations *continued*

(c) Cash flows on discontinued operations

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

	Year ended 31 December 2013 $'000
Operating inflows	270
Investing outflows	(252)

14. Loss per share

Basic loss per ordinary share has been calculated on the basis of the loss for the year of $6,130,000 (2013: loss of $6,881,000) and the weighted average number of shares in issue during the period of 71,490,056 (2013: 65,598,377). Basic loss per share from continuing operations has been calculated with a numerator of $6,130,000 loss (2013: loss of $6,792,000) and basic earnings per share from discontinued operations has been calculated with a numerator of nil for 2014 (2013: loss of $89,000). The weighted average number of shares used in the above calculation is the same as for total basic loss per ordinary share. Equity instruments of 5,938,921 (2013: 8,174,421), which includes share options, LTIP's and the VCP as shown within Note 23, that could potentially dilute basic earnings per share in the future have been considered but not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. This is due to the Group incurring a loss on continuing operations for the year.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

15. Intangible assets

	Goodwill $'000	*Licenses and registrations $'000*	*Trade name and customer relationships $'000*	*Total $'000*
Cost				
Balance at 1 January 2013	1,620	3,317	159	5,096
Additions – externally acquired	—	25	—	25
Balance at 31 December 2013	1,620	3,342	159	5,121
Additions – externally acquired	—	—	—	—
Balance at 31 December 2014	**1,620**	**3,342**	**159**	**5,121**
Accumulated amortisation				
Balance at 1 January 2013	—	1,685	159	1,844
Amortisation charge for the year	—	273	—	273
Balance at 31 December 2013	—	1,958	159	2,117
Amortisation charge for the year	—	297	—	297
Balance at 31 December 2014	**—**	**2,255**	**159**	**2,414**
Net book value				
At 31 December 2013	1,620	1,384	—	3,004
At 31 December 2014	**1,620**	**1,087**	**—**	**2,707**

The intangible asset balances have been tested for impairment using discounted budgeted cash flows, a pre-tax discount rate of 16% (2013: 18%) and performance projections over five years with residual growth assumed at 0%.

Goodwill

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

Licenses and registrations

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

16. Property, plant and equipment

	Production machinery $'000	Office equipment $'000	Vehicles $'000	Total $'000
Cost				
Balance at 1 January 2013	15	644	359	1,018
Additions	—	187	91	278
Disposals	(2)	(221)	(174)	(397)
Balance at 31 December 2013	13	610	276	899
Additions	—	33	81	114
Disposals	—	—	(85)	(85)
Balance at 31 December 2014	**13**	**643**	**272**	**928**
Accumulated depreciation				
Balance at 1 January 2013	6	582	195	783
Depreciation charge for the year	5	46	57	108
Disposals	—	(200)	(68)	(268)
Balance at 31 December 2013	11	428	184	623
Depreciation charge for the year	2	37	48	87
Disposals	—	—	(80)	(80)
Balance at 31 December 2014	**13**	**465**	**152**	**630**
Net book value				
At 31 December 2013	2	182	92	276
At 31 December 2014	**—**	**178**	**120**	**298**

The net book value of property, plant and equipment includes an amount of $32,100 (2013: $42,800) in respect of assets held under finance leases. Depreciation expense includes an amount of $7,700 (2013: $1,300) in respect of assets held under finance leases.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

17. Inventories

	2014	*2013*
	$'000	*$'000*
Raw materials	**26**	28
Finished goods and goods for resale	**1,058**	2,482
	1,084	2,510

The inventory provision amount reversed during the year was $156,000 (2013: reversal of $415,000).

18. Trade and other receivables

	2014	*2013*
	$'000	*$'000*
Current:		
Trade receivables	**2,570**	2,981
Less: provision for impairment	**(55)**	(12)
Trade receivables, net	**2,515**	2,969
Other receivables and prepayments	**195**	201
Current trade and other receivables	**2,710**	3,170
Non-current:		
Trade receivables	**41**	316
Less: provision for impairment	**—**	—
Non-current trade and other receivables	**41**	316
	2,751	3,486

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

18. Trade and other receivables *continued*

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

	2014 *$'000*	*2013* *$'000*
Balance at the beginning of the year	12	76
Provided	50	—
Receivables written off as uncollectible	—	(34)
Unused amounts reversed	—	(35)
Foreign exchange	(7)	5
Balance at the end of the year	55	12

The gross value of trade receivables for which a provision for impairment has been made is $79,000 (2013: $53,000).

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 and other receivables, both current and non-current, identifying the totals of trade and other receivables which are not yet due and those which are past due but not impaired.

	2014 *$'000*	*2013* *$'000*
Current	2,333	2,805
Past due:		
Up to 30 days	147	138
31 to 60 days	11	—
61 to 90 days	—	—
Greater than 90 days	24	26
Total	2,515	2,969

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

19. Trade and other payables

	2014 $'000	2013 $'000
Current:		
Trade payables	619	425
Accruals	881	786
Restructuring costs	309	1,651
Deferred income	22	68
Taxation and social security	—	82
Income tax liability	1	22
	1,832	3,034
Non-current:		
Trade and other payables	—	153
	1,832	3,187

20. Finance leases

(a) Current borrowings

	2014 $'000	2013 $'000
Finance leases	10	9

(b) Non-current borrowings

	2014 $'000	2013 $'000
Finance leases	24	34

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
In less than one year	1,809	2,862	10	9
In more than one year, but less than two years	—	153	24	34
	1,809	3,015	34	43

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

21. Financial instruments

(a) Capital risk management

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

(b) Categories of financial assets and financial liabilities

	Fair value through profit or loss		*Loans and receivables*	
	2014	*2013*	***2014***	*2013*
	$'000	*$'000*	***$'000***	*$'000*
Financial assets				
Trade and other receivables	**—**	—	**2,751**	3,486
Investments	**12,775**	11,054	**—**	—
Cash and cash equivalents	**—**	—	**3,898**	9,495
	12,775	11,054	**6,649**	12,981

	Financial liabilities measured at amortised cost	
	2014	*2013*
	$'000	*$'000*
Financial liabilities		
Trade and other payables	**1,809**	3,015
Borrowings due within one year	**10**	9
Borrowings due after one year	**24**	34
	1,843	3,058

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

21. Financial instruments *continued*

(c) Investments

2014 – Investments

Security type	Moody's rating	Face value $'000	Coupon rate	Maturity date	2014 Value $'000
Government	AAA	5,448	0.3% – 5.7%	15/1/15 – 1/6/21	5,498
Corporate*	>Aa3	3,272	0.3% – 4.9%	1/5/15 – 15/7/20	3,277
Corporate*	A1 – A3	2,025	0.3% – 5.5%	9/1/15 – 10/5/18	2,035
Corporate*	Baa1 – Baa2	1,927	0.6% – 6.0%	1/5/15 – 18/1/18	1,965
		12,672			12,775

2013 – Investments

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

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

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

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

(d) Liquidity risk

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

21. Financial instruments *continued*

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

	Assets		*Liabilities*	
	2014	*2013*	***2014***	*2013*
	$'000	*$'000*	***$'000***	*$'000*
Euro	**40**	99	**6**	46
Pound	**1,651**	1,428	**47**	124
Peso	**1,459**	1,233	**418**	207

If the exchange rate on uncovered exposures were to move significantly there would be foreign exchange differences on the retranslation of financial assets and liabilities and an impact on the Group's gross profit. However, this impact would not be material to the Group's financial statements and, therefore, no analysis of the sensitivities has been presented.

(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.

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

21. Financial instruments *continued*

(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 USA, Europe and Mexico.

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

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

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

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

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

22. Subsidiary undertakings

The following were subsidiary undertakings of the Company at 31 December 2014.

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

* Held indirectly.

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

23. Share capital

(a) Authorised and issued share capital

	2014 $'000	*2013 $'000*
Authorised share capital:		
500,000,000 ordinary shares at £0.01 each	**8,984**	8,984
Allotted, called up and fully-paid share capital:		
71,709,705 (2013: 70,565,730) ordinary shares at £0.01 each	**1,234**	1,215

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

23. Share capital *continued*

(b) Movement in share capital

The movements on issued share capital are as follows:

	Ordinary shares of Plant Health Care plc Number	$'000
In issue at 1 January 2013	53,386,127	952
Placement of shares	17,119,444	262
Shares issued for services received	37,659	1
Share options exercised	22,500	—
In issue at 31 December 2013	70,565,730	1,215
Share options exercised	1,143,975	19
In issue at 31 December 2014	**71,709,705**	**1,234**

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

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

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

iii. 37,659 shares with an aggregate value of $47,000 were issued in lieu of cash payments for fees.

During the year ended 31 December 2014, the following fully-paid £0.01 ordinary shares in the Company were issued:

i. 1,143,975 shares with an aggregate value of $708,000 were issued for the exercise of share options at an exercise price of £0.37 per share.

(c) Other equity instruments

The Company had the following other equity instruments in issue at 31 December 2013 and 2014:

	***2014* Number**	*2013* Number
Share awards under the VCP	**4,866,569**	4,866,569
Share options	**1,072,352**	2,307,852
Share awards under the LTIP	**—**	1,000,000
	5,938,921	8,174,421

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

23. Share capital *continued*

(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 tenth 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.

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 2013	975,000	1,126,500	2,101,500	87p
Awarded	245,852	24,000	269,852	82p
Exercised	—	(22,500)	(22,500)	46p
Forfeited	—	(41,000)	(41,000)	39p
Outstanding at 31 December 2013	1,220,852	1,087,000	2,307,852	84p
Awarded	200,000	—	200,000	60p
Exercised	(918,975)	(225,000)	(1,143,975)	37p
Forfeited	(56,025)	(235,500)	(291,525)	71p
Outstanding at 31 December 2014	**445,852**	**626,500**	**1,072,352**	**131p**

Of the total number of options outstanding at 31 December 2014, 599,000 (2013: 1,996,500) had vested and were exercisable. The weighted average exercise price was 195p (2013: 89p).

The weighted average share price at the dates of exercise for the share options exercised during 2014 was 56p (2013: 46p).

The options outstanding at 31 December 2014 have a weighted average remaining life of 4.24 years (2013: 2.29 years) and the range of exercise prices is 53p to 325p (2013: 37p to 325p).

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

23. Share capital *continued*

(e) Share awards under LTIP

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

The movements on LTIP share awards are as follows:

	Share awards		
	Directors and former directors	*Other*	*Total*
Outstanding at 1 January 2013	433,000	900,000	1,333,000
Forfeited	(113,000)	(220,000)	(333,000)
Outstanding at 31 December 2013	320,000	680,000	1,000,000
Forfeited	(320,000)	(680,000)	(1,000,000)
Outstanding at 31 December 2014	—	—	—

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

(f) Value creation plan

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

The movements in VCP awards are as follows:

	Directors	*Other*	*Total*	*Weighted average exercise price*
Outstanding at 1 January 2013	—	—	—	—
Awarded	2,571,821	2,294,748	4,866,569	106p
Outstanding at 31 December 2013	2,571,821	2,294,748	4,866,569	106p
Awarded	—	—	—	—
Outstanding at 31 December 2014	**2,571,821**	**2,294,748**	**4,866,569**	**106p**

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

24. Reserves

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

Reserve	*Description and purpose*
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Reverse acquisition reserve	Reserve recognised in the share-for-share exchange transaction accounted for as a reverse acquisition by the Group. During the year ended 31 December 2014, the Company transferred the amounts in the reverse acquisition reserve into retained earnings.
Share-based payment reserve	Cumulative net cost of equity-settled share-based payment transactions. During the year ended 31 December 2014, the Company transferred the amounts in the share-based payment reserve into retained earnings.
Foreign exchange reserve	Gains/losses on retranslating the net assets of overseas operations.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement. During the year ended 31 December 2014, the Company has transferred the amounts in the share-based payment reserve and reverse acquisition reserve into retained earnings.
Non-controlling interest	Cumulative net profit or loss attributable to minority shareholders.

25. Pensions

The Group does not maintain any defined benefit pension plans. The Group does maintain a retirement plan qualified under Section 401(k) of the United States Internal Revenue Code. This plan covers all US employees. In 2014, the Group's pension expense under the scheme was $21,250 (2013: $86,700). Mexico has a government-run pension plan to which our operations there must contribute. In 2014, the expense for this plan was nil (2013: nil). Several United Kingdom employees receive contributions to their pension plans. The expense for this was $10,088 (2013: $20,200). The total pension liability at the end of the year was $31,300 (2013: $107,000).

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

26. Leases

Finance leases - as lessee

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

Future lease payments are due as follows:

2014

	Minimum lease payments $'000	Interest $'000	Present value $'000
Not later than one year	12	2	10
Later than one year and not later than five years	27	3	24
	39	5	34

2013

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

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:

	2014 $'000	2013 $'000
Not later than one year	**102**	107
Later than one year and not later than five years	**335**	441
	437	548

Notes forming part of the Group financial statements *continued*

for the year ended 31 December 2014

27. Transactions with non-controlling interests

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

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2015 and which the Group has decided not to adopt early.

Those likely to affect the Group include:

IFRS 15 Revenue from Contracts with Customers (effective for periods beginning on or after 1 January 2017). This standard is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition, the standard has not yet been endorsed by the EU.

IFRS 9 Financial Instruments (Replacement of IAS 39) (no mandatory effective date). This standard incorporates the final requirements on all three phases of the financial instruments projects – classification and measurement, impairment, and hedge accounting.

Amendments to IAS 1 (effective 1 January 2016) are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. The changes clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The amendments have not yet been endorsed by the EU.

No other standards or amendments are considered likely to have an effect on the financial statements going forward. Plant Health Care is still considering the impact the above changes may have.

Company balance sheet

at 31 December 2014

	Note	*2014* *$'000*	*2013* *$'000*
Fixed assets			
Fixed asset investments	32	**28,121**	33,022
Current assets			
Debtors	34	**25**	29
Cash at bank and in hand		**960**	2,127
Total current assets		**985**	2,156
Creditors: amounts falling due within one year	35	**25**	200
Net current assets		**960**	1,956
Total assets less current liabilities		**29,081**	34,978
Capital and reserves			
Called-up share capital	36	**1,234**	1,215
Share premium	37	**70,895**	70,206
Reverse acquisition reserve	37	**—**	14,455
Share-based payment reserve	37	**—**	2,256
Retained earnings	37	**(43,048)**	(53,154)
Shareholders' funds		**29,081**	34,978

The financial statements were approved and authorised for issue by the Board on 30 March 2015.

P Schmidt
Director

Registered No: 05116780 (England and Wales)

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

Notes forming part of the Company financial statements

for the year ended 31 December 2014

29. Accounting policies

Basis of preparation

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

Investments

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

Share-based payments

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

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

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

Deferred taxation

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

29. Loss for the financial year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group loss for the year includes a loss after tax of $7,108,000 (2013: loss of $20,977,000), which is dealt with in the financial statements of the parent company.

Notes forming part of the Company financial statements *continued*

for the year ended 31 December 2014

30. Share-based payments

See Note 23 of the Group financial statements.

31. Directors' remuneration

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

32. Fixed asset investments

	Shares in Group undertakings $'000	*Loans to Group undertakings $'000*	*Total $'000*
Cost			
Cost at 1 January 2013	16,915	37,182	54,097
Additions, net of repayments	—	17,304	17,304
Cost at 31 December 2013	16,915	54,486	71,401
Additions, net of repayments	—	898	898
Cost at 31 December 2014	**16,915**	**55,384**	**72,299**
Impairments			
Impairments at 1 January 2013	(16,915)	(1,228)	(18,143)
Additions	—	(20,236)	(20,236)
Impairments at 31 December 2013	(16,915)	(21,464)	(38,379)
Additions	—	(5,799)	(5,799)
Impairments at 31 December 2014	**(16,915)**	**(27,263)**	**(44,178)**
Net book value			
At 31 December 2013	**—**	**33,022**	**33,022**
At 31 December 2014	**—**	**28,121**	**28,121**

The fixed asset investment balances have been tested for impairment using discounted budgeted cash flows, a pre-tax discount rate of 16% (2013: 18%), and performance projections over five years. The calculated net present value in this review is $28,121,000 (2013: net present value $33,022,000), which caused an impairment of $5,799,000 in 2014 (2013: impairment $20,236,000).

33. Subsidiary undertakings

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

Notes forming part of the Company financial statements *continued*

for the year ended 31 December 2014

34. Debtors

	2014 $'000	2013 $'000
Prepayments	25	29

All amounts fall due within one year.

35. Creditors

	2014 $'000	2013 $'000
Trade creditors	25	83
Accruals	—	117
	25	200

36. Share capital

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

37. Reserves

	Share premium $'000	Reverse acquisition reserve $'000	Share-based payment reserve $'000	Retained earnings $'000
Balance at 1 January 2013	50,624	14,455	2,480	(32,177)
Shares issued	20,207	—	—	—
Placement costs	(641)	—	—	—
Share-based payments	—	—	(224)	—
Exercise of share options	16	—	—	—
Loss in the year	—	—	—	(20,977)
Balance at 31 December 2013	70,206	14,455	2,256	(53,154)
Shares issued	—	—	—	—
Share-based payments reclassification	—	—	(2,256)	2,256
Share-based payment	—	—	—	503
Reverse acquisition reserve reclassification	—	(14,455)	—	14,455
Exercise of share options	689	—	—	—
Loss in the year	—	—	—	(7,108)
Balance at 31 December 2014	**70,895**	**—**	**—**	**(43,048)**

Notes forming part of the Company financial statements *continued*

for the year ended 31 December 2014

38. Company reconciliation of movements in shareholders' funds

	2014 *$'000*	*2013* *$'000*
Total recognised loss relating to the year	**(7,108)**	(20,977)
Shares issued	**—**	19,829
Exercise of share options	**708**	16
Share-based payment charge/(credit)	**503**	(224)
Net decrease in shareholders' funds	**(5,897)**	(1,356)
Opening shareholders' funds	**34,978**	36,334
Closing shareholders' funds	**29,081**	34,978

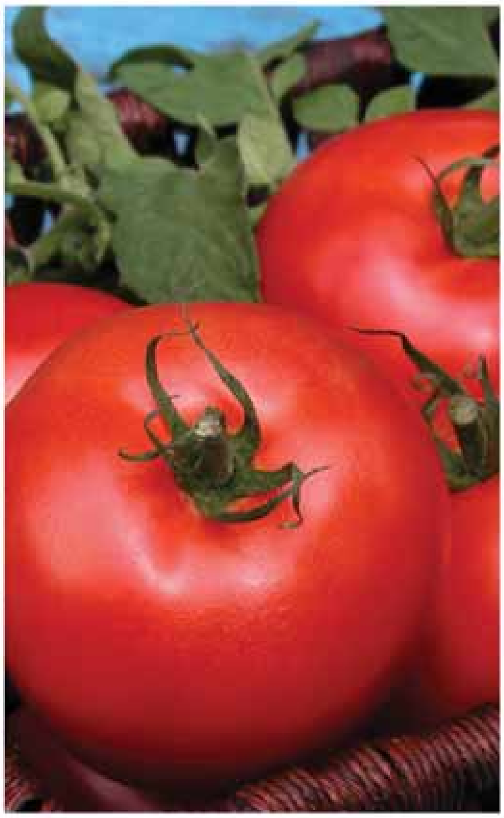
39. Related party transactions

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

40. Subsequent events

On 16 January 2015, the Company assigned to Plant Health Care (UK) Ltd. all its rights, title, interest and benefits in a facility agreement between the Company and Plant Health Care, Inc. in the amount of £10,000,000 to finance certain of the Group's research and development activities.





Plant Health Care plc
2626 Glenwood Avenue, Suite 350
Raleigh, NC 27608 USA

+1 (919) 926 1600

ir@planthealthcare.com
www.planthealthcare.com/for-investors