

# **HELPING FARMERS TO SUSTAINABLY GROW MORE**

**Plant Health Care plc  
Annual report and accounts 2021**



# **BY 2050 THE WORLD WILL NEED 60% MORE FOOD**

Our products support sustainable food production by using nature to enable farmers to produce more from less land, whilst protecting soils and biodiversity and reducing reliance on chemical fertilisers.

## **OUR MISSION AND VALUES**

**Sustainability** – We care passionately about sustainability. All of our products help farmers grow crops more sustainably. We aim to support mainstream agriculture, as well as organic growers, to feed the world sustainably.

**Science** – We believe that science drives progress. All of our products are built by leading edge science. We understand how they work, so that we can make them even more effective and more sustainable.

**People** – We are a team which works together to achieve our aims. We help our people develop their full potential, working with customers and other stakeholders to deliver our mission.

**Prosperity** – Economic sustainability is essential to our success as a business. Our work should create financial benefits for our customers, partners and employees, alongside shareholders.

## OVERVIEW

- Plant Health Care is a leading provider of biological products, helping farmers to feed the world sustainably.
- The market for biological products is growing at 12% per annum and is projected to be a \$19 billion market by 2026.
- Plant Health Care's core patented products act as "vaccines for plants", making plants healthier, better able to resist disease and stress, thereby improving crop yield and quality.
- Sales of the Group's Harpin product increased by 55% in 2021, as market shares grew in core markets; the Commercial business is profitable and cash generative.
- The Company has invested more than \$25 million in PREtec, a powerful new platform technology, since 2012.
- PREtec products are targeting markets worth more than \$5 billion around the world.
- The first PREtec product Saori™, was launched in Brazil in 2021, through our partner Nutrien, generating a very positive response from growers.

[i Learn more in our business model on page 6](#)

## FINANCIAL HIGHLIGHTS

REVENUE (\$m)

**\$8.4m**

CASH AND INVESTMENTS (\$m)

**\$9.2m**

ADJUSTED LBITDA (\$m)

**\$4.6m**

GROSS PROFIT MARGIN (%)

**59%**

[i Learn more in our financial summary on page 18](#)

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[i Stay up to date on our website at \*\*planthealthcare.com\*\*](#)

# **COST-EFFECTIVE PRODUCTS FOR SUSTAINABLE AGRICULTURE**

It is imperative that agriculture becomes more sustainable, while continuing to feed the world. Plant Health Care aims to help mainstream farmers to become more sustainable by providing cost-effective, environmentally friendly alternatives to conventional agrochemicals. Our products are classified by the Environmental Protection Agency of the USA as “low toxicity and zero residue”; as such, they receive “fast track” approval.



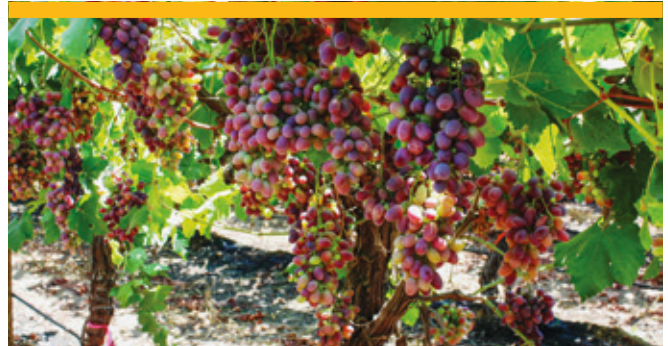
## **NORTH AMERICA**

### **CORN**

- Harpin  $\alpha\beta$  is sold into corn through the second largest distributor in the USA. Farmers apply Harpin  $\alpha\beta$  to the seed prior to planting; the crop comes up stronger and taller and better able to resist stress such as drought. Higher yields result. Sales of Harpin  $\alpha\beta$  increased 29%, reaching 841,000 acres in 2021. In-market sales into the Corn market since 2019 have grown at 55% Compound Annual Growth Rate (“CAGR”).

### **FRUITS AND VEGETABLES**

- Harpin  $\alpha\beta$  is also sold into the specialty market through our partner Wilbur-Ellis. Sales of Harpin  $\alpha\beta$  increased 142% to 157,000 ounces in 2021 due to increased sales into the California almond and grape markets. In-market sales into the fruits and vegetable markets since 2019 have grown at 116% CAGR.



## **MEXICO**

- Plant Health Care Mexico sells a range of sustainable products to farmers in Mexico. Harpin  $\alpha\beta$  represented 23% of sales in 2021, with third-party products making up the remainder. Plant Health Care Mexico employs a staff of 16, including sales and technical specialists in the field, selling to retailers throughout the country.
- Sales in Mexico were held back in 2021 due to decreased domestic demand for fruits and vegetables and reduced plantings in Baja California due to adverse weather conditions.

**HARPIN  $\alpha\beta$**   
**242k**  
ounces in 2020

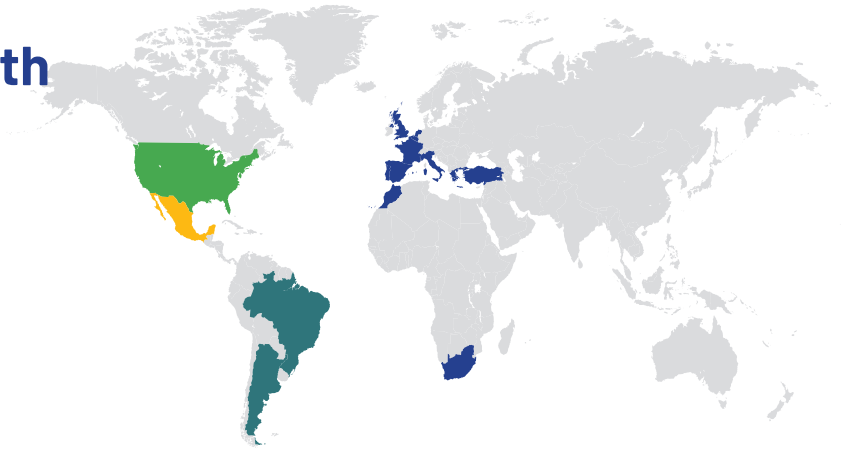
**HARPIN  $\alpha\beta$**   
**362k**  
ounces in 2021

**HARPIN  $\alpha\beta$**   
**139k**  
ounces in 2020

**HARPIN  $\alpha\beta$**   
**145k**  
ounces in 2021

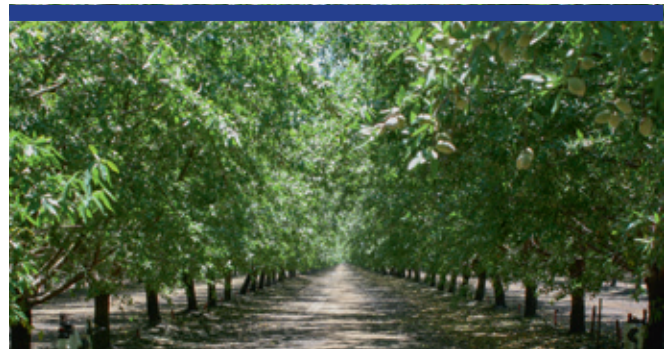
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**Adoption of Plant Health Care’s products are accelerating in core target markets.”**



**SOUTH AMERICA**

- Harpin αβ is sold as H2Coplacana into sugar cane in Brazil, through Coplacana, the largest distributor of inputs for this crop. Sales in Brazil sugarcane grew 100% under challenging drought conditions throughout 2021. In-market sales into the sugar cane market since 2019 have grown at 103% CAGR.
- The Group received registration for Harpin αβ in Argentina for use in corn and soybeans in August 2021 with first year sales planned for the 2022 cropping season.
- In September 2021, the Group successfully launched Saori™ in soybeans for Asian soybean rust control through our partner Nutrien.



**EMEA**

- In Spain, Harpin αβ is sold as ProAct AA, where sales into fruit and vegetable crops have now reached \$1.2 million.
- Sales growth in Spain was driven by Harpin αβ sales into citrus and expansion into the greenhouse market.
- In the UK, Harpin αβ is sold through Headland, a major distributor supplying to the professional turf market. Many leading golf courses and football fields are greener and more resilient to abiotic stress as a result.
- The Group signed an exclusive Harpin αβ distribution agreement with UK market leader Agrii in July 2021.

HARPIN αβ  
**53,000**  
acres treated in 2020

HARPIN αβ  
**105,000**  
acres treated in 2021

HARPIN αβ  
**233k**  
ounces in 2020

HARPIN αβ  
**289k**  
ounces in 2021

# A SUCCESSFUL JOURNEY

## 2021 HIGHLIGHTS

### COMMERCIAL

- Revenue was \$8.4 million (2020: \$6.6 million), a 28% increase on the prior year, 24% in constant currency\*.
- Proprietary product revenue increased \$2.2 million or 58% to \$6.1 million (2020: \$3.9 million).
- The Commercial business was EBITDA and cash positive for the second year straight.
- On-ground sales\*\* in Brazil and the USA increased 48% and 85%, respectively.

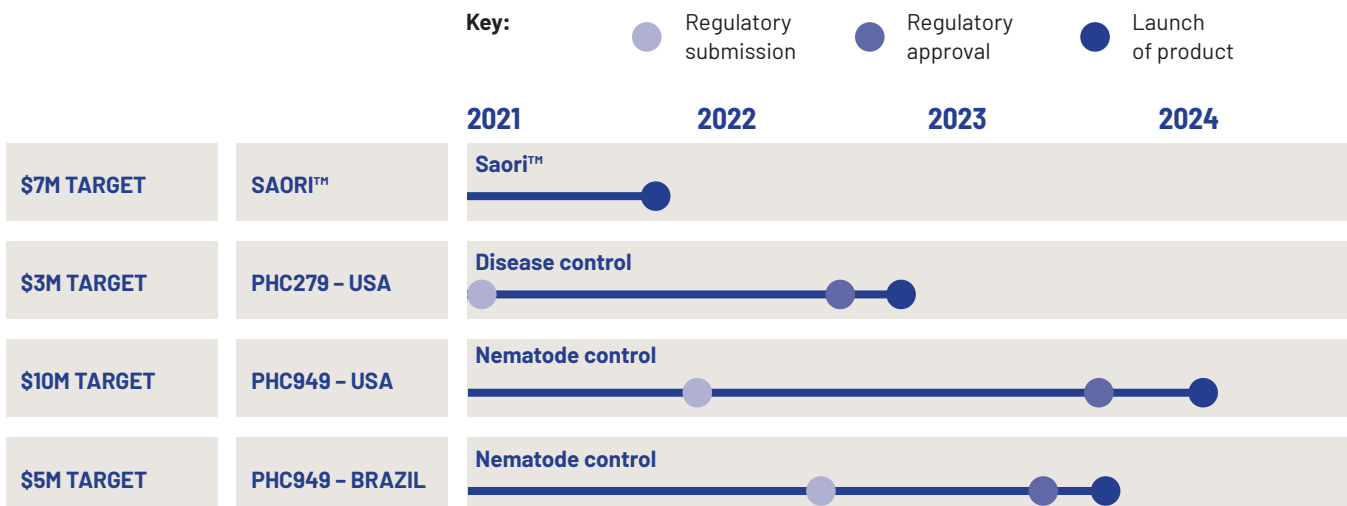
### PREtec PRODUCTS

- Successful launch of Saori™ in Brazil.
- PHC949 was submitted for registration in the USA.
- Low-cost manufacture of PREtec peptides was demonstrated at the pilot scale.
- The Group has a rich pipeline from the PREtec platform.
- PREtec is a patented platform technology, targeting \$5 billion market opportunities. These 'vaccines for plants' use environmentally friendly peptides, derived from natural proteins, to make plants healthier and help growers produce larger yields and better quality crops.

### GROUP

- Cash used in operations increased to \$3.2 million (2020: \$2.5 million).
- Adjusted LBITDA\*\*\* increased to \$4.6 million (2020: \$3.3 million).
- Cash and cash equivalents including investments at 31 December 2021 were \$9.2 million (2020: \$4.1 million).
- The Company successfully raised £6.6 million (\$9.1 million) through the issuance of new ordinary shares in March 2021.

## PREtec – TARGETING AT LEAST ONE MAJOR LAUNCH EVERY YEAR



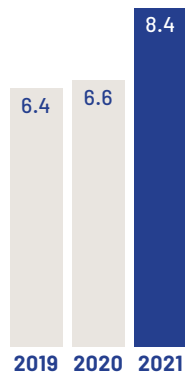
\* Constant currency is defined on page 10.

\*\* On-ground sales is defined as sales by our distributors to growers.

\*\*\* Adjusted LBITDA: loss before interest, tax, depreciation, amortisation, share-based payments and intercompany foreign exchange.

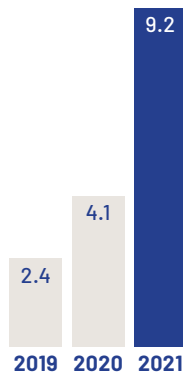
REVENUE (\$m)

**\$8.4m**



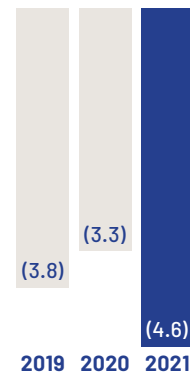
CASH AND INVESTMENTS (\$m)

**\$9.2m**

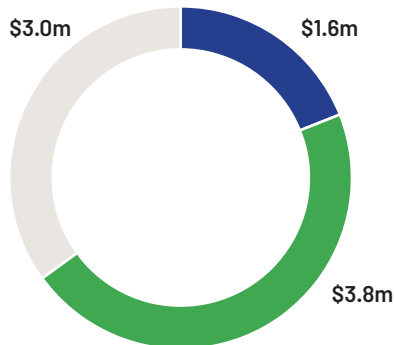


ADJUSTED LBITDA (\$m)

**\$4.6m**

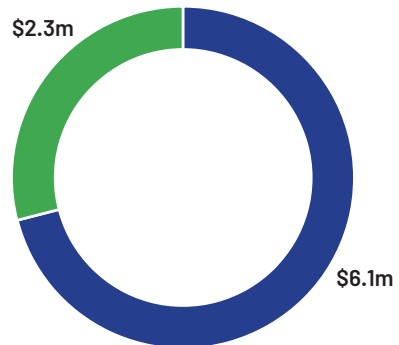


2021 SALES SPLIT BY REGION (\$m)



- 19% Rest of World
- 46% Americas
- 35% Mexico

2021 SALES SPLIT BY PRODUCT (\$m)



- 71% Harpin alpha beta
  - 29% Third party products\*
- \* Third party products sold in Mexico.

# HOW WE DO BUSINESS

The Company develops and commercialises products which support mainstream farmers to produce better crops, more efficiently and more sustainably.



## GENERATING CASH

The Commercial business is EBITDA positive and generates cash. It is focused on driving the revenue of Harpin αβ in large markets, where the product adds the most value. The current major targets are corn and specialty crops in the USA and sugar cane in Brazil. We will extend sales of Harpin αβ into new crops and countries over time.

The Group successfully launched its first product, Saori™, from its PREtec platform for use in Brazil on soybeans to prevent Asian soybean rust.

[Find out more on page 11](#)



## INVESTING IN PRODUCTS

We are investing to develop and launch products from the PREtec platform. The latest target market of PHC279 will be in the USA for use on fruits, vegetables and tree nuts.

The Group filed a submission with the USA Environmental Protection Agency ("EPA") for PHC949 to help prevent nematode losses in crops. We aim to launch at least one large new PREtec product every year from 2021 onwards. We will start the development of PREtec products in Europe during 2022.

[Find out more on page 14](#)



## WORKING IN PARTNERSHIP

We work in partnerships with influential distributors, which enable us to access large numbers of farmers. Our distribution partners provide valued technical advice on the best use of our products. We work together to drive product adoption, to mutual benefit.

[Find out more on page 11](#)

## CREATING SHARED VALUE

Global product development is complex, expensive and time consuming. We will often work with strong local partners under Joint Development Agreements, to share experience and investment, sharing profit from commercialisation.

We make appropriate use of outsourcing to optimise the use of capital. We work with manufacturing partners to produce high-quality products using the Group's proprietary production processes, developed in our laboratories in Seattle. We do not plan to own manufacturing assets.

## BUILDING ON OUR OPPORTUNITIES

We develop extensive intellectual property, mainly in our Seattle laboratory. We intend to continue investing in our IP, to defend and extend our lead in innovation with peptides for agriculture.

We are active players in the global market for biological products, which is growing at more than 16% annually. There are numerous players in a fragmented market, which we expect to consolidate over time. Our global capabilities in innovation and commercial development position us well for this trend.



# OUR GROWTH STRATEGY

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

1

## SUBSTANTIAL INCREASE IN MARKET ACCESS

### STRATEGY

We intend to drive revenue in the short term by focusing on distribution of Harpin  $\alpha\beta$  by aligning with large distributors with broad market access. We plan to expand sales in broad acre crops where Harpin  $\alpha\beta$  provides the most benefit to farmers, including sugar cane, corn, soy, citrus, rice, almonds and grapes.

With the launch of Saori™ in Brazil, we have gained access to the 99 million acre soybean market.

### LINKS TO KPIS

- Revenue
- Gross profit margin
- Operating loss
- LBITDA

2

## LAUNCHING PEPTIDE PRODUCTS FROM OUR PREtec PLATFORMS

### STRATEGY

Our target is to launch at least one PREtec product in a major market every year. The launch of Saori™ in Brazil in 2021 was the first. The next target is the USA launch of PHC279 into specialty crops in the USA with Wilbur-Ellis.

### LINKS TO KPIS

- Revenue
- Gross profit margin
- Gross profit
- LBITDA

3

## FURTHER BUILDING THE CAPABILITY TO DELIVER ADDITIONAL PRODUCTS FROM PREtec

### STRATEGY

The Group made a significant capital investment by building a pilot plant facility in our Seattle location. This allows the Group to produce peptides on a pilot scale and assist with developing and optimising manufacturing methods. The Group also secured a production facility for PHC279, which led to the achievement of our volume cost targets.

### LINKS TO KPIS

- Revenue
- Gross profit margin
- LBITDA

4

## IP PROTECTION AND ONGOING INNOVATION

### STRATEGY

The Group has an extensive library of PREtec peptides, which can be further expanded. The Group has now been granted the first patents for PREtec peptides by the USPTO; numerous filings are in the process of being reviewed around the world, as the Group builds its IP portfolio. The Group has been issued 18 patents and more than 50 applications in 11 countries and the European Patent Office.

### LINKS TO KPIS

- Revenue
- Gross profit margin
- Operating loss
- LBITDA

5

## CONSOLIDATION

### STRATEGY

The Group is well positioned to take a lead in consolidating this fragmented sector, due to its strong portfolio and market access.

### LINKS TO KPIS

- Revenue
- Gross profit margin
- Gross profit
- Operating loss

6

## SUSTAINABILITY

### STRATEGY

The Group's products have been classified as "low toxicity" products and quality for 'fast track' regulatory approval in the USA and Brazil.

### LINKS TO KPIS

- Revenue
- Gross profit margin
- Gross profit
- Operating loss

# SUSTAINABLE GROWTH



**DR RICHARD WEBB**

Non-executive Chairman

11 May 2022

**2021 has been an excellent year of delivery against promise. The market for sustainable agriculture is growing at more than 12% per annum; Plant Health Care aims to grow faster than that market. Sustainability is at the heart of everything we do.**

**DELIVERING PERFORMANCE**

Plant Health Care delivered strong results in 2021, ahead of market expectations. We are resolved to set and achieve realistically ambitious targets each year; this is the start of a new trend.

**SUSTAINABILITY**

The benign profile of our technology has long attracted investor attention. PHC applied for and gained the LSE's Green Economy Mark in 2021. This is gratifying, but in a sense it understates our case. We are world leaders in the use of biological signals to engage the natural powers of crop plants to protect themselves from stresses like drought or frost, and to defend themselves against pests and diseases. This is good not only for crop yields, plant health and harvest quality, but it also improves soil health, boosts carbon sequestration, and reduces the need for pesticides.

**STRATEGY**

Since 2018, we have evolved our strategy from a focus on licensing our technology to major suppliers of agrochemicals, towards working with distributors. In the USA, we have been working with two of the four largest distributors since 2019; these relationships have developed into productive partnerships, combining sales of Harpin αβ today with collaboration to bring PREtec products to the market in 2022 and beyond. The addition of two more major distributor relationships in 2021 is a further important step in the development of this strategy. I am increasingly convinced that our

distributor partners will drive the adoption of our technologies over the coming years, to the benefit of the farming industry as it seeks to adopt more sustainable practices.

**PREtec – "VACCINES FOR PLANTS"**

I am immensely proud that we are now launching the first products. We are now confident of launching a new PREtec product every year in a major market, via a major distributor. This has required securing scale up production capability in house, and manufacturing capacity externally. In 2021 we installed pilot production capacity in our technology centre in Seattle, which supplied launch volumes of Saori™. We also signed a major biologicals manufacturer in the EU to supply both Harpin αβ and PREtec products at scale, and at a lower manufacturing cost.

**COVID-19**

The world had to cope with the continued pandemic throughout 2021. In Plant Health Care, both the Board and Executives adapted well to the use of remote working and I am delighted to say that everyone in the team stayed safe. At the same time, demand for our products remained buoyant and continued to grow; we are fortunate to be in an industry which was largely unaffected by the pandemic in 2021.

**UKRAINE**

The directors have been watching the heartbreaking situation happening in Ukraine. We anticipate the conflict to have no material impact on the Group's operations. The Group currently has no customers or manufacturers in Ukraine or Russia and we do not anticipate any business dealings in the long-term with either of these countries.

**PEOPLE**

In the face of 2021's worldwide challenges, our people have been thriving. During the year, Christopher Richards, as CEO, stepped back from operational management to focus on strategy and investor relations. Operational management was substantially delegated to the very experienced hands of Jeff Tweedy (COO), who has been the architect of the Company's successful strategy of focusing on distributors. With his fellow Executive Director Jeffrey Hovey (CFO), supported by a very strong Executive Committee, Plant Health Care boasts outstanding leadership.

## CHIEF EXECUTIVE OFFICER'S STATEMENT

Dr Christopher Richards, Chief Executive Officer

# ACCELERATING PERFORMANCE



### DR CHRISTOPHER RICHARDS

Chief Executive Officer

11 May 2022

Plant Health Care's encouraging performance in 2021 demonstrated the strength of our competitive position. In our sector of sustainable products for agriculture, we have a unique combination of proven products, with low costs of goods and very strong market access. During the year, we launched Saori™, the first product from the PREtec platform, in which we have invested more than \$25 million over the last eight years. Mid-term sales of Saori™ are now expected to exceed the entire current revenue of Plant Health Care today and we plan to follow that with at least one major product launch every year.

### PERFORMING ABOVE EXPECTATIONS

Revenue growth accelerated in 2021, with Harpin αβ sales up 55%, lifting overall sales growth to 28% (24% in constant currency). The Commercial business remains profitable and cash generative. We invested \$3.0 million in the PREtec platform, focused on obtaining registrations and refining manufacturing costs to support our plan for at least one major product launch every year, starting with the launch of Saori™ in Brazil in 2021.

### STRONGER BALANCE SHEET

We were very pleased to receive the support of shareholders for a fundraise in March 2021, raising \$9.1 million (net of costs). With that improved funding, we increased investment in PREtec product launches during 2021. As a result, the Company increased the rate of cash burn to \$4.1 million. At the end of 2021, our cash reserves were \$9.2 million. We are confident that Plant Health Care will reach profit within these cash reserves.

### ACCELERATING COMMERCIAL SALES

Sales of our core Harpin αβ product were up 55% in 2021, at a gross margin of 70%. This growth is testament both to the outstanding grower benefits of the product and to the strength of our market access. Our suite of distribution partners was widened to include Nutrien, the world's largest agriculture retailer, in Brazil and market leader Agrii in the UK. We now have close relationships with four of the world's largest distributors of agriculture inputs; in total, we have access to some 52 million hectares of crops, with a \$5 billion set of opportunities. Our three largest customers for Harpin αβ each bought more than \$1 million worth in 2021. Sales of Harpin αβ in the USA reached \$2.8 million, as in-market sales into corn and specialty crops (fruits and vegetables) accelerate. In-market sales into specialty crops since 2019 have grown at 116% CAGR and we anticipate continued growth at this level. In Brazil, Harpin αβ sales reached \$1.0 million; in-market sales into sugar cane have grown at 103% CAGR since 2019. Sales in our Europe/Africa/Asia region reached \$1.6 million.

**THE LAUNCH OF SAORI™ – THE FIRST “VACCINE FOR PLANTS”**

After eight years of research and development, we were excited to launch our first PREtec product, Saori™, in Brazil in September 2021. Saori™ promotes healthy growth of soybeans and helps them fight disease; Brazilian soybean growers spent \$2.5 billion on fungicides to control disease in 2021, so this is a huge opportunity for Saori™. With limited volume of product available, we focused on demonstrating the benefits of Saori™ in 2021; approximately 250 farmers tested the product and the reaction was enormously positive. Our partner Nutrien is planning to sell Saori™ on more than 300,000 hectares in 2022, which will result in sales well in excess of \$0.75 million for PHC in 2022. Nutrien is targeting sales of more than 1 million hectares in 2025. With commercial production now established, we are confident that Saori™ will generate gross margins at least comparable to those we currently enjoy with Harpin αβ and we have the capacity to supply all forecast global demand and more.

**PREtec PRODUCT PIPELINE**

Following an investment of more than \$25 million over the last eight years, we now have a full pipeline of major product launches. The next launch will be PHC279 in the USA; we anticipate regulatory approval in the second half of 2022 and are making detailed plans with our partner Wilbur-Ellis to launch before the end of the year. We have submitted PHC949 for registration in the USA and anticipate that this will be launched in 2023, subject to receiving regulatory approval. Registration of PHC949 in Brazil will follow. Each of these products has potential to generate revenues in excess of \$5 million within the next 5 years, at gross margins comparable to those of Harpin αβ.

**PEOPLE AND SUSTAINABILITY**

Plant Health Care is fortunate to have a very strong team, with extensive experience and a track record of value creation. I am particularly proud of the way in which the global team operated in 2021, under the leadership of Jeff Tweedy. Learnings are being shared around the world, which will accelerate the growth of Harpin αβ. The team worked exceptionally well in 2021; buoyed by a successful year, everyone is excited about continuing this trajectory over the coming years. Sustainability is at the heart of everything we do at Plant Health Care; it is as motivational for our colleagues as we expect it to be mandatory for our investors.

**SUMMARY AND OUTLOOK**

We have set out ambitious plans for organic growth, with revenue exceeding \$30 million in 2025. By that time, we expect to be generating strong profit and cash flows. The performance in 2021 was an important step along that road. As we roll out PREtec products, we anticipate that sales growth in 2022 and beyond will be even faster than in 2021. Strengthening our position in Europe, the world's largest market for sustainable agriculture, is an important element in our strategy.

**CONSTANT CURRENCY**

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

**DR CHRISTOPHER RICHARDS****Chief Executive Officer**

11 May 2022

# POTENTIAL FOR SIGNIFICANT REVENUE GROWTH

Overall sales in 2021 were \$8.4 million, an increase of 28% (24% in constant currency\*) compared with 2020 (\$6.6 million). Sales by region are listed in the table below:

	2021 \$'000	2020 \$'000	Growth percentage	CC growth percentage
North America	2,774	1,657	67%	67%
South America	1,098	527	108%	120%
EMEA	1,591	1,213	31%	26%
Mexico	2,969	3,214	(8%)	(12%)

Sales of core Harpin aβ products increased by 55% (53% in constant currency), driven by sales of greater than \$1.0 million each to three of our distribution partners. Harpin aβ represented 71% of sales in 2021 (2020: 59%).

## NORTH AMERICA

Sales in North America were up 67%, led by support from our two distribution partners in USA corn and specialty crops. Sales in USA corn were up 133% in 2021, driven by strong demand for the Group's Harpin aβ seed treatment product. Harpin aβ use in corn continues to deliver higher yields due to stronger corn plants that are protected from stress. In-market sales to growers are now approaching 1% of the USA corn market of 92 million acres. EPA registration of PHC279 is expected in Q3 2022 with a limited launch planned for Q4 2022 through our distribution partner Wilbur-Ellis.

Harpin aβ sales in the USA specialty crop market were up 42%, in part due to sales growth in cherries, apples, and pears and a 143% increase in on-ground sales to growers. Wilbur-Ellis has over 600 field employees who are focused on selling differentiated biostimulant product offerings into the specialty crop markets. Employ® helps the plant improve its own natural ability to defend against abiotic and biotic stress factors, including nematodes, which improves overall crop yield.

## SOUTH AMERICA

Sales of Harpin aβ for PHC in Brazil sugarcane grew 108% even under challenging drought conditions in 2021. Sugar cane growers experienced extreme drought during the 2021 growing season which reduced yield by more than 13%. Even under these conditions, Harpin aβ reinforced the benefits with yield increases greater than 23%. The Group received registration for Harpin aβ in Argentina for use in corn and soybeans in August 2021 with first year sales planned for the 2022 cropping season.

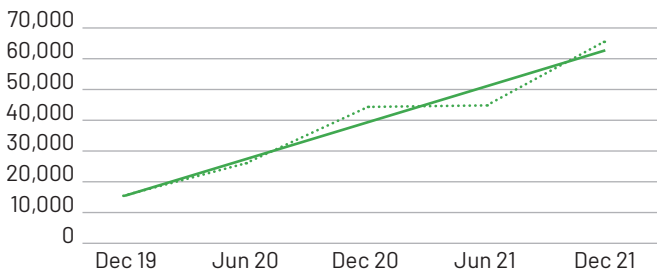


## MARIA LOPEZ TECHNICAL DIRECTOR AND REGULATORY AFFAIRS EMEA

Maria holds a Bachelor's degree in Agriculture from the University of Almería. She brings 13 years of experience as a Study Director of GLP and GEP projects in contract research organisations. Maria joined Plant Health Care in June 2020 and has been instrumental in overseeing and coordinating pre-launch demonstration trials with a main focus on greenhouse crops in Spain, as well as providing technical and regulatory support in the EMEA region.

In 2022, María's main focus will be creating demand in the field to help on the positioning of ProAct in the glasshouse market, working closely with our business partners in Southern Europe and enabling successful and positive distributor and agent sentiment towards new campaigns for Harpin aβ technology.

**NUMBER OF HECTARES OF HARPIN αβ SOLD ONTO SUGAR CANE**



**SOUTH AMERICA CONTINUED**

In September 2021, the Group announced a major milestone by forming a partnership with the world’s largest agricultural distributor, Nutrien, for the exclusive distribution of Saori™ as a seed treatment in soybeans for Asian soybean rust control. Saori™ is the Group’s first product from its PREtec platform to be commercialised and is the first PREtec peptide approved in Brazil. PREtec peptides represent a novel class of technology which stimulates the plant to defend itself. Nutrien has a goal to build a differentiated biological portfolio and the addition of Saori™ is a major step in that direction. Derived from natural proteins, PREtec is an environmentally friendly approach to protecting crops and is compatible with mainstream agricultural practices. Brazil is the world’s leading soybean producer with more than 40 million hectares (99 million acres) expected to be planted in the 2021/22 season. Asian soybean rust, caused by the fungus *Phakopsora pachyrhizi*, is a devastating disease which can lead to crop yield loss of up to 90%. Brazilian soybean farmers spent \$2.85 billion on disease control in the 2019/20 season.

**EMEA**

2021 sales in the EMEA region were up 31% with growth in Spain and the UK. Sales growth in Spain was driven by Harpin αβ sales into citrus and expansion into the greenhouse market. The Group signed an exclusive Harpin αβ distribution agreement with UK market leader Agrii in July 2021. UK sales growth was driven by the return of the amenity (turf) market and increased Harpin αβ sales into potatoes.

**MEXICO**

Plant Health Care Mexico has a broad biological product line for farmers in Mexico including third-party products. Harpin αβ represented 23% of sales in 2021, with third-party products making up the remainder. Sales of Harpin αβ in Mexico grew 15% in 2021. Mexico continues to be Plant Health Care’s largest business unit. Revenue from the Mexican business decreased 8% (12% in constant currency) to \$3.0 million (2020: \$3.2 million). This was primarily due to decreased export demand for fruits and vegetables and reduced plantings in the specialty market. The decreased export demand resulted in up to 50% reduction in planted fruit and vegetable crops. However increased plantings of fruits and vegetables resumed in Q4 2021. PHC Mexico completed the first trials in agave and avocado with positive results in 2021 which will open new markets in the coming years.



**MEAGAN OSBORN**  
**HEAD OF SUPPLY CHAIN**

Meagan received her Bachelor’s of Science in Business Management degree from North Carolina State University and her MBA from Campbell University. She has held various positions within the supply chain field including inventory management, customer service, purchasing and production planning throughout her career. Meagan joined Plant Health Care in June 2021 and has been instrumental in the successful scale up of Saori™ for commercial production.

Meagan’s focus in 2022 will be to continue the project management work started in 2021 to ensure the successful registration and commercial launch of PHC279 and PHC949 globally. Meagan will also continue to build on our manufacturing network for the Harpin αβ and the PREtec portfolios to ensure favourable cost positioning and reliable supply.



**PATRICK DOYLE**  
**VP, PRODUCT DEVELOPMENT  
AND REGULATORY**

Patrick holds a PhD in Antibody Engineering from the University of Guelph, Canada, and has respective MSc and BSc degrees in Biochemistry and Soil Science from the University of Saskatchewan, Saskatoon, Canada.

Prior to joining Plant Health Care, Patrick held various senior roles over a 30-year career with Novartis AG, Syngenta, and Plant Response Inc. in the USA, Canada and Europe. During this tenure, Patrick played a major role in numerous interdisciplinary teams to bring new/novel agricultural products and technologies to market.

Patrick joined Plant Health Care in June 2021 as part of PHC's Executive Committee to lead product development, regulatory and portfolio management to drive commercialisation of PREtec and Harpin  $\alpha\beta$  technologies in key markets in the most cost-effective, efficient and timely manner possible. His core target is the annual registration of each one of the Group's PREtec products.



**GREGORY ZORNETZER**  
**SENIOR SCIENTIST**

Gregory holds a PhD in Biochemistry from the University of Wisconsin-Madison and received his Bachelor's degree in Biological Sciences from Carnegie Mellon University in Pittsburgh, PA.

Gregory joined Plant Health Care in July 2013 to support the development of stable liquid formulations of existing products. He transitioned to the development of new plant stimulating peptides in 2014, leading to the production of peptides. Gregory has also coordinated patent filing with internal leadership and external patent attorneys, resulting in nine issued USA patents and three issued international patents protecting Plant Health Care's intellectual property.



**ARMANDO CRUZ HERRERA**  
**GENERAL MANAGER**

Armando is the general manager of Plant Health Care Mexico, and he is one of the first employees of the company. He is an accountant by profession and an agronomist at heart. Armando studied at the Universidad Nacional Autónoma de México ("UNAM"). He has extensive experience in the finance and accounting areas and seeks to help others achieve their long-term goals.

Armando advocates that customer service is one of the best added values that companies can provide. He tries to encourage a collaborative and trusting internal environment that encourages his team to work towards helping the company's customers.

He has participated in various national and international seminars related to biotechnology and nanotechnology applied to agriculture, horticulture, and forestry technology.

Before working at Plant Health Care Mexico, he worked as an accountant in companies dedicated to the manufacture of residential and commercial aluminium.

# PREtec PEPTIDES: POISED TO ENTER LARGE MARKETS

## PREtec PIPELINE

The PREtec technology platform is proving to be a reliable source for new products. The pipeline is poised to launch one new PREtec product each year going forward. All PREtec peptides are variants of naturally occurring proteins and break down rapidly in the environment, leaving no harmful residues on the crop or in the environment. The Group has a long history of offering products that support agricultural and environmental sustainability. The new products described below continue to meet the highest standards of sustainability.

## USA

The Company is on track to launch PHC279 (the active ingredient in Saori™) in the USA in partnership with Wilbur-Ellis (the fourth largest crop inputs provider in the USA) before the end of 2022. Regulatory approval from the EPA is being pursued. The launch with Wilbur-Ellis will be focused on growers of speciality crops – fruits, vegetables, and tree nuts. Foliar applications will enable these high value crops to resist losses in crop yield and quality associated with destructive plant diseases. By applying PHC279, producers will be able to ensure a high-quality crop while reducing their reliance on older, higher use-rate, synthetic fungicides, which are associated with leaving residues after harvest and having adverse environmental impacts.

A new liquid formulation of PHC279 has been developed, which is optimised for use as a seed treatment in row crops like corn and soybeans. This is expected to gain EPA approval in late 2023.

The Group is confident that formulations of PHC279 represent a multi-million-dollar revenue opportunity in USA markets. Knowledge gained from these product launches will be leveraged with strategic partners to identify new countries and additional high value markets where these products can be introduced.

During 2021, following in the tracks laid by PHC279, we have been preparing to file a regulatory submission for a product based on PHC949. This was filed with the EPA in January 2022. The new PHC949 product prevents yield loss from nematode (soil pests) damage in a wide range of crops. Nematode control products are forecast to be worth \$1.6 billion globally by 2025; these pests reduce crop yields by some \$100 billion annually.

In the USA, PHC949 will be co-developed with Wilbur-Ellis in high value specialty crops. Launch plans are in progress to introduce the product in the second half of 2023, after registration by the EPA and in key USA states. Thereafter, a new, liquid formulation of PHC949 optimised for use as seed treatment in row crops such as corn and soybeans is expected to be approved in late 2024.

## PREtec – TARGETING MARKETS WITH VALUE GREATER THAN \$5 BILLION

### 2012–14 DISCOVERY

- Build lab and team
- >800 peptides synthesised and screened in lab
- Mode of action studies

### 2015–17 IP SECURED

- Identified six lead products
- Initial field trials
- >50 patents filed; first patents granted in 2020

### 2017–19 EFFICACY CONFIRMED

- Testing in multiple crops in the USA, Brazil and the EU
- PHC279 emerging as first champion
- Low-cost production process in lab



USA field trials testing PHC949 relative to established competitor products shows outstanding control of nematode pests in a variety of crops. For example, in peppers, PHC949 increased marketable yield by about 3,265 lbs/acre, worth an extra \$2,070/acre at current prices. Field trials are also under way, demonstrating the value of PHC949 in soybeans and other crops in the USA based on foliar and seed treatment applications.

The Group expects long-term global sales of products based on PHC949 to reach into the tens of millions of dollars and become a significant value driver for the Group. Work is also continuing in the USA in conjunction with Wilbur-Ellis to develop our leading biostimulant peptides, PHC414 and PHC404.

#### **BRAZIL**

In Brazil, further development work is under way to build on the successful 2021 launch of Saori™ for the treatment of Asian Soybean Rust. The Company plans to register a new liquid formulation of Saori™, to complement the granular formulation launched in 2021. An application is expected to be submitted to the Brazilian Ministry of Agriculture, Livestock and Food Supply ("MAPA") in mid-2022, with approval targeted for mid-2023.

The Group continues to invest in Saori™ to extend the label claims to cover plant diseases like Brown Spot and Target Spot. In 2023, the Group also plans to submit new registrations in Brazil for the foliar use of PHC279 for treating diseases affecting sugarcane and coffee. Also in Brazil, studies are under way to support the registration of PHC949 for preventing nematode damage in soybeans. This application is expected to be submitted to MAPA in late 2022, with the expectation of being granted registration by the end of 2023.

#### **REST OF WORLD**

Working with various multinational crop protection companies, opportunities to deploy PHC279, PHC949 and other PREtec products are being actively explored in China, Taiwan, Vietnam, Spain, Chile, and the UK. While the regulatory route to market and associated costs, timelines, and opportunities vary from country to country, the Group will invest selectively in these markets wherever these opportunities are large enough to justify the required investment.

#### **2020-21 REGULATOR SUBMISSION FIRST LAUNCH**

- Saori™ (PHC279) launch in Brazil H2 2021
- Agreement for commercial scale low COGS production
- PHC949 USA registration submission
- JDA with Wilbur-Ellis in USA specialty crops

#### **2022-25 ACCELERATE LAUNCHES**

- Achieve USA and Brazil registrations of PHC279 and PHC949
- Fourth quarter 2022 launch of PHC279 with Wilbur-Ellis in the USA
- Further JDAs and partnerships for multiple launches
- Product development in Europe

# SCALE UP MANUFACTURING OF PREtec PRODUCTS

## SCALE UP PRODUCTION OF THE TWO LEADING PEPTIDES, PHC279 AND PHC949

PHC279 is a peptide derived from the Innatus 3G family within the PREtec platform. The Innatus 3G family has the potential to deliver multiple products that serve as plant vaccines to protect against crop diseases such as Asian soybean rust. Vaccinated plants also show better growth, strength, and yields. As a representative peptide, PHC279 has shown remarkable activity in multiple crops; it is but the first of many products from the Innatus 3G family.

Building on our pilot production experience with PHC279, the Seattle R&D team's primary focus in 2021 was on developing the scale-up manufacturing procedures. This included fermentation, downstream processing and final formulation at a scale and consistency capable of supporting product launch and future growth, and at a cost to deliver attractive margins in market. In the early part of the year, we produced enough material for the initial, small-scale launch of PHC279 as Saori™ in Brazil.

During the year, we achieved great success in improving yield and optimising production methods, preparing a full production process manual for a third-party manufacturer. We sought and secured a reliable, cost-effective third-party manufacturer and successfully transferred the production methods for scale up production from 2-litre to 30-litre, and from there to commercial 5,000-litre fermentation tanks. The product produced from this large-scale production is being supplied in 2022 to Brazil as Saori™, for the seed treatment of soybeans.

PHC949 is a peptide developed from the T-Rex 3G family of PREtec, which enables us to develop products specifically for the activation of plants' natural defences against nematode infection. Nematodes are a major class of soil pests for both row crops and specialty crops. In addition to protection from nematodes, vaccinated plants also show great resistance to abiotic stress such as drought.

Remarkably for a plant response elicitor, PHC949 has consistently shown performance comparable to conventional chemicals in field trials. This is remarkable efficacy for a biological product, with its benign toxicological profile.

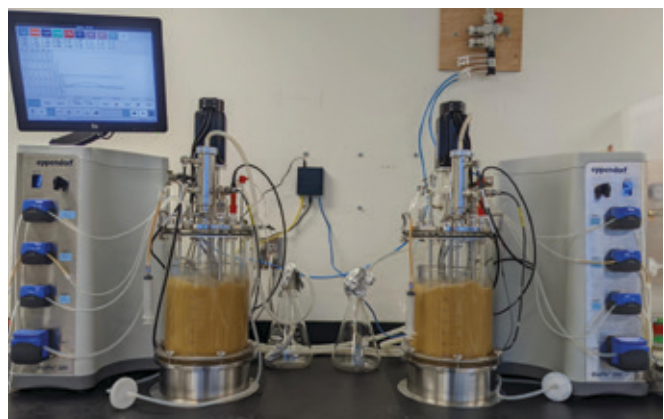
For PHC949, our R&D team focused on the development of production methods and started work on scaling up manufacture. Great success was achieved in improving yield and scaling up from a 2-litre bench top fermenter to 30-litre tanks. In 2022, work continues with our chosen contract manufacturer for the development of cost-effective manufacturing methods for commercial-scale production.

## PILOT SCALE MANUFACTURING OF PRETEC PRODUCTS

Successful commercialisation of peptides is critically dependent on the development of low-cost manufacturing. The Group is committed to building on our existing lead in this regard, to ensure that we can offer the benefits of PREtec peptides to growers at prices which offer them substantial returns on their investment, while ensuring strong profitability for both Plant Health Care and our distribution partners. In 2021, the Group made a significant capital investment in production and scale-up capability, to support accelerated development of low-cost manufacturing processes for our current and future peptide pipeline. Large scale manufacture will always be outsourced, but the ability to develop



Granulation machine used to create a dry formulation for PREtec products.



Two 10-litre fermentation tanks used to grow peptide expression bacteria.

detailed production processes for third party manufacturers is critical. Manufacturing at pilot scale also gives us flexibility, especially for launches and large-scale market development trials of new products and formulations. We are unaware of any company which can match PHC's ability to develop high yield production methods for peptides. This is a key capability for the Group to retain in house, as we develop and optimise manufacturing methods for further leading peptides. Manufacturing technology can be transferred in a controlled manner to large-scale third-party production without losing the proprietary knowhow.

Capital was invested in the purchase of two 10-litre fermentation tanks and a granular dry formulation dryer, and the construction of a downstream processing line, which raised the processing volume from 5 to 50 litres. By the end of 2021, the pilot production facility was completed. These facilities will significantly accelerate the development of production process methodology for new peptides from the PREtec platform. The facility also enables us to produce 100 kg of peptide products per month, which will allow us to produce for small scale product launches.

### **COMMERCIAL SCALE PRODUCTION**

The pilot scale manufacturing process developed by the Group can be transferred to any of several companies around the world which have suitable facilities for commercial production. It is not the Company's intention to duplicate this capability by building our own facilities. Third party manufacturers, however, need not only to have the appropriate facilities and the capability to produce quality product at scale for low cost but also all the requisite registrations and certifications to produce biopesticides.

During 2021 the Group has worked hard to identify and sign up a world class manufacturing partner, with a view to securing a flexible, responsive, high-quality, low-cost source for our peptide products. After protracted evaluation, a manufacturing partner in the European Union has been signed up. The first commercial runs of manufacture of PHC279 were completed successfully in early 2022, for sale as Saori™.

### **PRODUCT DEVELOPMENT AND REGULATORY**

The Group has established a Product Development and Regulatory team under the leadership of Dr Patrick Doyle. This team drives the delivery of the PREtec product pipeline to ensure that the Company will make at least one major product launch each year. It also supports the continued commercialisation of the Harpinqβ product portfolios in priority markets. This role aligns the Group's global regulatory, product testing, and portfolio management strategies to deliver the Group's technology and products to support the overall Commercial strategy. The Product Development and Regulatory team maintains continuous contact with the Group's scientists to ensure that technical study requirements meet regulatory requirements to deliver registration dossiers with government agencies. To ensure that product submissions support commercial objectives, the Group maintains systems and processes supported by cross-functional product teams covering R&D, Formulation Chemistry, Field Testing, Regulatory and Product Development, Production and Supply, and Commercial. Experts within each function participate in regular meetings to discuss key milestones, capture opportunities, resolve issues, and make decisions to move products and technologies from the research to commercial phase in the most efficient and cost-effective manner possible.

The Product Development and Regulatory Team also governs annual field-testing programmes to confirm product efficacy, use-rate response, level and duration of control, crop tolerance and compatibility with current agronomic practices, etc. within high value target markets to support registration and commercial objectives. This work is also closely aligned with business development to ensure that product testing protocols and priorities are well aligned with testing conducted by external and partner companies. Commercialisation of PREtec products within Europe remains a challenge as the current regulatory framework required to bring products to market remains cumbersome, expensive, and time-consuming. The Group remains committed to bringing PREtec technology to Europe through continued investment in field trials which demonstrate the benefits of PREtec technology relative to established, conventional chemistry.

# CONTINUED CONTROL OF EXPENSES AND REDUCED WORKING CAPITAL



A summary of the financial results for the year ended 31 December 2021 with comparatives for the previous financial year is set out below:

	2021 \$'000	2020 \$'000
Revenue	<b>8,432</b>	6,611
Gross profit	<b>5,003</b>	3,683
Gross profit margin	<b>59%</b>	56%
Operating loss	<b>(6,381)</b>	(3,568)
Finance (expense)/income net	<b>(34)</b>	264
Net loss for the year before tax	<b>(6,415)</b>	(3,304)
Adjusted LBITDA*	<b>(4,618)</b>	(3,304)
Cash equivalents and investments	<b>9,162</b>	4,149

## REVENUES

Revenues in 2021 increased by 28% to \$8.4 million (2020: \$6.6 million). On a constant currency basis revenue increased 24% or \$1.6 million driven by strong growth in the sugar cane and the corn and specialty markets in Brazil and the USA, respectively. The gross margin increase to 59% (2020: 56%) is due to increased Harpin aβ sales into the Americas. Harpin aβ sales increased 55% to \$6.0 million (2020: \$3.9 million). Third-party revenue decreased 11% to \$2.4 million (2020: \$2.6 million) due to reduced plantings in the Mexican specialty market.

The Group has three separate reporting segments as set out below.

The Group's revenue, gross margin and LBITDA are weighted towards the second half of the financial year. Revenue in the first half of the year is 40%, with the remainder being recognised in the second half.

## AMERICAS

This segment includes activities in both North and South America but is exclusive of Mexico. Revenue in the Americas segment increased 77% (80% in constant currency) to \$3.9 million (2020: \$2.2 million).

The increase in revenue was due to further expansion into the specialty crop and corn markets through our partner Wilbur-Ellis and another large USA distributor. Revenue in the Americas is predominantly from Harpin aβ sales.

## REST OF WORLD

Revenue in the Rest of World segment increased 31% (26% in constant currency) to \$1.6 million (2020: \$1.2 million). The increase was primarily due to a sales increase of 33% (28% in constant currency) in Spain due to continued growth into the citrus market and expansion into the glasshouse market. Revenue in the Rest of World segment is predominantly from Harpin aβ sales.

## MEXICO

A significant portion of the Group's revenue comes from Mexico. Revenue from the Mexican segment decreased 8% (12% in constant currency) to \$3.0 million (2020: \$3.2 million). This was primarily due to decreased export demand for fruits and vegetables and reduced plantings in the specialty market.

Revenue in Mexico includes sales of Harpin aβ and third-party products. The gross margin in Mexico for Harpin aβ and third-party products are 70%+ and 40%+, respectively.

## GROSS MARGIN

Gross margin increased to 59% (2020: 56%). The increase was primarily due to increased sales of Harpin aβ in North America and Brazil. Harpin aβ globally consistently achieves a gross margin of 70%+.

## OPERATING EXPENSES

The Group raised equity to help accelerate our product launches, which caused expenses to increase to \$9.6 million (2020: \$7.3 million). The main contributors were increased sales and marketing spend at \$3.7 million (2020: \$2.9 million) to drive additional commercial sales in Brazil and the USA, increased PREtec spend at \$3.0 million (2020: \$2.3 million) to support our PREtec product launches and increased administration costs to support our consolidation efforts.

Non-cash unallocated corporate expenses increased \$1.6 million to \$1.8 million (2020: \$0.2 million). The increase was attributable to the forex loss in the value of Sterling loans from our UK subsidiary due to the appreciation of the Pound (2020: forex gain).

Adjusted LBITDA, a non-GAAP measure, increased by \$1.3 million to \$4.6 million (2020: \$3.3 million) primarily due to improved gross profit of \$1.3 million offset by increased spend in sales and marketing of \$0.8 million, PREtec of \$0.7 million, and administration of \$0.7 million.

\* Adjusted LBITDA: loss before interest, tax, depreciation, amortisation, share-based payments and intercompany foreign exchange.

	2021 \$'000	2020 \$'000
Operating loss	<b>(6,381)</b>	(3,568)
Depreciation/amortisation	<b>567</b>	639
Share-based payment expense	<b>572</b>	596
Intercompany foreign exchange losses/(gains)	<b>624</b>	(971)
Adjusted LBITDA	<b>(4,618)</b>	(3,304)

#### BALANCE SHEET

At 31 December 2021 and 2020, investments and cash and cash equivalents were \$9.2 million and \$4.1 million respectively. Cash remains a primary focus for the Group.

Inventory (\$2.1 million) decreased \$1.4 million due to increased consumption and improved purchasing patterns. Trade accounts receivable (\$3.4 million) increased \$0.6 million due to increased sales in the USA market in the fourth quarter versus the prior year. Trade payables (\$1.2 million) were comparable to the prior year (\$1.3 million).

Translation of the results of foreign subsidiaries for inclusion within the consolidated Group results resulted in an exchange gain of \$0.5 million recorded within other comprehensive income and foreign exchange reserves (2020: loss of \$1.2 million).

#### CASH FLOW AND LIQUIDITY

The Company successfully raised £6.6 million (\$9.1 million) through the issuance of new ordinary shares in March 2021. Net cash used in operations was \$3.2 million (2020: \$2.5 million).

The increase is due to increased losses offset by an improvement in working capital primarily by reduced inventory through increased product consumption and improvement inventory management.

Net cash used by investing was \$5.4 million (2020: \$1.2 million). The Group holds surplus cash in several bond and money market funds. The movement in these funds was used to further invest in the PREtec business and fund the Commercial business.

Net cash provided by financing activities was \$8.6 million (2020: \$4.2 million). The increase was primarily due to the March 2021 equity raise of \$9.1 million.

#### GOING CONCERN

In assessing whether the going concern basis is appropriate for preparing the 2021 annual report, the Directors have utilised the Group's detailed forecasts, which take into account its current and expected business activities, its cash and cash equivalents and its investments balance of \$9.2 million. The principal risks and uncertainties the Group faces and other factors impacting the Group's future performance were considered. The Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the next 12 months from approval of these financial statements and accordingly these financial statements are prepared on a going concern basis, with no material uncertainty over going concern. Analysis of the going concern position is detailed in the Directors' report and note 2 to the financial statements.

**JEFFREY HOVEY**  
Chief Financial Officer  
11 May 2022



# HOW WE MEASURE SUCCESS

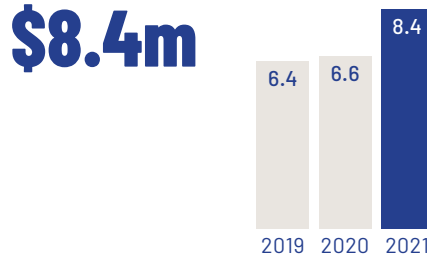
The Group uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial. The most significant relate to Group financial performance and to the Group's progress in driving the two pillars of its strategy.

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

The KPIs for financial performance for the year ended 31 December 2021, with comparatives for the years ended 31 December 2020 and 2019, are set out on the right.

## FINANCIAL

### REVENUE (\$m)



### WHY WE MEASURE IT

When viewed with the gross profit and operating expenses, revenue gives an indication if the Group is close to achieving a breakeven position.

### WHY IT IS IMPORTANT

Revenue growth shows how the business is performing year over year.

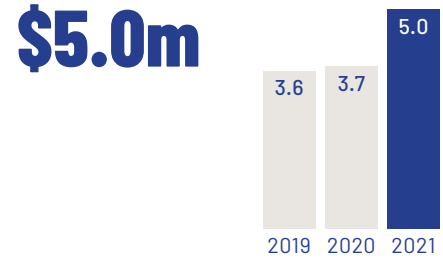
### WHAT IT MEANS

Revenue increased, driven by strong sales of Harpin aβ. This gives the Group confidence that adoption of our products is accelerating sales with our global partners.

### LINKS TO STRATEGY



### GROSS PROFIT (\$m)



### WHY WE MEASURE IT

To analyse the profitability and financial performance of each segment and the Group as a whole.

### WHY IT IS IMPORTANT

A strong gross profit indicates the efficiency of the Group in producing its goods.

### WHAT IT MEANS

The Group's gross profit increased from 2020 levels due to increased sales of Harpin aβ, which has a margin of 70%+ globally.

### LINKS TO STRATEGY



## NON-FINANCIAL

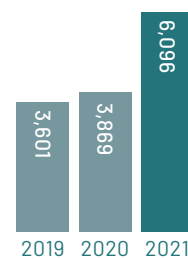
The KPIs for non-financial performance relate to the Group's technologies and include the number and nature of relationships realised with partners, and progress along the paths to commercial launch of products.

The Board continues to monitor the progress of its research and development 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.

## PROPRIETARY PRODUCTS

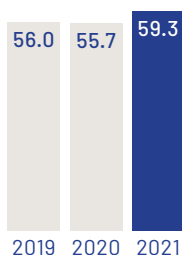
In addition, an important KPI is the movement in revenue and gross margin achieved from the sale of our proprietary products.

### REVENUE (\$'000)



### GROSS PROFIT MARGIN (%)

# 59%



#### WHY WE MEASURE IT

To show the efficiency with which the Group can sell its products.

#### WHY IT IS IMPORTANT

A high gross profit margin leads to a strong bottom line.

#### WHAT IT MEANS

The Group's gross profit margin improved from the prior year due to increased sales of higher margin Harpin aß.

#### LINKS TO STRATEGY



### OPERATING LOSS (\$m)

# \$(6.4)m



#### WHY WE MEASURE IT

To ensure that the Group is maximising gross profit and maintaining strict control of its expenses against budget.

#### WHY IT IS IMPORTANT

Achieving an operating profit is a critical goal of the Group as it would significantly reduce the key risk of running out of cash before realising the Group's long-term vision.

#### WHAT IT MEANS

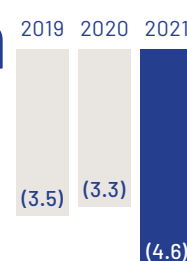
An increase in operating loss from the previous year shows that the Group has decided to accelerate investment in growing the commercial business and support PREtec launches globally.

#### LINKS TO STRATEGY



### LBITDA (\$m)

# \$(4.6)m



#### WHY WE MEASURE IT

To eliminate intercompany forex gains and losses, share-based payments, depreciation, amortisation, interest and tax from operating loss to help understand the operational business exclusive of non-cash items.

#### WHY IT IS IMPORTANT

Reducing LBITDA is a core short-term and long-term goal of the Group. Improving LBITDA reduces the risk of the Group running out of cash before the Group has realised its strategic goals.

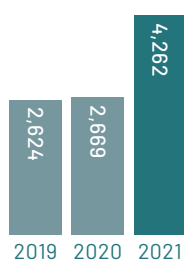
#### WHAT IT MEANS

The Group's LBITDA increased from 2020 as the business increased its investment in developing the Commercial business.

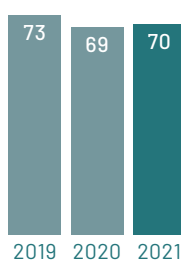
#### LINKS TO STRATEGY



### GROSS MARGIN (\$'000)



### GROSS MARGIN PERCENTAGE (%)



Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Group’s employees and other stakeholders, including the impact of its activities on the community, the environment and the Group’s reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Group for its members in the long term. The Directors are fully aware of their responsibilities to ensure that the Group is successful in accordance with section 172 of the Companies Act 2006.

**STAKEHOLDERS**

The Board regularly reviews our principal stakeholders and how we engage with them. The Group views its investors, customers, employees and suppliers as its principal stakeholders. All concerns or thoughts of our stakeholders are brought into the boardroom throughout the annual cycle through information provided by management and by direct engagement with stakeholders themselves. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

The following table shows how the Group engages with its stakeholders and the outcomes:

Stakeholder	Type of engagement	Why we engage
<b>INVESTORS</b>	<ul style="list-style-type: none"> <li>Investor website.</li> <li>Proactive investor relations.</li> <li>Periodic investor calls or meetings.</li> <li>Webinars to update investors on the progress of the Group.</li> <li>Stock Exchange announcements and press releases.</li> </ul>	<ul style="list-style-type: none"> <li>To allow our shareholders to understand Plant Health Care’s strategy and long-term goals.</li> <li>To help understand the Group’s vision, responsibilities and compensation structures.</li> <li>To confirm our commitment to our employees and our global environment.</li> </ul>
<b>CUSTOMERS</b>	<ul style="list-style-type: none"> <li>The Board focuses on the needs of all customers with emphasis on assisting the customer with sales of our products.</li> <li>Direct engagement with customers by several Board members.</li> <li>Review of strategy and performance monitoring throughout the year.</li> </ul>	<ul style="list-style-type: none"> <li>To provide the best quality products to our customers, to meet their individual needs.</li> <li>To ensure we comply with all local and global regulatory requirements.</li> </ul>
<b>EMPLOYEES</b>	<ul style="list-style-type: none"> <li>Participation in employee activities and global staff meetings is encouraged.</li> <li>Monthly meetings to encourage the sharing of ideas and views.</li> <li>All-employee bonus and option schemes.</li> <li>Covid-19 safeguards were implemented during March 2020 and continue to be maintained throughout the pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>To ensure our employees feel that their contributions help with the long-term goals of the Group.</li> <li>To inspire our employees.</li> <li>To enrich our employees through development and training.</li> </ul>
<b>SUPPLIERS</b>	<ul style="list-style-type: none"> <li>Supply chain risk management.</li> <li>Regular engagement with our suppliers through production planning, forecasting and shipment logistics.</li> <li>Continuous process improvements by working closely with our toll manufacturers.</li> </ul>	<ul style="list-style-type: none"> <li>To comply with regulatory requirements.</li> <li>To expand our long-term partnerships and agreements.</li> <li>To minimise the risk of the ability to supply our product to our customers.</li> </ul>



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## Outcomes

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- Investors' opinions are taken into account when determining strategy, operational performance and remuneration policies.

- 
- Technical support provided to multiple customers through field trial support or educating the customer on proper application of our products.
  - Customers' viewpoints are taken into account as part of the decision-making process.
  - Assist customers with regulatory and registration issues by country, in particular with sugar cane in Brazil and corn in the USA.

- 
- Improvements were made to the remuneration policy mainly through the issuance of new bonus option schemes.
  - Board encouraged senior management to proactively manage career development for all employees. The senior management team has semi-annual meetings with its staff to assess employees' interest in expanding their current duties and responsibilities.
  - Expanded HS&E policies to include enhanced safety training for the Seattle laboratory, sensitivity training globally and warehouse training.
  - Our employees have been minimally affected by Covid-19 due to the ability to work remotely and the safeguards established.

- 
- Continued improvement of long-term agreements with manufacturers to ensure that product will still be available to the Group.
  - Decreased unit costs and simplified the packaging process by reducing the number of packagers.
  - Negotiated long-term materials agreements with favourable terms.
  - The Group minimised supply chain disruptions due to Covid-19, by ordering product ahead of typical needs and prior to the pandemic being widespread.
- 

The Board has overseen the implementation of measures to ensure that stakeholder interests are always considered. Board papers prepared by management for Board approval highlight relevant stakeholder considerations to be considered as part of the debate when making decisions. As required, the Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to stakeholder issues.

## RELATIONS WITH SHAREHOLDERS

The Board encourages the engagement of our shareholders and with the capital markets more generally. Our Chairman takes overall responsibility for ensuring that the views of our shareholders are communicated to the Board and that our Directors are made aware of shareholders' key issues and concerns so these can be fully considered. The Board achieves this through:

- dialogue with shareholders, prospective investors and analysts, which are led by the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer;
- reports received from analysts to ensure that the Board maintains an understanding of the priorities and concerns of our investors; and
- regular investor roadshows and meetings with major shareholders.

Investors, prospective investors and analysts can contact our Chief Executive Officer or Chief Financial Officer at any time or access information on our corporate website. The Board believes that appropriate steps have been taken during the year so that all members of the Board, and in particular the Non-executive Directors, have an understanding of the views of major shareholders.

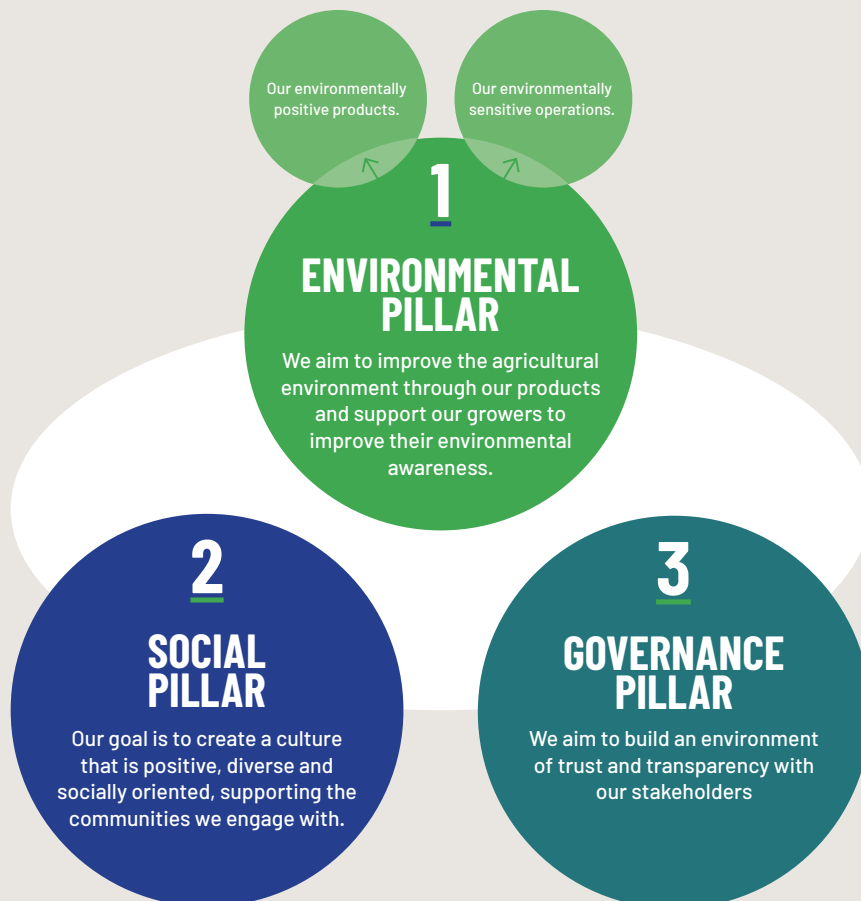
# OUR APPROACH TO SUSTAINABILITY

The agricultural sector faces some of the biggest challenges of our time. As a business, our mission is to support food security for growers, and help feed the world's population, which brings PHC to the heart of this challenge. Supporting a growing population around the world, with challenges from climate change, nature-related risks and geopolitical instability, growers are under extensive pressure. We know that reliable access to a sufficient quantity of affordable, nutritious food is becoming more of a priority for businesses and governments worldwide. Based on the World Economic Forum's 2021-22 Global Risks, many of the top 10 risks identified could have an impact on food security, including extreme weather, biodiversity loss, infectious diseases and geoeconomic confrontation. Our role is to support growers and to help them confront food security issues and feed the world's growing population. Sustainable, long-term approaches that support positive environmental and social outcomes are vital.

Plant Health Care is a believer in sustainability as a way of doing business, both in terms of our products and operations.

Plant Health Care has a unique combination of proven products, with low costs of goods and very strong market access. We are able to develop products specifically for the activation of plants' natural defence against parasite infection for both major crops and specialty crops. Operationally, we are proud to support our people, our workplaces and the wider environment. An example of our resilient and supportive culture is the way in which Plant Health Care employees worked together as we navigated through the many changes that Covid-19 brought. Adapting to conference calls, instead of in-person meetings, and working in different shifts to accommodate social distancing and local guidelines are just a few of the changes we had to make.

Over the following pages, we share our achievements for this year, and our forthcoming commitments, against our three sustainability pillars of environmental, social and governance.





## ENVIRONMENTAL

We aim to improve the agricultural environment through our products and support growers by improving their environmental awareness. Our environmental pillar is split out into our products and operations, two areas where we know we can have a big impact.

### OUR ENVIRONMENTALLY FRIENDLY PRODUCTS

Most of the ingredients in our products are edible, such as protein and cornstarch. Once PREtec is applied to crops, the peptide will quickly be degraded into plant food and leaves no residues in the environment. The Environmental Protection Agency of the USA has classified PREtec peptides as having low toxicity and leaving zero residues in either plants or the environment. The vaccinated plants also show great resistance to abiotic stress such as drought, with some peptide seed treatment projects increasing yield by up to 15% vs the standard seed treatment under drought conditions.

In 2021, we launched Saori™ in Brazil, the first product from the PREtec platform. We plan to follow that with at least one major product launch every year. We have focused on obtaining registrations and refining manufacturing costs to support our goals.

### THE FUTURE OF OUR PRODUCTS

Plant Health Care is fortunate to have a very strong team, with extensive experience and a proven commitment to supporting food security for the world's population.

We are currently focused on PHC279 and PHC949, which are biostimulants that activate plants, growth genes and pathways for yield increase and quality improvement in various crops such as fruits and vegetables.

Dozens of potential PREtec candidates have been identified and tested in greenhouses and in the field for multiple years as future pipeline products.

Our PHC 949 product is showing comparable performance for nematode control as compared to conventional chemicals in field trials. There is a compelling market for biological products that can replace chemistries with a toxic profile plus be a new tool for growers who have lost nematicide products due to increase regulations.

## GREEN ECONOMY MARK

In June 2021, we received the Green Economy Mark for achieving 50% of our revenues from environmentally supportive products.

The underlying methodology for the Green Economy Mark incorporates the "Green Revenues data model", which has been developed and managed by FTSE Russell, the leading global index provider. Through its consistent application across London Stock Exchange markets and segments, the Mark validates Plant Health Care's commitment to the environment while improving its visibility to investors and other stakeholders interested in the global transition to a green and low carbon economy.

### TOTAL 2020 REVENUE

**\$6.6m**

### TOTAL 2020 HARPIN SALES

**\$4.0m**

### HARPIN αβ

**APPROVED**

for use in organic agriculture in a number of countries around the world

**90% (\$6m)**

of our total revenue was from the sale of products either certified or registered for organic crop production



**OUR ENVIRONMENTALLY SENSITIVE OPERATIONS**

Ensuring that our operations can be as environmentally sensitive as possible is important to Plant Health Care. As a small company with limited physical premises, we undertake specific environmental initiatives to upskill our senior team and all colleagues on greener operational approaches, to ensure we are being responsible to the environment.

We are alert to the challenges of agricultural and scientific waste and are mindful of our impact on the environment. Our products are packaged in cartons and dividers that are made from recycled paper, as well as being recyclable. Our bottles are also recyclable. We continue to work towards finding a vendor that can provide bags that are made of recyclable materials. In locations where we have offices we recycle cans, bottles and cardboard. We moved our Raleigh office to Holly Springs, NC, for a more environmental workspace that includes motion sensor lights to save electricity.

**Environment/operational:** Agriculture as a sector is exposed to the impacts of climate change, from global temperature increase to more frequent weather events. As suppliers to this sector, Plant Health Care is aware of the impacts of climate-related risks and opportunities on our business. The UK has made it mandatory for premium listed companies to disclose their exposure to climate-related risks under the Task Force on Climate-Related Financial Disclosures (“TCFD”) regulation. This is growing in importance around the world. As such, this will be an area that we show more in-depth consideration over the coming years.

Similarly, nature-related risks are becoming increasingly important for legislators around the world. These risks have long been a concern for growers, who work closely with the earth and with nature. As nature-related reporting grows in importance over the coming years, we intend to explore Plant Health Care’s exposure to these risks, and how the business can go about mitigating such risks.

**SOCIAL**

Our goal is to create a culture that is positive, diverse, and socially oriented, supporting the communities we engage with locally. Our social pillar encompasses how we interact with our people, how we develop our policies, and how we prioritise health and safety as a core part of our operations. We provide an excellent medical benefit package to our employees in the USA.

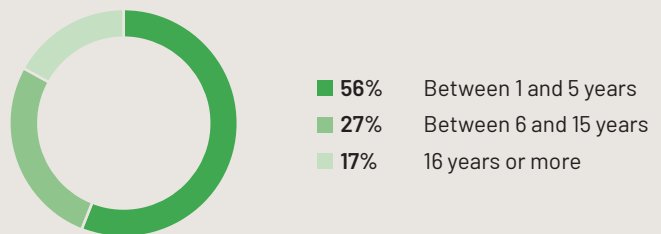
**OUR PEOPLE**

Plant Health Care is proud to say that we did not incur any layoffs due to the pandemic . We provided additional technical support to assist our employees that were working from home and offered financial assistance to support this initiative. We have a very diverse group from multiple backgrounds working towards a common goal. Our employees are located throughout the USA, Brazil, Mexico, Spain and the UK.

**7**  
people added to the business

**56%**  
of our employees have been here between 1 and 5 years

**EMPLOYEE RETENTION (%)**



**OUR POLICIES**

At PHC we know that it is vital that our people know our products thoroughly. We provide our employees with extensive training, which consists of an overview of the Company and an introduction on how the Harpin protein interacts with the plant. We then go into detail as to how the products works, the application process for our products and the results obtained.

We frequently provide our team with opportunities to better understand the use of our products, knowledge of the growing seasons, the dosage, and the timing of a correct application. This helps them to gain a level of knowledge of the products and provide our customers with the correct solution for each phase of the planting season.

We also have a full Code of Conduct, developed and flexed for multiple markets, and share an Employee Handbook with our new hires.

## **HEALTH AND SAFETY**

Accidents are thankfully rare at PHC, and this is primarily due to our dedication to health and safety. We provide online safety training modules to our office personnel and in-person safety training to those in the field. We report to our Board quarterly on our accident rate. In 2020-21, we had no reportable accidents and are committed to maintaining this trend.

## **HEARING FROM OUR EMPLOYEES**

*“Working for Plant Health Care is a very rewarding experience. It has allowed me to expand my knowledge outside of the supply chain organisation. We have an extremely knowledgeable global team that works very well together to ensure cohesive practices and support of the overall vision of the Company.”*

**MEAGAN OSBORN,  
HEAD OF SUPPLY CHAIN**

*“I enjoy working at PHC because it allows me to apply molecular microbiology to production of sustainable agricultural products.”*

**BRETT MELLBYE,  
FERMENTATION SCIENTIST**

*“PHC is an exceptional place to work because of the teamwork resulting from associates who are positive, supportive, responsive, and collaborative and thus we get the job done while having fun, developing and promoting unique, sustainable proteins and peptides that help growers protect crops and increase quality and yields, and are safe for users, non-target beneficials, and the environment.”*

**DARIN ALLRED,  
TECHNICAL SALES MANAGER**

*“I like working for PHC because of its supportive and welcoming environment.”*

**TUCKER WALTON,  
FORMULATION ASSOCIATE**

*“Plant Health Care has provided me with the opportunity to grow my skill set and responsibilities as our business needs evolved. It’s particularly rewarding to talk with distributors and growers and educate them about our products.”*

**GREGORY ZORNETZER,  
SENIOR SCIENTIST – IP MANAGEMENT**

*“I mostly appreciate the collaborative atmosphere and the focus on the wellbeing of employees.”*

**STEPHEN CARRASCO,  
STAFF ACCOUNTANT**

*“Plant Health Care provides many opportunities for the professional development of our employees and encourages the fostering of a family environment. The Plant Health Care Mexico team is proud to represent a company that cares about the well-being of its partners, employees, customers, and suppliers. We also encourage a sustainable environment, seeking not to further damage the environment and its surroundings.”*

**ARMANDO CRUZ HERRERA,  
GENERAL MANAGER, MEXICO**

**BOARD:**

Oversees our overall business strategy and management, including sustainability initiatives.

**EXECUTIVE DIRECTORS:**

Communicates decision making, business strategy and sustainability imperatives to the Board as determined by the management committee.

**MANAGEMENT COMMITTEE:**

The formulation and execution of the business strategy has been assigned to the management committee who meet monthly to review the performance against the Group's strategic initiatives, which includes our approach and implementation of sustainable activities.

**ESG EMPLOYEE BOARD/GROUP:**

This group will determine and implement appropriate ESG projects throughout the year. This will involve a global coordinated effort to work with all employees to determine the best ESG practices based on their respective regions.

**GOVERNANCE**

In order to be a genuine component of our business activities, and to generate value for the company, our ESG approach needs to be well-governed and embedded into our governance mechanisms.

Our CFO is ultimately responsible for ensuring that decisions at the business take ESG elements into account where relevant, and for maintaining and promoting our ESG strategy. He is supported in this by the Human Resource manager who is responsible for championing ESG throughout the business, consolidating and recording our ESG initiatives, and continually looking to improve our ESG credentials.

Key decisions on ESG are taken at Board level, where key ESG topics make up a regular standing item on board meetings. We work with external consultants to bring new ESG information, including about our business exposure to developing trends, into board-level circulation. Once decisions are made on ESG topics, they are communicated to management by monthly senior management meetings. As outlined in the 'Next steps' below, we

are also looking to create an employee board or group to feed into our ESG work and share guidance for continuous improvement. This will feed directly to the Human Resource manager.

This approach to ESG governance forms part of our wider governance mechanisms for decision-making across PHC on page 35, and we manage ESG related risks through our existing corporate risk approach on page 30.

We are supported across PHC in our management of our ESG approach by our employees, who are interested in our work in this area and keen to support its development. We believe this is due to the culture of engagement we have at PHC, which can be seen in the examples of employee interaction in our 'Social' section above.

## **NEXT STEPS**

These are early days for PHC in formalising our ESG strategy and beginning to think about how we monitor and share data against the key issues of sustainability. As in inherently sustainable business, with products that are designed to take on long-term global challenges around food security and grower wellbeing, we can be proud of our underlying commitment to environmental, social and governance issues. In particular, the reporting and pillar-led strategic approach we have shared for the first time in this report demonstrates our evolving approach to ESG reporting. We are interested to hear feedback and thoughts from all our stakeholders on this developing work.

We are devoting internal resource towards developing our approach on this topic and ensuring that ESG is on the agenda for senior teams and decision-makers. Based on discussion at the Board level, we have agreed to explore a suite of new initiatives as part of our ESG strategy over the course of the coming year. We are taking this exploratory approach with the ongoing constraint that we are a relatively small company – we do not expect for every one of these areas to become a fully-fledged initiative and are keen to test out multiple routes to see which work best at PHC. Whilst we are not yet in a position to set targets or performance indicators against these initiatives, we look forward to working on these areas and to reporting on our activities in the next annual cycle.

## **ENVIRONMENTAL:**

- Explore the introduction of commuter incentives for public transport
- Research methods to reduce business travel where possible
- Establish an internal recycling program
- Increase our use of sustainably sourced materials

## **SOCIAL:**

- Review our charitable donations approach with an aim of increasing giving to charities in line with our values
- Commit to an employee program supporting our colleagues to providing volunteer opportunities, with a specific focus on food-oriented opportunities such as food bank drives and volunteering
- Explore methods to assist employees with learning new skills and/or pursuing higher education
- Explore opportunities for PHC to participate in mentoring groups to give back to the community

## **GOVERNANCE:**

- Establishing a Whistleblower channel or program
- Committing to empowering all our employees to participate in an Ethics & Compliance training course
- Establishing a company-wide social media policy
- Appointing employees to an internal board or other group to monitor the company's ESG progress, and to offer suggestions for improvement
- We continue to review the composition of the board and will look to improve its diversity as opportunities allow

We aim for these initiatives to be undertaken closely with and on behalf of our employees, and will actively seek feedback from them and from other stakeholders on these plans.

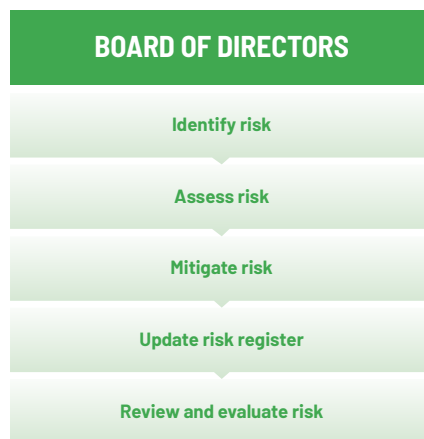
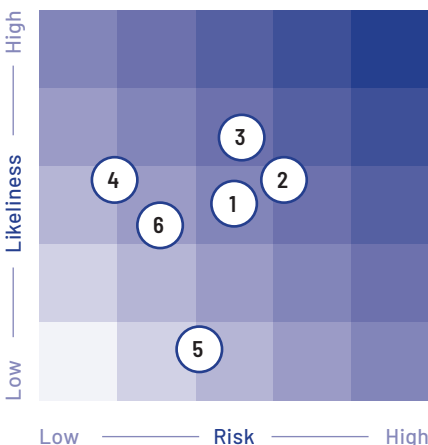
# EFFECTIVE MANAGEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Audit Committee, the effectiveness of these internal controls is reviewed annually.

The Executive Committee reviews formally at least twice annually the Company’s risk register, along with potential causes and impact, controls and actions to minimise the probability of those risks materialising, and considers new risks and opportunities presented to the Group, making recommendations to the Board as appropriate at least once annually.

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

## PRINCIPAL RISKS HEAT MAP



Risk	Description	Mitigation
1	<p><b>CAPITAL MARKETS, FINANCIAL AND LIQUIDITY RISK</b></p> <ul style="list-style-type: none"> <li>We have a history of losses since inception, and anticipate continuing to incur losses in the future, and may not achieve or maintain profitability. The Group believes that the strategic plans that have been established will lead to profitability in the coming years.</li> <li>We do not expect to require additional financing in the near future. However, a shortfall in achieving our sales or working capital targets could exhaust our cash reserves. This may compel the Group to seek additional financing. The Group may be unable to obtain such financing on favourable terms or at all, which could force us to delay, reduce or eliminate our research, development or commercial activities.</li> <li>Our reputation and share price depend on delivering against our stated objectives. If we are unable to meet market expectations, our share price may decrease, and we may lose shareholders.</li> <li>Sales in any one period will be subject to seasonal factors such as weather, timing of registrations and third-party relations. As a result, Group sales may not follow a strictly linear trend which makes sales forecasting challenging.</li> </ul>	<ul style="list-style-type: none"> <li>These risks are mitigated by being prudent in the management of the Group’s cash, controlling costs and maintaining strong investor support.</li> </ul>



Risk	Description	Mitigation
2	<p><b>DISRUPTION TO THE GLOBAL SUPPLY CHAIN</b></p> <ul style="list-style-type: none"> <li>The conflict in Ukraine could adversely affect the Group's supply chain.</li> <li>Due to the lasting effects of Covid-19, we could experience disruption in the shipping of our product from our toll manufacturers.</li> <li>Due to current global supply chain issues, we could experience higher raw materials and freight costs.</li> </ul>	<ul style="list-style-type: none"> <li>This risk is mitigated because the group currently does not have any suppliers in Ukraine or Russia.</li> <li>The Group has increased its forecasting of lead times from its toll manufacturers to compensate for any potential shipping delays.</li> <li>We order higher quantities of raw materials to achieve favourable bulk pricing and ship large quantities of our product to reduce shipments.</li> </ul>
3	<p><b>COMMERCIALISATION RISK</b></p> <ul style="list-style-type: none"> <li>We are subject to risks relating to product concentration due to the fact that we derive substantially all of our revenues from our Harpin αβ product line and from the sale of third-party products.</li> <li>We have a limited number of sales and marketing personnel and will need to expand our sales and marketing capabilities to grow revenues from our commercial products.</li> <li>The conflict in Ukraine could adversely affect the Group's commercialisation efforts.</li> <li>Our PREtec product launches depend on evaluation and distribution partners converting their declared interest into formal commercial transactions.</li> </ul>	<ul style="list-style-type: none"> <li>This risk is mitigated because the group currently does not have any customers in Ukraine or Russia.</li> <li>The Group is planning to hire additional personnel in 2022 to ensure that the commercial business achieves its short and long-term growth targets.</li> <li>We are actively engaged with several potential partners to ensure that they understand the value of our PREtec technology.</li> </ul>
4	<p><b>TECHNOLOGY RISK</b></p> <ul style="list-style-type: none"> <li>Our PREtec peptide development depends on demonstrating that the products can perform in the field against targeted value propositions. Trials can be influenced by weather and other factors, which can result in the trials having to be repeated; this can lead to delays of a year in product launches.</li> <li>We are developing new production methods for the commercial manufacture of PREtec peptides. We may be unsuccessful in achieving our targets for cost of goods. We may not be able to conclude agreements with outsourcing manufacturing partners or we may experience delays in scaling up to full commercial production.</li> <li>While a number of patents have been filed to date, we may be unable to secure adequate protection for the intellectual property covering our new technology and product candidates, or develop and commercialise these product candidates without infringing the intellectual property rights of third parties.</li> </ul>	<ul style="list-style-type: none"> <li>These risks are mitigated by reviewing and refining the strategy for commercialising our new technology to include both technology licensing and direct sales to distributors.</li> <li>The Group seeks to establish and protect its intellectual property rights by patents and other protection mechanisms.</li> </ul>
5	<p><b>REGULATORY AND LEGAL RISK</b></p> <ul style="list-style-type: none"> <li>If we are unable to obtain regulatory approvals, or comply with ongoing and changing regulatory requirements, it could delay or prevent sales of our commercial products or impede the development of potential products.</li> <li>If we use PREtec in trait development, our technologies and product candidates will face more stringent regulatory regimes.</li> <li>If we are unable to comply with regulations applicable to our facilities and procedures and those of our third-party manufacturers, our research and development or manufacturing activities could be delayed, limited or prevented.</li> </ul>	<ul style="list-style-type: none"> <li>These risks are mitigated by conducting regular internal reviews to ensure our compliance with regulatory requirements.</li> <li>The Group also monitors prospective changes in local laws and regulations which may impact its business.</li> </ul>
6	<p><b>PERSONNEL AND RESOURCES</b></p> <ul style="list-style-type: none"> <li>Our future growth and ability to compete depend on retaining our key personnel and recruiting additional qualified personnel.</li> <li>The success of the Group depends on obtaining and maintaining the appropriate level of skilled resources.</li> <li>If any of our employees contract the Covid-19 disease, it could negatively impact our ability to meet our short and long-term objectives.</li> <li>There is a heightened risk of employees working from home to be susceptible to phishing attempts or other cyber security risks.</li> </ul>	<ul style="list-style-type: none"> <li>These risks are mitigated by keeping employees engaged in the strategy of the Group and the establishing of long-term incentives. Annual reviews of the remuneration structure are carried out to retain and reward outstanding performance.</li> <li>The executive officers are subject to long-term contracts. Key staff have contractual arrangements designed to develop and incentivise them.</li> <li>Employees are periodically prompted to update their passwords and operating systems and are notified by Human Resources if phishing activity has increased.</li> </ul>

## FINANCIAL INSTRUMENTS

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

Information on the risks associated with the Group's involvement in financial instruments is given in note 20 to the financial statements.

On behalf of the Board

**DR CHRISTOPHER RICHARDS**

Chief Executive Officer

11 May 2022

# STRONG AND EXPERIENCED LEADERSHIP

- A** Audit Committee
- R** Remuneration Committee
- Chair of Committee



**DR CHRISTOPHER G J RICHARDS**  
Chief Executive Officer

#### Skills and experience

Dr Christopher Richards joined the Company as Non-executive Chairman in August 2012. He became Executive Chairman in April 2015 then Interim Chief Executive Officer in November 2018. Christopher spent 20 years at Syngenta and its predecessor companies in various strategic management positions in South America, Europe, and Asia. He then served as CEO of Arysta LifeScience from 2004 until 2010, leading Arysta LifeScience's transformation into a global agrochemical company with sales above \$1.6 billion. He was then Chairman of Arysta LifeScience until 2015. He serves on the Board of directors of Origin Enterprises plc, a service provider to farmers for food production solutions, and is Chairman of Nanoco Group plc, a nano-materials technology company conducting research, development and commercialisation of products based on heavy metal-free quantum dots.

#### Other current roles

None



**DR RICHARD H WEBB**  
Non-executive Chairman



#### Skills and experience

Dr Richard Webb joined the Company in September 2013 as a Non-executive Director. In January 2015, he was appointed as an Executive Director, responsible for leading the PREtec strategy and licensing. In January 2019 he became a Non-executive again, taking over as Chairman in October 2019. Richard held various positions at ICI plc including, early in his career, managing laboratory, field, and commercial development programmes for its public health pesticide business. Later he held corporate strategy roles at the time of ICI's demerger and restructuring. Thereafter, he worked as a consultant, mostly with life sciences businesses. It was in this capacity that he was originally engaged by the Company in 2012 to work on the development of its new business strategy. His doctorate in Pest Biology was from the London School of Hygiene & Tropical Medicine.

#### Other current roles

None



**JEFFREY HOVEY**  
Chief Financial Officer

#### Skills and experience

Jeffrey Hovey joined the Company as Chief Financial Officer in September 2013. He became an Executive Director in November 2019. He has over 25 years' financial management experience and is a CPA with IFRS and US GAAP experience. Jeffrey Hovey has held numerous senior financial and accounting roles in private and publicly listed retail, life sciences and technology companies. While with a regional office supply company, he led the accounting and financial due diligence effort which ultimately led to the sale of the company to an international office supply company.

#### Other current roles

None



### **GUY VAN ZWANENBERG**

**Non-executive Director**



#### **Skills and experience**

Guy van Zwanenberg joined the Board in November 2019 as a Non-executive Director. He is the Chair of the Audit Committee, a member of the Remuneration Committee and the Senior Independent Director.

Guy has more than 40 years' experience in industry and practice. He qualified as a Chartered Accountant with Grant Thornton and then spent three years working with James Gulliver.

Guy subsequently moved to become UK Finance Director of an American computer accessory company which was taken public in 1989. In 1991, he established his own interim financial management business and has since been involved in a number of SME businesses providing strategic and financial help. Guy joined Gamingking plc in 1998 (when listing on AIM) on a part

time basis as Finance Director and became Company Secretary and Non-executive Director in 2006, remaining until May 2013, during which time he helped acquire several businesses and to reverse the company into Sceptre Leisure plc, which was then delisted. He joined Quixant plc as a non-executive in March 2013 as part of the float team. In 2015 he joined as a non-executive at Coms plc and was part of the team which transformed the business into the SaaS business Smartspace plc and became its Chairman in July 2018. Guy is both a Fellow of The Institute of Chartered Accountants in England and Wales and a Chartered Director.

#### **Other current roles**

None



### **WILLIAM M LEWIS**

**Non-executive Director**



#### **Skills and experience**

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

#### **Other current roles**

None



## JEFFREY TWEEDY

### Chief Operating Officer

#### Skills and experience

Jeff has been with Plant Health Care since October 2017. In 2019, Jeff was promoted to Chief Operating Officer and Executive Board member after leading the growth of the Commercial business in North and South America. Under Jeff's leadership, the go-to-market strategy was transformed to align Plant Health Care's technology with several of the largest distributors globally to broaden market access for Harpin  $\alpha\beta$ .

Recent growth of the North American Commercial business has been due to several exclusive distribution agreements signed for Harpin  $\alpha\beta$ . The first was signed with a leading supplier to the USA corn grower market, which has given the Group access to the 90 million-acre USA corn market. The second agreement was with Wilbur-Ellis, one of the largest USA agriculture distributors, for applications to specialty crops (fruits and vegetables) which comprises more than 7 million acres in the USA. Since 2019, these two agreements have delivered a Harpin  $\alpha\beta$  revenue CAGR of 53% and \$2.4 million of revenue in 2021.

Jeff also led the commercialisation and launch of Saori™ as a seed treatment for soybeans in Brazil. Saori™ is the first product from the Group's PREtec platform to be brought to market, and Brazil is the largest producer of soybeans in the world. Saori™ was

approved for sale in January 2021 for the control of Asian soybean rust, after only 12 months of government regulatory evaluation. This unusually short evaluation period was because of Saori's™ effectiveness and sustainability profile. Through Jeff's leadership, the Group has secured a distribution agreement with Nutrien Ag Solutions, the world's largest provider of crop inputs and services.

Jeff also led the Group's goal of rationalising its supply chain and driving down its manufacturing costs. To this end, in 2021 he signed a production and supply agreement with a leading EU-based fermentation company. This has secured production capacity of PHC279, the active ingredient in Saori™, to meet projected global demand. Volume production cost targets were met, ensuring an attractive gross margin for the Company while still delivering an attractive return on investment for soybean farmers in Brazil.

Jeff brings 30+ years of technical, product development, sales management, and executive leadership to the Plant Health Care team. Jeff holds a Bachelor's of Science and Master of Science from Southern Illinois University at Carbondale.

#### Other current roles

None



Audit Committee



Remuneration Committee



Chair of Committee

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

Plant Health Care plc (the “Company”) is committed to maintaining the highest standards of corporate governance throughout its operations and to ensuring that all of its practices are conducted transparently, ethically and efficiently. The Company believes that continual review of all aspects of its business and reflecting, analysing and improving its procedures will result in the continued success of the Company and improve shareholder value. Therefore, and in compliance with the updated AIM Rules for Companies, the Company has chosen to formalise its governance policies by complying with the UK’s Quoted Companies Alliance Corporate Governance Guidelines for Small and Mid-Size Quoted Companies (the “QCA Code”).

The Company has followed the QCA Code’s recommendations in terms of disclosures to be made on its website and in this Annual Report. Specifically, the QCA Code has 10 principles being:

1. Establish a strategy and business model which promote long-term value for shareholders.
2. Seek to understand and meet shareholder needs and expectations.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.
5. Maintain the board as a well-functioning, balanced team led by the chair.
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.
8. Promote a corporate culture that is based on ethical values and behaviours.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

Disclosures recommended by the QCA Code to be included on the Company’s website, and not in its Annual Report, being principles 2, 3 and 9 may be found on the Company’s website. For more details regarding Corporate Governance, including the Company’s compliance with the ten principles of the QCA Code, please see the Company’s Corporate Governance Statement located at <https://www.planthealthcare.com/investors/corporate-governance>. Consideration of the remaining seven principles are described below.

In assessing its compliance with the QCA Code, the Company’s Board of Directors (the “Board”) is mindful that in some areas it may not fully comply with the QCA Code. Such non-compliance reflects the size of the Company, its stage of development and the complex scientific/specialist nature of certain of its activities. The Board is alert to the potential risks this may create and has therefore provided the following background and explanation.

Messrs Lewis and van Zwanenberg chair the Company’s two key committees and also meet with the Chairman separately on a regular basis. Board meetings have appropriately robust agendas and are held face to face in the USA or UK or remotely based on Covid-19 restrictions 5 times a year, with ad hoc meetings as and when the business needs demand. The USA is the main centre of activity and management of the Company. Each Board meeting also includes, where appropriate, involvement of the key executive leadership not on the Board. It is felt that the current Board has the right mix of skills that are relevant to the Company’s current position and stage of development. The Non-Executive Directors are satisfied that they present effective challenges to the Executive Directors and management team as and when required.

The Company has established specific committees and implemented certain policies and practices to ensure that:

- it is led by an effective Board which is collectively responsible for the long-term success of the Company;
- the Board and the committees have the appropriate balance of skills, experience, independence, and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively;
- the Board establish a formal and transparent arrangement for considering how it applies the corporate reporting, risk management, and internal control principles and for maintaining an appropriate relationship with the Company’s auditors;
- there is a dialogue with shareholders based on the mutual understanding of objectives; and
- all aspects of the Company are run in a robust and responsible way.

The Company’s overall strategic objective is to be a leading provider of proprietary biological products. The Company’s strategy and business model and amendments thereto, are developed by the Executive Committee and approved by the Board. The Executive Committee, led by the CEO, is responsible for implementing the strategy and managing the business at an operational level. A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Company’s results, compared with the budget, are reported to the Board at least five times per year. The full strategy and business operations of the Company are set out in the Strategic report section of this Annual Report on pages 2 to 31.

The Company’s business is subject to a number of potential risks and uncertainties. The occurrence of any of these risks may materially and adversely affect the Company’s business, financial condition, results of operations and future prospects. The Company manages and mitigates these risks by executing its strategy and operational plans as described above.

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Audit Committee, the effectiveness of these internal controls is reviewed annually. The Company maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Company. The insured values and type of cover are comprehensively reviewed on a periodic basis.

**INTRODUCTION CONTINUED**

A summary of the principal risks and uncertainties facing the Company are set out on pages 30 and 31 of this Annual Report. The Executive Committee meets at least twice annually to review the Company's risk register, along with potential causes and impact, controls and actions to minimise the probability of those risks materialising, and consider new risks and opportunities presented to the Company, making recommendations to the Board as appropriate at least once annually.

**BOARD OF DIRECTORS**

The Board of directors is responsible for the proper management of the Company by formulating, reviewing and approving the Company's strategy, budgets, and corporate actions. In order to achieve its objectives, the Board adopts the ten principles of the QCA Code. Through successfully implementing these principles, the Company believes it is able to deliver long-term growth for shareholders and maintain a flexible, efficient and effective management framework within an entrepreneurial environment.

It is important that the Board itself contains the right mix of skills and experience in order to deliver the strategy of the Company. As such, the Board is currently comprised of:

- Dr Richard Webb, Non-executive Chairman;
- Dr Christopher G J Richards, Executive Director and CEO;
- Mr Jeffrey Hovey, Executive Director and CFO;
- Mr Jeffrey Tweedy, Executive Director and COO;
- Mr Guy van Zwanenberg, Senior Independent Non-executive Director; and
- Mr William M. Lewis, an Independent Non-executive Director.

The backgrounds and relevant experience of these Directors is set out on the website.

The Company Secretary assists the Chairman and Committee Chairmen in preparing for and running effective Board meetings and Committee meetings, including the timely dissemination of appropriate information prior to meetings and minutes following the meetings. The Company Secretary provides advice and guidance to the extent required by the Board on the legal and regulatory environment.

The Board has a rolling agenda which ensures that all routine matters are captured during the year and brought to the Board's attention for consideration and where appropriate approval.

Each Director serves on the Board from appointment until the next annual general meeting at which he stands for election. Thereafter he stands for re-election in accordance with the Company's Articles of Association which is no less than once every three years.

**COMMITTEES**

In compliance with UK best practice, the Board has established the following committees.

**AUDIT COMMITTEE**

The purpose of the Audit Committee is to monitor the integrity of the financial statements of the Company.

Some of the Audit Committee's duties include:

- reviewing the Group's accounting policies and reports produced by internal and external audit functions;
- considering whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- reporting its views to the Board of Directors if it is not satisfied with any aspect of the proposed financial reporting by the Company;
- reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control;
- reviewing the adequacy and effectiveness of the Company's anti-money laundering systems and controls for the prevention of bribery and receive reports on non-compliance; and
- overseeing the appointment of and the relationship with the external auditor.

The Audit Committee has two members, each of whom is an Independent Non-executive Director and at least one member who has recent and relevant financial experience. The current members of the committee are Guy van Zwanenberg as the Chairman and William Lewis. The CEO and CFO attend the Committee meetings by invitation to present their reports. The auditor attends the annual audit committee meeting to present their audit findings on the annual year end audit.

**REMUNERATION COMMITTEE**

The purpose of the Remuneration Committee is to determine and agree with the Board regarding the framework or broad policy for the remuneration of the Company's chairman and the Executive Directors as well as the composition of the Board itself.

Some of the Remuneration Committee's duties include:

- reviewing the pay and employment conditions across the Company, including the Executives on the Board;
- approving targets and performance related pay schemes operated by the Company and all share incentive plans and pension arrangements;
- regularly reviewing the structure, size, and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes, succession planning and vacancies; and
- identifying suitable candidates from a wide range of backgrounds to be considered for positions on the Board.

The Remuneration Committee has two members, each of whom is an Independent Non-executive Director. The current members of the committee are William Lewis as the Chairman and Guy van Zwanenberg.

In light of the current composition of the executive leadership and the Board, the Board as a whole has retained overall responsibility for the review of the overall risk management processes and principles. The Board as a whole constitutes the Nomination Committee and will appoint a subcommittee if considered appropriate; the Board also determines remuneration for the Non-executive Directors.

The Board made the decision not to form a separate HSE committee. Matters if HSE are treated with the up most importance and considered by the Board as a whole. HSE is a standing agenda item considered at every scheduled Board meeting.

## EXECUTIVE COMMITTEE

The Company's Executive Committee is the main decision-making body of the Company and ensures that key decisions are made in a timely manner with the best information available. The Executive Committee meets on a monthly basis and has six members: Christopher Richards chairs the Executive Committee and is joined by Zhongmin Wei (Chief Science Officer), Jeffrey Tweedy (Chief Operating Officer), Jeffrey Hovey (Chief Financial Officer) and Mark Turner (Director, Technology Licensing).

## BOARD COMPOSITION

The Company's Board is currently comprised of 3 Non-executive Directors and 3 Executive Directors. The Chairman is non-independent.

Directors' biographies are set out on pages 32 to 34. The Board is responsible to its shareholders for the proper management of the Company and meets at least five times a year to set the overall direction and strategy of the Company, to review scientific, commercial, operational and financial performance and to advise on management appointments. All key operational and investment decisions are subject to Board approval. A summary of Board and Committee meetings held in the year ended 31 December 2021, and Directors' attendance records, is set out on page 43.

The Board considers itself to be sufficiently independent. The QCA Code suggests that a board should have an appropriate balance between the executive and non-executive directors and at least two independent non-executive directors. The Company's two Non-executive Directors who currently sit on the Board are regarded as independent under the QCA Code's guidance for determining such independence and it is considered that they provide the appropriate level of balance required. Non-executive Directors receive their fees in the form of a basic cash fee.

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, Guy van Zwanenberg, through the Company Secretary.

## BOARD EXPERIENCE

The Board considers that all of the Non-executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities, and bring considerable experience in scientific, commercial, operational and financial development of products and companies.

The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills together with independence to support the ongoing development of the Company.

The Chairman, in conjunction with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Company, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors receive updates from the Company Secretary and various external advisers on a number of corporate governance matters. Furthermore, the key Commercial executives and the PREtec team regularly present at Board meetings and attend dinners with Board members. Also the Board periodically visits the Research and Development centre in Seattle and are briefed by the team.

During 2021, the Board received a refresher from its Nomad on the continuing obligations of AIM together with a refresher on directors' duties and corporate governance best practice. The directors also undertook training in respect of Anti-Money Laundering regulations and the Anti-Bribery and Corruption requirements. It is noted that the Company has zero tolerance of anti-bribery and corruption.

Directors' service contracts or appointment letters make provision for a Director to seek personal advice in furtherance of his or her duties and responsibilities, normally via the Company Secretary.

The Board seeks advice from its external advisers as needed in the ordinary course of business and for exceptional circumstances, including its Nominated Adviser and outside counsel in the UK and USA as well as globally. 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. Directors' service contracts or appointment letters make provision for a Director to seek personal advice in furtherance of his or her duties and responsibilities, normally via the Company Secretary.

## PERFORMANCE OF THE BOARD

The Board has a process for evaluation of its own performance, that of its committees and individual Directors, including the Chairman. This process is conducted on a regular basis and last took place in 2021, with no substantive issues arising. Evaluation criteria include Board Composition, Strategy, Board Meetings, Training and Development, Governance, Risk, Company Secretary and Leadership. The Board may utilise the results of the evaluation process when considering the adequacy of the composition of the Board and for succession planning. The Board with the assistance of the Company Secretary, has an annual training schedule in place.

## CORPORATE CULTURE

The Board seeks to maintain the highest standards of integrity and ethics in the conduct of the Company's operations. These values are exhibited in the written policies and working practices adopted by all employees in the Company. An open culture is encouraged within the Company, with regular communications to staff regarding progress and staff feedback regularly sought. Employees are expected to behave and to execute the Company's strategy and objectives in an ethical, compliant manner as well as to ask questions and raise concerns openly. The CEO and senior management team monitors the Company's cultural environment and seeks to address any concerns that may arise, escalating these to Board level as necessary.

## GUY VAN ZWANENBERG

Senior Independent Director

11 May 2022



The Audit Committee is a formally constituted sub-committee of the Board. The Audit Committee comprises Guy van Zwanenberg as Chairman and William Lewis, who are Independent Directors. The Committee meets separately with the external auditor without management present.

#### MAIN ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee meets formally three times a year: in September, it reviews and considers the half year results announcement; in December, together with the external auditor, it considers and approves the nature and scope of the annual audit; and then in late March or April, it will receive reports from the external auditor on the conduct of its audit and its review of the accounts, including accounting policies and areas of judgement, and its comments on risk management and control matters. The external auditor also presents its fee proposals, which are assessed and approved, for the forthcoming annual audit at the December meeting.

The key areas of focus for the Audit Committee are set out below. This includes specific duties of the Committee in each area and how it operates.

#### 1. FINANCIAL REPORTING

- monitor the integrity of the financial statements of the Group, including its annual and interim reports, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature;
- review and challenge where necessary:
  - the consistency of and changes to accounting policies;
  - the methods used to account for significant and unusual transactions where different approaches are possible;
  - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - the clarity of disclosure in the Company's financial reports and the context in which statements are made;

- all material information presented with the financial statements, including the information in the Strategic report and the Corporate governance statement (insofar as it relates to the audit and risk management); and
- the critical judgements, risks and estimates used in determining if the Group is a Going Concern and if any assets have been impaired.

#### 2. FRAUD AND WHISTLEBLOWING

Review the Group's arrangements for its employees, contractors, and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action:

- review the Group's procedure for detecting fraud; and
- review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.

#### 3. EXTERNAL AUDIT

- consider and make recommendations to the Board to be put to shareholders for approval at the AGM as regards the appointment, re-appointment and removal of the Company's external auditor;
- oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- oversee the relationship with the external auditor including (but not limited to):
  - approval of its remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - approval of its terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - assessing annually its independence and objectivity taking into account relevant UK professional and regulatory requirements, the Financial Reporting Standard's Revised Ethical Standard 2019 (the "Ethical Standard") and the relationship with the auditor as a whole, including the provision of any non-audit services;



- satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
- agreeing with the Board a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard and legal requirements, then monitoring the implementation of this policy;
- monitoring the auditor's compliance with relevant professional guidance and the Auditing Practice Board's Ethical Standard 3 on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
- assessing annually its qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on its own internal quality procedures;
- meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet with the external auditor at least once a year, without management being present, to discuss its remit and any issues arising from the audit;
- review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement; and
- review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
  - a discussion of any major issues which arose during the audit;
  - any accounting and audit judgements; and
  - levels of errors identified during the audit.

## **INDEPENDENCE OF EXTERNAL AUDITOR**

Both the Board and the external auditor have safeguards in place to avoid the possibility that the auditor's objectivity and independence could be compromised. The policy in respect of services provided by the external auditor is as follows:

- Audit-related services – the external auditor is invited to provide services which, in its position as auditor, it must or is best placed to undertake. This includes formalities relating to shareholders and other circulars or any other regulatory reports or work in respect of acquisitions or disposals.
- Tax consulting – in cases where they are best suited, we will use the external auditor's tax advisers. However, in the current year and prior years, the Group has not used the auditor's tax advisers for tax consultancy services except in Mexico where the services were immaterial and appropriate safeguards were put in place such that our auditor's independence was not impaired.
- General consulting – recognising the public concern over the issue of auditor's independence, our policy is that the external auditor would not be used for general consulting work.

## **INTERNAL MANAGEMENT ACCOUNTING**

The Audit Committee considered the performance of the internal accounting function and the resource requirements available taking into account the size and complexity of the Group's activities. Given the small size of the Board, the Board as a whole reviews the internal budgets and they are formally approved by the Board. The Board has concluded as a whole that these budgets are both properly prepared and based upon realistic assessments of the market opportunities in the context of the Group's ambitions.

This report was approved by the Audit Committee and presented on its behalf by:

### **GUY VAN ZWANENBERG**

**Chairman of the Audit Committee**

11 May 2022



The Remuneration Committee has two members, each of whom is an Independent Non-executive Director. The current members of the Committee are William Lewis as the Chairman and Guy van Zwenberg. The Committee is responsible for determining the contract terms, remuneration and other benefits of the Executive Directors including the Executive Chairman, and for monitoring the remuneration of first-line executive management. The Committee may call on outside compensation experts as required.

#### REMUNERATION POLICY

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

#### ELEMENTS OF REMUNERATION – EXECUTIVE DIRECTORS

The following comprised the principal elements of the Group's Executive Directors' remuneration during 2021:

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

#### (A) 2004 UNAPPROVED SHARE OPTION SCHEME

In July 2004, the Board adopted the Plant Health Care plc Unapproved Share Option Scheme 2004. Under this scheme, the Board could grant options at an exercise price of not less than the market value of a share on the date of award. Options may normally be exercised between three and 10 years from grant. In most cases, vesting is also dependent upon the option holder remaining an eligible employee. In 2014, the scheme reached the 10th anniversary of its approval by shareholders; no further options may be granted. The Company was authorised to award options and shares under these plans up to the greater of 3% of its issued share capital or such number which, when aggregated with any outstanding options converted from the Plant Health Care, Inc. option plans from 1996 and 2001, amounts to no more than 10% of the issued share capital of the Company.

#### (B) 2017 EMPLOYEE SHARE OPTION PLAN

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

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

#### (C) OPTIONS GRANTED OUTSIDE OPTION SCHEMES

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

## PENSION BENEFIT

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

- participation is open to all USA-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 2021, the Group made matching contributions of up to 4%. In 2020, the Group made matching contributions of up to 4%;
- beginning in 2014, Group contributions vest immediately; and
- the plan is subject to various statutory non-discrimination tests to ensure that it does not favour highly compensated employees.

## ELEMENTS OF REMUNERATION – NON-EXECUTIVE DIRECTORS

During 2020 and 2021, the remuneration for Non-executive Directors consisted of fees for their services in connection with the Board and Board Committees. The Non-executive Directors receive their fees wholly in cash.

## SERVICE CONTRACTS

During 2020 and 2021, the Company had service contracts with all Executive and Non-executive Directors.

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

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

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

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

## DIRECTORS' REMUNERATION

For the years ended 31 December 2020 and 31 December 2021, the table below sets forth the audited compensation paid to the Directors.

	Base salary and fees \$'000	Performance- related bonus \$'000	Other benefits \$'000	Share option benefit \$'000	Total 2021 \$'000	Total 2020 \$'000
<b>Executive:</b>						
Dr C Richards	150	189	—	295	<b>634</b>	321
J Hovey	210	81	31	68	<b>390</b>	326
J Tweedy	272	130	13	78	<b>493</b>	401
<b>Non-executive:</b>						
Dr R Webb	76	—	—	—	<b>76</b>	172
W Lewis	55	—	—	—	<b>55</b>	51
G van Zwanenberg	55	—	—	—	<b>55</b>	49
	818	400	44	441	<b>1,703</b>	1,320

## OTHER BENEFITS

In 2021, the Group incurred \$44,000 (2020: \$44,000) of medical, dental and life insurance and pension expense on behalf of two Directors.

## OTHER INFORMATION

During the year, the Company's share price on AIM ranged between 9.1 and 18.4p. At 31 December 2021, the share price was 10.05p. At 11 May 2022, the last working day prior to the approval of this annual report, the share price was 12.0p.

This report was approved by the Remuneration Committee and presented on its behalf by:

## WILLIAM LEWIS

Chairman of the Remuneration Committee  
11 May 2022

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2021. See note 20 for a discussion of financial risk management objectives and policies, and the 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 53 and show a loss for the year of \$6,304,000 (2020: loss of \$3,224,000).

The Directors recommend that no dividend be paid at this time (2020: nil).

#### DIRECTORS

The beneficial interests of the Directors in the ordinary share capital of the Company and options to purchase ordinary shares of the Company as of 31 December 2021 were as follows:

	At 31 December 2021	
	Shares	Options
Dr C Richards	4,370,973*	6,666,022
Dr R Webb	1,300,978	1,658,981
J Tweedy	79,153	5,116,469
J Hovey	44,423	3,850,910
W Lewis	630,463	—

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

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

#### SUBSTANTIAL SHAREHOLDERS

On 11 May 2022, the Directors are aware of the following persons who, directly or indirectly, are invested in 3% or more of the Company's existing ordinary share capital:

Name	Shares held	% of issued share capital*
Ospraie AG Science	54,467,950	17.88
Richard Griffiths	42,500,000	13.95
Janus Henderson	30,214,286	9.92
Lombard Odier	22,589,809	7.41
Scobie Ward	17,424,005	5.72
Boulder River	15,365,253	5.04

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

#### RESEARCH AND DEVELOPMENT

The Group continues to invest in R&D activities with an emphasis on the improvement of existing technologies, the formulation of products to meet specific customer needs and the development of the Group's proprietary biostimulants based on the Company's Harpin platform technology. For further details of the Group's R&D activities, see the Chairman's statement and Strategic report on pages 2 to 31.

#### BUSINESS REVIEW

For a discussion of the Group's 2021 performance and future developments, see the Chairman's statement and Strategic report on pages 2 to 31.

#### POST-BALANCE SHEET EVENTS

There have been no Post-Balance sheet events.

## 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 2021 financial year:

	Board	Audit Committee	Remuneration Committee
<b>Number of meetings held</b>	7	2	4
Dr C Richards	7	1	4
Dr R Webb	7	1	1
W Lewis	7	2	4
G van Zwanenberg	7	2	4
J Tweedy	7	—	—
J Hovey	7	2	4

## 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.

## BREXIT

The United Kingdom ("UK") formally left the European Union ("EU") on 31 January 2020. Shortly before the expiry of the transition period, on 24 December 2020, the UK and the EU agreed upon a comprehensive Trade and Cooperation Agreement, which incorporated a free trade agreement, a partnership for citizens' security and a horizontal agreement on governance.

The Directors currently deem that the effects of the UK's departure from the EU and its Trade and Cooperative Agreement with the EU will not have a significant impact on the Group and Company's operations, due to the global geographical footprint of the business and the nature of its operations. However, the Directors and management continue to monitor the situation to manage the risk of the return of volatility in the global financial markets and impact on global economic performance.

## COVID-19

The Directors have continued to monitor and respond to the effects of the global Covid-19 pandemic on the Group and took prompt steps to ensure there was no material impact on the Group's operations and working capital. In particular, the Board implemented travel restrictions for Group business units and remote working arrangements for most of the Group's global workforce and instituted safety protocols for all business segments based on local Covid-19 guidelines.

Future working practices after the pandemic has receded are expected to include a blend of home and office working. Some limited rationalisation of office space has already been undertaken as leases permit, but we do not currently anticipate a major reduction in the near future.

## UKRAINE

The directors have been watching the heartbreaking situation happening in Ukraine. We anticipate the conflict to have no material impact on the Group's operations. The Group currently has no customers or suppliers in Ukraine or Russia and we do not anticipate any business dealings in the long-term with either of these countries.

## 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 at least 12 months from the approval of this annual report.

The Covid-19 pandemic has so far had limited impact on our business and the Board believes that the business is able to navigate through the continuing impact of the pandemic due to the strength of its customer proposition and its balance sheet and the net cash position of the Group. This is supported by the Company successfully completing an equity raise which generated \$9.1 million (net of costs) fundraise in March 2021.

**GOING CONCERN** CONTINUED

As further detailed in note 2 to the financial statements, the Group's going concern assessment is based on forecasts and projections of anticipated trading performance. The assumptions applied are subjective and management applies judgement in estimating the probability, timing and value of underlying cash flows.

**GREENHOUSE GAS EMISSIONS**

The 2018 Regulations introduced requirements under Part 15 of the Companies Act 2006 for an enhanced group of companies, which are defined as large by the Companies Act 2006, to disclose their annual energy use and greenhouse gas emissions, and related information. Under the 2018 Regulations, the Group is not currently defined as large and is considered a low energy user, with annual energy consumption of less than 40 MWh. Based on Plant Health Care's dedication to reducing the planet's carbon footprint and addressing climate change, Plant Health Care plc itself consumes less than 40 MWh and therefore is a low energy user, and the Group has chosen to include a sustainability section on page 24.

**ANNUAL GENERAL MEETING**

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

By order of the Board

**AMBA SECRETARIES LIMITED**

**Company Secretary**

11 May 2022

## **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 are required to prepare the Group financial statements in accordance with UK adopted international accounting standards 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.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards 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 Group and 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.

## **CORPORATE GOVERNANCE STATEMENT**

As Chairman of the Company, it is my responsibility to work with my fellow Board members to ensure that the Company builds solid corporate governance standards and to manage the Board in the best interests of all our stakeholders. The Board believes that practising sound corporate governance is essential for the foundations of a successful and sustainable business, and our commitment to good corporate governance is instilled throughout the organisation.

The Company adopted the Quoted Companies Alliance Corporate Governance Code (2018) (the "QCA Code") as its chosen corporate governance code, which it still believes to be the most appropriate governance code for the business. We report our compliance with the QCA Code on the Company's website and within this Annual Report.

The Company seeks to deliver responsible and ethical business practices across all the jurisdictions in which it operates, both with its employees, contractors, suppliers and all third parties.

The importance of engaging with our shareholders continues, and the Board strives to ensure that there are numerous opportunities for investors to engage with both the Board and Executive team. The last couple of years have proven not so easy with the travel constraints of Covid-19, however, efforts have continued to engage where possible albeit often virtually. It is hoped that moving forward more face to face engagement will be possible.

### **RICHARD WEBB**

**Chairman**

11 May 2022



# FINANCIAL STATEMENTS

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## **INDEPENDENT AUDITOR'S REPORT**

to the members of Plant Health Care plc

### **OPINION ON THE FINANCIAL STATEMENTS**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Plant Health Care Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2021, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity and notes forming part of the Group financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs" (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **INDEPENDENCE**

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **CONCLUSIONS RELATING TO GOING CONCERN**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting is included in the key audit matters section below.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## OVERVIEW

### COVERAGE<sup>1</sup>

90% (2020: 85%) of Group loss before tax

87% (2020: 92%) of Group revenue

96% (2020: 96%) of Group total assets

### KEY AUDIT MATTERS

	2021	2020
Debtors recoverability (2020 only: as strong indicators of debtor non-recoverability)	—	X
Going concern	X	X
Impairment of fixed asset investment and goodwill	X	X

### MATERIALITY

#### GROUP FINANCIAL STATEMENTS AS A WHOLE

\$210,000 (2020: \$240,000) each based on 5% of the average loss before tax of the last three years, excluding non-recurring items.

<sup>1</sup> These are areas which have been subject to a full scope audit by the Group engagement team.

### AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group comprises six components: two incorporated UK companies, one a holding company and the other a trading company, both of which are deemed significant components and three significant non-UK components; the remaining entity is deemed non-significant.

Based on our assessment of the Group, we focused our Group audit scope primarily over the Parent Company and the principal trading entities that were identified as significant components: Plant Health Care UK Limited, Plant Health Care Spain, the three USA entities, which are treated as one significant component, and Plant Health Care Mexico. Furthermore:

- Plant Health Care Plc, Plant Health Care UK Limited, Plant Health Care Spain, the three USA entities, which are treated as one significant component, were subject to full scope audits by the Group audit team, as the Group's finance team and information for these territories are centralised; and
- Plant Health Care de Mexico was subject to a full scope audit by our network member firm in Mexico.

For the component of the Group not considered to be a significant component, being Plant Health Care Brazil, the Group audit team performed specified audit procedures including a combination of analytical procedures.

### OUR INVOLVEMENT WITH COMPONENT AUDITORS

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with the component auditor included the following:

Plant Health Care de Mexico: We instructed our member firm in Mexico as to the scope and timing of their work on the financial information for Group reporting purposes, we held virtual meetings through the planning, execution and completion stage with the audit team and performed an onsite review of their audit documentation and findings and met, as part of the onsite review, with local management.

### KEY AUDIT MATTERS

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

**AN OVERVIEW OF THE SCOPE OF OUR AUDIT CONTINUED**

**KEY AUDIT MATTERS CONTINUED**

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Impairment review of the Parent Company's fixed asset investments carrying value and the Group's goodwill carrying value</b></p> <p>The Directors have considered both a value in use model and the fair value less costs of disposal in assessing the carrying value of the fixed asset investments in the Plant Health Care subsidiaries carried on the Parent Company Statement of Financial Position.</p> <p>The Group's goodwill carrying value relates to the proprietary product, Harpin αβ, cash generating unit ("CGU") and has been assessed using the Directors' value in use model only.</p> <p>The disclosures required to be included in the financial statements require judgement from management regarding what, how, and to what extent to disclose matters regarding their application of the going concern assumption.</p> <p>There is also significant judgement involved in the estimation of the recoverable amount of the fixed asset investment and goodwill balances, and the potential exposure to an impairment is material, and therefore we consider this to be a key audit matter.</p> <p>Details of the Group's accounting policies applied during the period are given in note 2 on page 57.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We reviewed and arithmetically checked the Directors' impairment assessments, based on our knowledge of the Group's business, performance to date and from discussions with management.</li> <li>• We assessed whether the methodology applied to value both the fixed asset investments and goodwill appropriately supports each asset's carrying value.</li> <li>• We reviewed and challenged the assumptions underpinning the forecasts and the other inputs into the value in use model. This included an assessment of the appropriateness of the discount rate applied, revenue growth rates, expected gross profit margins and terminal value.</li> <li>• We checked that the forecast figures included within the model had been approved by the Board and the base case scenario was consistent with information obtained in other audit procedures, including the going concern assessment.</li> <li>• We reviewed the different scenarios used by the Directors and ran our own sensitivities to evaluate the Directors' assessment of the existence of any impairment to the carrying value of the investment or goodwill.</li> <li>• We assessed the completeness and accuracy of the related accounting policies and disclosures in the notes forming part of the Group financial statements against the requirements of the relevant accounting standards.</li> </ul> <p><b>Key observations:</b></p> <p>Based on the procedures performed, we consider the Directors' judgements relating to the impairment of the Parent Company's investment balance and Group's goodwill and the relating disclosures in the notes forming part of the Group financial statements to be appropriate.</p>

**Going concern**

The Group and Parent Company financial statements have been prepared on a going concern basis. However, the current economic conditions continue to create uncertainties, particularly over (1) the level of customer and potential customer engagement and (2) the level of new sales to new customers. Material, unexpected deviations from the Directors' planned performance may require the Group to rationalise its cost base or seek additional external working capital.

The Directors have considered various sensitivity analyses to reflect a variety of possible cashflow scenarios to evidence that the Group and Parent Company will be able to operate within their existing facilities.

There is judgement involved in the assessment of Going Concern, and the potential exposure to uncertainties that are material, and therefore we consider this to be a key audit matter. We have highlighted going concern as a key audit matter based on our assessment of the risk and the effect on our audit strategy. Details of the Directors' judgements are given in the Strategic Report (financial summary) on page 19, Directors' Report on page 43 and the Group & Parent Company accounting policies applied during the period are given in note 2 on page 57.

Our audit procedures included the following:

- Review of the internal forecasting process to confirm the projections were prepared by an appropriate level of staff that are aware of the detailed figures included in the forecast but also has a high-level understanding of the Group's market, strategy, and changes in the customer base.
- Review of the forecasts prepared and challenge of the key assumptions, critiquing supporting documentation, and inputs within the model to determine whether there was adequate support for the assumptions underlying the forecasts.
- The Directors applied downwards sensitivities to the more variable aspects of the forecasts to capture the uncertainties over customer engagement and the level of new sales to new customers and also modelled a number of mitigating cash saving initiatives. We considered the appropriateness of the sensitivities applied in respect of the impact of Covid-19 and the Ukraine war and the Directors' available mitigating actions and their effects on the Group's solvency and liquidity position.
- Review of post year-end management accounts, specifically comparing the cash position against that budgeted.
- Making inquires of the Directors as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern.
- Considering the adequacy and completeness of the disclosures in the financial statements against the requirements of the accounting standards and the Directors' going concern assessment.

**Key observations:**

See conclusions relating to going concern above.

**OUR APPLICATION OF MATERIALITY**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

## OUR APPLICATION OF MATERIALITY CONTINUED

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021	2020	2021	2020
Materiality	\$210,000	\$240,000	\$105,000	\$120,000
Basis for determining materiality	5% of the average loss before tax of the last three years, excluding non-recurring items		50% Group materiality	
Rationale for the benchmark applied	We used loss before tax, excluding non-recurring items, as a benchmark as this is a primary KPI used to address the performance of the business by the Board.		Materiality for the Parent Company was set at 50% of Group materiality paying due consideration to aggregation risk in relation to Group materiality.	
Performance materiality	\$157,000	\$180,000	\$78,000	\$90,000
Basis for determining performance materiality	Performance materiality was set at 75% (2020: 75%). In setting the level of performance materiality, we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.			

## COMPONENT MATERIALITY

We set materiality for each component of the Group based on a percentage of between 21% and 50% (2020: 2% and 50%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from \$45,000 to \$105,000 (2020: \$5,000 to \$120,000). In the audit of each component, we further applied performance materiality levels of 75% (2020: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

## REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of \$10,500 (2020: \$12,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs(UK) to report on certain opinions and matters as described below

### Strategic report and Directors' report

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

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

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

### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

## RESPONSIBILITIES OF DIRECTORS

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

to the members of Plant Health Care plc

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, rules of the London Stock Exchange for companies trading securities on AIM, the Companies Act 2006 and relevant tax compliance regulations;
- We made enquiries of management, those responsible for legal and compliance procedures and the Company Secretary for any actual or suspected instances of fraud. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee;
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from the Group to understand where they considered there was a susceptibility to fraud;
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect recognition of revenue. We obtained an understanding of the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter, and detect fraud; and how management monitors those processes and controls;
- With regards to the fraud risk in management override, our procedures included journal testing, with a focus on large or unusual entries based on our knowledge of the business. We also performed an assessment on the appropriateness of key judgements and estimates, including the expected credit loss provision, and the fixed asset investment and goodwill impairment assessment (refer to KAM section above), which are subject to management's judgement and estimation, and could be subject to potential bias; and
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component auditors, who were all deemed to have appropriate competence and capabilities, to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**USE OF OUR REPORT**

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**IAIN HENDERSON (SENIOR STATUTORY AUDITOR)**

For and on behalf of BDO LLP, Statutory Auditor

London

United Kingdom

11 May 2022

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 2021

	Note	2021 \$'000	2020 \$'000
<b>Revenue</b>	4	<b>8,432</b>	6,611
Cost of sales		<b>(3,429)</b>	(2,928)
<b>Gross profit</b>		<b>5,003</b>	3,683
Other income		–	289
Research and development expenses		<b>(3,383)</b>	(2,963)
Sales and marketing expenses		<b>(3,677)</b>	(2,876)
Administrative expenses		<b>(4,324)</b>	(1,701)
<b>Operating loss</b>	5	<b>(6,381)</b>	(3,568)
Finance income	10	<b>27</b>	295
Finance expense	10	<b>(61)</b>	(31)
<b>Loss before tax</b>		<b>(6,415)</b>	(3,304)
Income tax credit	11	<b>111</b>	80
<b>Loss for the year attributable to the equity holders of the parent company</b>		<b>(6,304)</b>	(3,224)
<b>Other comprehensive income</b>			
Items which will or may be reclassified to profit or loss:			
Exchange gain/(loss) on translation of foreign operations		<b>468</b>	(1,211)
<b>Total comprehensive loss for the year attributable to the equity holders of the parent company</b>		<b>(5,836)</b>	(4,435)
<b>Basic and diluted loss per share</b>	12	<b>\$(0.02)</b>	\$(0.01)

The notes on pages 57 to 79 form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

at 31 December 2021

	Note	2021 \$'000	2020 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	13	1,622	1,625
Property, plant and equipment	14	718	246
Right-of-use assets	19	843	970
Trade and other receivables	16	135	303
Total non-current assets		3,318	3,144
<b>Current assets</b>			
Inventories	15	2,137	3,567
Trade and other receivables	16	3,364	2,778
Tax receivable	11	229	251
Investments	20	8,157	3,167
Cash and cash equivalents		1,005	982
Total current assets		14,892	10,745
<b>Total assets</b>		<b>18,210</b>	<b>13,889</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	2,711	2,118
Borrowings	18	37	33
Lease liabilities	19	400	400
Total current liabilities		3,148	2,551
<b>Non-current liabilities</b>			
Borrowings	18	224	193
Lease liabilities	19	480	583
Total non-current liabilities		704	776
<b>Total liabilities</b>		<b>3,852</b>	<b>3,327</b>
<b>Total net assets</b>		<b>14,358</b>	<b>10,562</b>
Share capital	22	4,326	3,605
Share premium		100,859	92,520
Foreign exchange reserve		(803)	(1,271)
Accumulated deficit		(90,024)	(84,292)
<b>Total equity</b>		<b>14,358</b>	<b>10,562</b>

The consolidated financial statements were approved and authorised for issue by the Board on 11 May 2022.

**DR CHRISTOPHER RICHARDS**

Director

Registered no: 05116780 (England and Wales)

The notes on pages 57 to 79 form part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Note	Share capital \$'000	Share premium \$'000	Foreign exchange reserve \$'000	Accumulated deficit \$'000	Total \$'000
<b>Balance at 1 January 2020</b>		3,030	88,647	(60)	(81,664)	9,953
Loss for the year		–	–	–	(3,224)	(3,224)
Exchange difference arising on translation of foreign operations		–	–	(1,211)	–	(1,211)
Total comprehensive loss		–	–	(1,211)	(3,224)	(4,435)
Shares issued net of issue costs	22	575	3,873	–	–	4,448
Share-based payments		–	–	–	596	596
<b>Balance at 31 December 2020</b>		3,605	92,520	(1,271)	(84,292)	10,562
Loss for the year		–	–	–	(6,304)	(6,304)
Exchange difference arising on translation of foreign operations		–	–	468	–	468
Total comprehensive income/(loss)		–	–	468	(6,304)	(5,836)
Shares issued net of issue costs	22	721	8,339	–	–	9,060
Share-based payments		–	–	–	572	572
<b>Balance at 31 December 2021</b>		<b>4,326</b>	<b>100,859</b>	<b>(803)</b>	<b>(90,024)</b>	<b>14,358</b>

The notes on pages 57 to 79 form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

for the year ended 31 December 2021

	Note	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Loss for the year		<b>(6,304)</b>	(3,224)
Adjustments for:			
Depreciation	14	<b>132</b>	277
Depreciation of right-of-use assets	19	<b>432</b>	338
Amortisation of intangibles	13	<b>3</b>	24
Share-based payment expense		<b>572</b>	596
Finance income	10	<b>(27)</b>	(295)
Finance expense	10	<b>61</b>	31
Foreign exchange loss/(gain)		<b>624</b>	(1,015)
Income taxes credit		<b>(111)</b>	(80)
Bad debt expense		<b>33</b>	–
(Increase)/decrease in trade and other receivables		<b>(499)</b>	598
Gain on disposal of fixed asset		<b>(20)</b>	(11)
Decrease/(increase) in inventories		<b>1,349</b>	(607)
Increase in trade and other payables		<b>406</b>	711
Income taxes received		<b>134</b>	165
<b>Net cash used in operating activities</b>		<b>(3,215)</b>	(2,492)
<b>Investing activities</b>			
Purchase of property, plant and equipment	14	<b>(382)</b>	(15)
Sale of property, plant and equipment	14	<b>20</b>	11
Finance income	10	<b>2</b>	159
Purchase of investments		<b>(8,048)</b>	(2,756)
Sale of investments		<b>3,056</b>	1,404
<b>Net cash used in investing activities</b>		<b>(5,352)</b>	(1,197)
<b>Financing activities</b>			
Finance expense	10	<b>(9)</b>	(4)
Payment of lease liability	19	<b>(465)</b>	(389)
Issue of ordinary share capital	22	<b>9,029</b>	4,449
Exercise of options	22	<b>31</b>	–
Borrowings		<b>36</b>	174
<b>Net cash provided by financing activities</b>		<b>8,622</b>	4,230
<b>Net increase in cash and cash equivalents</b>		<b>55</b>	541
<b>Cash and cash equivalents at the beginning of period</b>		<b>982</b>	457
<b>Effects of exchange rates on cash held</b>		<b>(32)</b>	(16)
<b>Cash and cash equivalents at the end of the period</b>		<b>1,005</b>	982

The notes on pages 57 to 79 form part of these consolidated financial statements.

# NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2021

## 1. GENERAL INFORMATION

Plant Health Care plc (the "Company") is a public limited company incorporated in England and Wales. The address of its registered office is 1 Scott Place, 2 Hardman Street, Manchester M3 3AA. The Company and its subsidiaries (together, the "Group") is a leading provider of proprietary agricultural biological products and technology solutions focused on improving crop performance by activating a growth response and bolstering plant defence mechanisms against both abiotic and biotic stresses. The principal markets of the Company and its subsidiaries are described in note 9.

## 2. ACCOUNTING POLICIES

### BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with UK adopted international accounting standards and the provisions of the Companies Act 2006. The financial information has been prepared on the historical cost basis except that financial instruments are stated at the fair value.

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

A number of other new standards, amendments and interpretations to existing standards have been adopted by the Group, but have not been listed, since they have no material impact on the financial statements. None of the other new standards, amendments and interpretations in issue but not yet effective are expected to have a material effect on the financial statements.

### REPORTING CURRENCY

While the functional currency of the parent company is Sterling, the Group's financial statements have been presented in US Dollars. The Directors believe this better reflects the underlying nature of the business, primarily due to the USA being the country whose competitive forces and regulations impact this business. The exchange rates used for translation are as reported below:

	Rates as of 31 December			
	GBP	Mexican Peso	Euro	Reals
2020	1.3649	0.0503	1.2264	0.1924
<b>2021</b>	<b>1.3510</b>	<b>0.0489</b>	<b>1.1342</b>	<b>0.1794</b>

	Average exchange rates			
	GBP	Mexican Peso	Euro	Reals
2020	1.2834	0.0468	1.1414	0.1958
<b>2021</b>	<b>1.3754</b>	<b>0.0493</b>	<b>1.1830</b>	<b>0.1855</b>

### GOING CONCERN

In assessing whether the going concern basis is an appropriate basis for preparing the 2021 annual report, the Directors have utilised detailed forecasts which take into account the Group's current and expected business activities, its cash and cash equivalents balance and investments of \$9.2 million as shown in its balance sheet at 31 December 2021, the principal risks and uncertainties the Group faces and other factors impacting the Group's future performance.

The consolidated financial statements have been prepared on a going concern basis. The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Covid-19 pandemic has so far had limited impact on our business and the Board believes that the business is able to navigate through the continued impact of the Covid-19 pandemic and any macroeconomic impact of the ongoing situation in Ukraine due to the strength of its customer proposition and statement of financial position and the net cash position of the Group. The current economic conditions continue to create uncertainty, particularly over: (a) the level of customers and potential customer engagement; and (b) the level of new sales to new customers. The pandemic and situation in Ukraine have continued to have impacts economically, with potential for causing delays in contract negotiations and/or cancelling of anticipated sales and an uncertainty over cash collection from certain customers.

As a consequence, various sensitivity analyses have been performed to reflect a variety of possible cash flow scenarios and also to consider the likelihood of this scenario occurring. Overall, these cash flow forecasts, which cover a period of at least 12 months from the date of approval of the financial statements, foresee that the Group will be able to operate within its existing facilities. Nevertheless, there is a risk that the Group will be impacted more than expected by reductions in customer confidence. If sales and settlement of existing debts are not in line with cash flow forecasts, the Directors have the ability to identify cost savings if necessary, to help mitigate the impact on cash outflows. Having assessed the principal risks and the other matters discussed in connection with the going concern statement, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial information.

for the year ended 31 December 2021

**2. ACCOUNTING POLICIES CONTINUED****BASIS OF CONSOLIDATION**

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.

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

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

**REVENUE**

The Group recognises revenue at the fair value of consideration received or receivable. Sales of goods to external customers are at invoiced amounts less value-added tax or local tax on sales. The Group currently generates revenue solely within its Commercial business through the sale of its proprietary and third-party products. Credit terms provided to customers also affect the recognition of revenue where a significant financing component is considered to exist.

The Group's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for some sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is minimal judgement needed in identifying the point control passes to the customer: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

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

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

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

**OTHER INTANGIBLE ASSETS**

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

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

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

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

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

Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

## 2. ACCOUNTING POLICIES CONTINUED

### OTHER INTANGIBLE ASSETS CONTINUED

Capitalised development costs are amortised over the periods of the future economic benefit attributable to the asset. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income. The Group has not capitalised any development costs to date.

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

Licences	–	12 years
Registrations	–	5–10 years

### IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

### FOREIGN CURRENCY

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

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

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

### OPERATING SEGMENTS

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

### FINANCIAL INSTRUMENTS

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

Investments comprise short-term investments in notes and bonds having investment grade ratings. Investments are designated as at fair value through profit and loss upon initial recognition when they form part of a group of financial assets which is actively managed and evaluated by key management personnel on a fair value basis in accordance with the Company's documented investment strategy that seeks to improve the rate of return earned by the Company on its excess cash while providing unrestricted access to the funds. The Company's investments are carried at fair value as determined by quoted prices on active markets, with changes in fair values recognised through profit or loss.

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

The Group applies both the simplified and general approaches under IFRS 9 to measure expected credit losses using a lifetime expected credit loss provision for trade receivables. Under the simplified approach, expected credit losses on a collective basis, trade receivables are grouped based on credit risk and ageing. Under the general approach, trade receivables that have payment terms over 180 days are reviewed.

The expected credit loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical credit loss rates are then adjusted for current and forward-looking information on factors affecting the Group's customers.

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.

for the year ended 31 December 2021

**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-SETTLED SHARE-BASED PAYMENTS**

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

**LEASES**

The Group records its lease obligations in accordance with the principles for the recognition, measurement, presentation and disclosure of leases set out in IFRS 16. The Group adopted the standard with effect from 1 January 2019.

IFRS 16 requires lessees to recognise a lease liability that reflects the net present value of future lease payments and a corresponding "right-of-use asset" in all lease contracts, although lessees may elect not to recognise lease liabilities and right-of-use assets in respect of short-term leases or leases of assets of low value.

The Company has elected not to recognise right-of-use assets and lease liabilities in respect of certain leases of office equipment of low value or of short term. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date. The lease liability is initially measured at the present value of the following lease payments:

- fixed payments;
- variable payments that are based on an index or rate;
- the exercise price of any extension or purchase option if reasonably certain to be exercised; and
- penalties for terminating the lease, if relevant.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The right-of-use assets are initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs. The right-of-use assets are depreciated over the period of the lease term, or, if earlier, the useful life of the asset, using the straight-line method. The lease term includes periods covered by an option to extend, if the Group is reasonably certain to exercise that option. In addition, the right-of-use assets may during the lease term be reduced by impairment losses, if any, or adjusted for certain remeasurements of the lease liability.

On 28 May 2020, the IASB issued final amendments to IFRS 16 related to Covid-19 rent concessions for lessees. The amendments modify the requirements of IFRS 16 to permit lessees to not apply modification accounting to certain leases where the contractual terms have been affected due to Covid-19 (such as rent holidays or other rent concessions). The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. The Group did not adopt this standard as no such concessions were applicable.

**PROPERTY, PLANT AND EQUIPMENT**

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

It is calculated at the following rates:

Production machinery	—	10-20% per annum
Office equipment	—	20-33% per annum
Vehicles	—	20% per annum
Leasehold improvements	—	25% per annum

## **2. ACCOUNTING POLICIES CONTINUED**

### **INVENTORIES**

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

### **GOVERNMENT FUNDING AND GRANTS**

The Paycheck Protection Program ("PPP") loan received in 2020 under the US CARES Act was initially recognised as a deferred income liability on the balance sheet and remained as such until the loan was forgiven by the Small Business Administration in the United States, which evidenced there was reasonable assurance that the entity complied with the conditions associated with the terms of the PPP. At that point, the monies were released to the income statement as an income-related grant and presented as other income.

### **TAXATION**

Current tax is the expected tax payable on the taxable income arising in the period reported on, calculated using tax rates relevant to the financial period.

### **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.

### **RESEARCH AND DEVELOPMENT TAX CREDIT**

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

## **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

### **IMPAIRMENT OF GOODWILL**

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. Additional information on carrying values is included in note 13.

### **IMPAIRMENT OF INTANGIBLE ASSETS (EXCLUDING GOODWILL)**

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately within administrative expenses in the consolidated statement of comprehensive income. Additional information on carrying values is included in note 13.

## NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

## REVENUE

The Group recognises revenue at the fair value of consideration received or receivable. Sales of goods to external customers are at invoiced amounts less value-added tax or local tax on sales. The Group currently generates revenue solely within its Commercial business through the sale of its proprietary and third-party products. When the Group makes product sales under contracts/agreements these will frequently be inclusive of rebate/support payments or a financing component where judgement can be required in the assessment of the transaction price.

## RECOVERABILITY OF TRADE RECEIVABLES

The Group applies both the simplified and general approaches under IFRS 9 to measure expected credit losses using a lifetime expected credit loss provision for trade receivables. Under the simplified approach, expected credit losses on a collective basis, trade receivables are grouped based on credit risk and ageing. Given the Group has a low history of default, limited judgement is required for trade receivables in this grouping.

The Group then separately reviews those receivables with payment terms over 180 days using the general approach. Under this approach judgements are required in the assessment of the risk and probability of credit losses and the quantum of the loss in the event of a default. The Group has debtors with a gross value (before provisioning but after the assessment of financing components) of \$0.7 million within this grouping.

## 4. REVENUE

	2021 \$'000	2020 \$'000
Revenue arises from		
Proprietary products	<b>6,096</b>	3,869
Third-party products	<b>2,336</b>	2,742
Total	<b>8,432</b>	6,611

The following table gives an analysis of revenue according to sales with payment terms of less than or more than 180 days.

## YEAR TO 31 DECEMBER 2021

Segment	Sales contracts with payment terms less than 180 days \$'000	Sales contracts with payment terms greater than 180 days \$'000	Total \$'000
Mexico	<b>2,969</b>	–	<b>2,969</b>
Americas	<b>3,510</b>	<b>362</b>	<b>3,872</b>
Rest of World	<b>1,591</b>	–	<b>1,591</b>
	<b>8,070</b>	<b>362</b>	<b>8,432</b>

Timing of transfer of goods	Sales contracts with payment terms less than 180 days \$'000	Sales contracts with payment terms greater than 180 days \$'000	Total \$'000
Point in time (delivery to port of departure)	<b>7,862</b>	<b>362</b>	<b>8,224</b>
Point in time (delivery to port of arrival)	<b>208</b>	–	<b>208</b>
	<b>8,070</b>	<b>362</b>	<b>8,432</b>

## YEAR TO 31 DECEMBER 2020

Segment	Sales contracts with payment terms less than 180 days \$'000	Sales contracts with payment terms greater than 180 days \$'000	Total \$'000
Mexico	3,214	–	3,214
Americas	2,017	167	2,184
Rest of World	1,213	–	1,213
	6,444	167	6,611



#### 4. REVENUE CONTINUED

##### YEAR TO 31 DECEMBER 2020 CONTINUED

Timing of transfer of goods	Sales contracts with payment terms less than 180 days \$'000	Sales contracts with payment terms greater than 180 days \$'000	Total \$'000
Point in time (delivery to port of departure)	6,166	167	6,333
Point in time (delivery to port of arrival)	278	–	278
	6,444	167	6,611

Financing component of sales contracts	\$'000
At 1 January 2021	9
Financing components recognised	–
Financing components unwound to the income statement	(9)
<b>At 31 December 2021</b>	<b>–</b>

#### 5. OPERATING LOSS

	Note	2021 \$'000	2020 \$'000
Operating loss is arrived at after charging/(crediting):			
Share-based payment charge	6 & 8	572	596
Depreciation	14	132	277
Depreciation of right-of-use assets	19	432	338
Amortisation of intangibles	13	3	24
Operating lease expense		36	26
Gain on disposal of property, plant and equipment		(20)	(11)
Impairment of trade receivables		33	(123)
Foreign exchange losses/(gains)		624	(971)
Other income*		–	(289)
Auditor's remuneration:			
Amounts for audit of parent company and consolidation		115	100
Amounts for audit of subsidiaries		60	45
Total auditor's remuneration		175	145

\* Under the US Department of Treasury CARES Act, the Company was eligible for the Paycheck Protection Program ("PPP") loan. All provisions of the loan were satisfied as laid out in the CARES Act, making the Company eligible for a 100% forgiveness of the \$289,000 loan received.

#### 6. STAFF COSTS

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

	2021 \$'000	2020 \$'000
Wages and salaries	4,470	3,447
Social security and payroll taxes	362	281
Defined contribution pension costs	98	93
Medical and other benefits	180	176
	5,110	3,997
Share-based payments charge	572	596
	5,682	4,593

## NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

**6. STAFF COSTS CONTINUED**

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

Other segment information	2021	2020
Research	13	11
Administration	11	8
Sales and marketing	22	22
	46	41

**7. DIRECTOR 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 41.

	2021 \$'000	2020 \$'000
Base salary, fees and bonuses	1,218	888
Other short-term employee benefits	44	44
Share-based payments	441	388
Social security and taxes	115	58
	1,818	1,378

Two Executive Directors who served during the year were eligible to participate in the Group's 401(k) retirement plan (2020: two).

The highest paid Director earned \$634,000 (2020: \$401,000).

**8. SHARE-BASED PAYMENTS**

The Company operates two equity-settled share-based remuneration schemes for employees: a share option scheme and one employee share option plan, as described in the "Elements of remuneration" section for Executive Directors within the Remuneration Committee report on pages 40 to 42.

**(A) SHARE OPTIONS**

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

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

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

**(B) 2017 EMPLOYEE SHARE OPTION PLAN**

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

The valuation of the awards granted under the 2017 Employee Share Option Plan during the years ended 31 December 2020 and 31 December 2021 were as follows:

	8 June 2020	17 June 2020	24 June 2020	6 October 2020
Share options granted	8,810,118	635,000	1,650,237	6,500,000
Weighted average fair value	10p	10p	10p	1p
Assumptions used in measuring fair value:				
Weighted average share price	8p	10p	10p	9p
Exercise price	10p	10p	10p	1p
Risk-free rate	0.02%	(0.05)%	(0.03)%	(0.03)%
Expected vesting period (years)	1.0-3.0	1.0-3.0	1.0-3.0	1.0-3.0
Option life (years)	5.0	5.0	10.0	10.0
Expected volatility	78.3%	81.7%	81.7%	60.0%
Expected dividend rate	0.0%	0.0%	0.0%	0.0%

**8. SHARE-BASED PAYMENTS CONTINUED**  
**(B) 2017 EMPLOYEE SHARE OPTION PLAN CONTINUED**

	26 January 2021	23 July 2021	2 August 2021	19 November 2021
Share options granted	50,000	6,000,000	285,000	50,000
Weighted average fair value	10p	12p	7p	7p
Assumptions used in measuring fair value:				
Weighted average share price	16p	15p	14p	10p
Exercise price	10p	1p	14p	11p
Risk-free rate	(0.08)%	0.19%	0.14%-0.21%	0.14%-0.21%
Expected vesting period (years)	2.4	2.3-2.5	1.0-3.0	1.0-3.0
Option life (years)	5.0	5.0	5.0	5.0
Expected volatility	80.0%	66.3%	66.3%	66.3%
Expected dividend rate	0.0%	0.0%	0.0%	0.0%

The valuation of the share options granted during the year ended 31 December 2021 was as follows:

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

Additional details of share-based payments are provided in note 22.

**9. SEGMENT INFORMATION**

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

## NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

## 9. SEGMENT INFORMATION CONTINUED

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

2021	Americas \$'000	Mexico \$'000	Rest of World \$'000	Eliminations \$'000	Total Commercial \$'000	PREtec \$'000	Total \$'000
<b>Revenue*</b>							
Proprietary product sales	3,836	695	1,565	–	6,096	–	6,096
Third-party product sales	36	2,274	26	–	2,336	–	2,336
Inter-segment product sales	853	–	45	(898)	–	–	–
<b>Total revenue</b>	<b>4,725</b>	<b>2,969</b>	<b>1,636</b>	<b>(898)</b>	<b>8,432</b>	<b>–</b>	<b>8,432</b>
Cost of sales	(2,232)	(1,560)	(535)	898	(3,429)	–	(3,429)
Research and development	–	–	–	–	–	(2,645)	(2,645)
Sales and marketing	(1,878)	(760)	(772)	–	(3,410)	(242)	(3,652)
Administration	(900)	(213)	(94)	–	(1,207)	(198)	(1,405)
Non-cash expenses:							
Depreciation	(128)	(87)	(21)	–	(236)	(335)	(572)
Amortisation	–	–	(3)	–	(3)	–	(3)
Share-based payment	(64)	–	(22)	–	(86)	(246)	(332)
<b>Segment operating (loss)/profit</b>	<b>(477)</b>	<b>349</b>	<b>189</b>	<b>–</b>	<b>61</b>	<b>(3,666)</b>	<b>(3,606)</b>
Corporate expenses:**							
Wages and professional fees							(2,045)
Administration***							(730)
<b>Operating loss</b>							<b>(6,381)</b>
Finance income							27
Finance expense							(61)
<b>Loss before tax</b>							<b>(6,415)</b>

\* Revenue from one customer within the Americas segment totalled \$1,350,000, or 16% of Group revenues.

Revenue from one customer within the Mexico segment totalled \$1,204,000, or 14% of Group revenues.

Revenue from one customer within the Americas segment totalled \$1,066,000, or 13% of Group revenues.

Revenue from one customer within the Americas segment totalled \$994,000, or 12% of Group revenues.

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

\*\*\* Includes net share-based payment expense of \$240,000 attributed to corporate employees who are not directly affiliated with any of the Commercial or PREtec segments.

Other segment information	Americas \$'000	Mexico \$'000	Rest of World \$'000	Eliminations \$'000	Total Commercial \$'000	PREtec \$'000	Total \$'000
Segment assets	13,571	2,221	1,465	–	17,257	953	18,210
Segment liabilities	1,976	328	346	–	2,650	1,202	3,852
Capital expenditure	124	106	–	–	230	374	604

## 9. SEGMENT INFORMATION CONTINUED

2020	Americas \$'000	Mexico \$'000	Rest of World \$'000	Eliminations \$'000	Total Commercial \$'000	PREtec \$'000	Total \$'000
<b>Revenue*</b>							
Proprietary product sales	2,160	605	1,104	—	3,869	—	3,869
Third-party product sales	24	2,609	109	—	2,742	—	2,742
Inter-segment product sales	1,383	—	634	(2,017)	—	—	—
<b>Total revenue</b>	<b>3,567</b>	<b>3,214</b>	<b>1,847</b>	<b>(2,017)</b>	<b>6,611</b>	<b>—</b>	<b>6,611</b>
Cost of sales	(2,109)	(1,746)	(1,090)	2,017	(2,928)	—	(2,928)
Other income**	289	—	—	—	289	—	289
Research and development	—	—	—	—	—	(2,135)	(2,135)
Sales and marketing	(1,318)	(664)	(735)	—	(2,717)	(257)	(2,974)
Administration	(722)	(224)	(8)	—	(954)	(144)	(1,098)
Non-cash expenses:							
Depreciation	(98)	(68)	(16)	—	(182)	(443)	(625)
Amortisation	(18)	—	(5)	—	(23)	—	(23)
Share-based payment	(49)	—	(36)	—	(85)	(381)	(466)
<b>Segment operating (loss)/profit</b>	<b>(458)</b>	<b>512</b>	<b>(43)</b>	<b>—</b>	<b>11</b>	<b>(3,360)</b>	<b>(3,349)</b>
Corporate expenses:***							
Wages and professional fees							(1,146)
Administration****							927
<b>Operating loss</b>							<b>(3,568)</b>
Finance income							295
Finance expense							(31)
<b>Loss before tax</b>							<b>(3,304)</b>

\* Revenue from one customer within the Americas segment totalled \$950,000, or 14% of Group revenues.

Revenue from one customer within the Mexico segment totalled \$1,293,000, or 20% of Group revenues.

\*\* Under the US Department of Treasury CARES Act, the Company was eligible for the Paycheck Protection Program ("PPP") loan. All provisions of the loan were satisfied as laid out in the CARES Act, making the Company eligible for a 100% forgiveness of the \$289,000 loan received.

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

\*\*\*\* Includes net share-based payment expense of \$130,000 attributed to corporate employees who are not directly affiliated with any of the Commercial or PREtec segments.

Other segment information	Americas \$'000	Mexico \$'000	Rest of World \$'000	Eliminations \$'000	Total Commercial \$'000	PREtec \$'000	Total \$'000
Segment assets	8,574	2,269	2,135	—	12,978	911	13,889
Segment liabilities	1,447	597	307	—	2,351	976	3,327
Capital expenditure	42	1	1	—	44	4	48

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.

## NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

## 9. SEGMENT INFORMATION CONTINUED

## GEOGRAPHIC INFORMATION

The Group operates in five principal countries – the United Kingdom (country of domicile), the USA, Mexico, Spain and Brazil.

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

	Year ended 31 December 2021		Year ended 31 December 2020	
	Amount \$'000	%	Amount \$'000	%
United Kingdom	349	4	285	4
United States	2,774	33	1,657	25
Mexico	2,969	35	3,214	49
Spain	1,242	15	928	14
Brazil	1,098	13	527	8
Total	8,432	100	6,611	100

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

	Year ended 31 December 2021		Year ended 31 December 2020	
	Amount \$'000	%	Amount \$'000	%
United Kingdom	3	–	7	–
United States	3,074	93	2,734	87
Mexico	213	6	208	7
Spain	17	1	40	1
Brazil	11	–	155	5
Total	3,318	100	3,144	100

## 10. FINANCE INCOME AND EXPENSE

	2021 \$'000	2020 \$'000
<b>Finance income</b>		
Interest on deposits and investments	18	159
Financing component of revenue contracts	9	136
	27	295
<b>Finance expense</b>		
Interest on lease liabilities	(52)	(27)
Other interest	(9)	(4)
	(61)	(31)

## 11. TAX CREDIT

	2021 \$'000	2020 \$'000
Current tax credit on loss for the year	(102)	(77)
Deferred tax credit – origination and reversal of timing differences	(9)	(3)
Total tax credit	(111)	(80)

## 11. TAX CREDIT CONTINUED

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:

	2021 \$'000	2020 \$'000
Loss before tax	<b>(6,415)</b>	(3,304)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%)	<b>(1,219)</b>	(628)
Effect on tax rates in foreign jurisdictions	<b>(60)</b>	(20)
Disallowable expenses	<b>246</b>	214
Share-based payment expense not deductible	<b>120</b>	158
R&D credit	<b>(229)</b>	(251)
Losses available for carryover	<b>1,192</b>	647
Losses utilised in the year	<b>(33)</b>	(49)
Capital allowances in excess of amortisation	<b>(80)</b>	(101)
Other temporary differences	<b>(48)</b>	(50)
Actual tax credit	<b>(111)</b>	(80)
		Deferred taxation \$'000
Deferred tax asset		
At 1 January 2021		85
Credited to the profit and loss account		(9)
<b>At 31 December 2021</b>		<b>76</b>

The deferred tax asset comprises sundry timing differences.

At 31 December 2021, the Group had a potential deferred tax asset of \$23,070,000 (2020: \$19,225,000) which includes tax losses available to carry forward of \$22,889,000 (2020: \$18,594,000) (being actual federal, foreign and state losses of \$108,086,000 (2020: \$101,722,000)) arising from historical losses incurred and other timing differences of \$(76,348).

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. As a result, the relevant deferred tax balances have been re-measured. The impact would have been to increase the deferred tax asset by \$1,895,000. The US corporate tax rate is unchanged at 21% plus state and local taxes at 2-3% which varies by jurisdiction.

The tax receivable of \$229,000 (2020: \$251,000) represents money owed from HMRC for the research and development tax relief offered to small and mid-sized companies.

## 12. LOSS PER SHARE

Basic loss per ordinary share has been calculated on the basis of the loss for the year of \$6,304,000 (2020: loss of \$3,224,000) and the weighted average number of shares in issue during the period of 292,204,361 (2020: 245,268,691).

Equity instruments of 26,770,302 (2020: 22,953,802), which include share options, and the 2017 Employee Share Option Plan, as shown within note 22, that could potentially dilute basic earnings per share in the future have been considered but not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. This is due to the Group incurring a loss on operations for the year.

## NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

## 13. INTANGIBLE ASSETS

	Goodwill \$'000	Licences and registrations \$'000	Trade name and customer relationships \$'000	Total \$'000
<b>Cost</b>				
<b>Balance at 1 January 2020</b>	1,620	3,342	159	5,121
Additions – externally acquired	–	–	–	–
<b>Balance at 31 December 2020</b>	1,620	3,342	159	5,121
Additions – externally acquired	–	–	–	–
<b>Balance at 31 December 2021</b>	<b>1,620</b>	<b>3,342</b>	<b>159</b>	<b>5,121</b>
<b>Accumulated amortisation</b>				
<b>Balance at 1 January 2020</b>	–	3,313	159	3,472
Amortisation charge for the year	–	24	–	24
<b>Balance at 31 December 2020</b>	–	3,337	159	3,496
Amortisation charge for the year	–	3	–	3
<b>Balance at 31 December 2021</b>	<b>–</b>	<b>3,340</b>	<b>159</b>	<b>3,499</b>
<b>Net book value</b>				
<b>At 31 December 2020</b>	1,620	5	–	1,625
<b>At 31 December 2021</b>	<b>1,620</b>	<b>2</b>	<b>–</b>	<b>1,622</b>

The intangible asset balances have been tested for impairment using discounted budgeted cash flows of the relevant cash generating units. For the years ended 31 December 2020 and 2021, cash flows are projected over a five-year period with a residual growth rate assumed at 0%. For the years ended 31 December 2020 and 2021, a pre-tax discount factor of 14.5% and 15.2% has been used over the forecast period.

## 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 aβ, a cash generating unit within the Commercial – Americas segment. No impairment charge is considered necessary, and no reasonable possible change in key assumptions used would lead to an impairment in the carrying value of goodwill.

## LICENCES AND REGISTRATIONS

These amounts represent the cost of licences and registrations acquired in order to market and sell the Group's products internationally across a wide geography. These amounts are amortised evenly according to the straight-line method over the term of the licence or registration. Impairment is reviewed and tested according to the method expressed above. Licences and registrations have a weighted average remaining amortisation period of one year. No impairment charge is considered necessary, and no reasonable possible change in key assumptions used would lead to an impairment in the carrying value of licences and registrations.



#### 14. PROPERTY, PLANT AND EQUIPMENT

	Office and facility equipment \$'000	Leasehold improvements \$'000	Vehicles \$'000	Total \$'000
<b>Cost</b>				
<b>Balance at 1 January 2020</b>	1,254	819	392	2,465
Additions	11	—	37	48
Disposals	(2)	—	(34)	(36)
<b>Balance at 31 December 2020</b>	1,263	819	395	2,477
Additions	384	45	175	604
Disposals	—	—	(64)	(64)
<b>Balance at 31 December 2021</b>	<b>1,647</b>	<b>864</b>	<b>506</b>	<b>3,017</b>
<b>Accumulated depreciation</b>				
<b>Balance at 1 January 2020</b>	1,011	683	296	1,990
Depreciation charge for the year	101	136	40	277
Disposals	(2)	—	(34)	(36)
<b>Balance at 31 December 2020</b>	1,110	819	302	2,231
Depreciation charge for the year	63	2	67	132
Disposals	—	—	(64)	(64)
<b>Balance at 31 December 2021</b>	<b>1,173</b>	<b>821</b>	<b>305</b>	<b>2,299</b>
<b>Net book value</b>				
<b>At 31 December 2020</b>	153	—	93	246
<b>At 31 December 2021</b>	<b>474</b>	<b>43</b>	<b>201</b>	<b>718</b>

#### 15. INVENTORIES

	2021 \$'000	2020 \$'000
Raw materials	285	331
Finished goods and goods for resale	1,852	3,236
	<b>2,137</b>	3,567

The inventory provision amount during the year was \$32,023 (2020: \$21,036). In 2021, raw materials and finished goods for resale included in cost of sales was \$3.1 million (2020: \$2.7 million).

for the year ended 31 December 2021

## 16. TRADE AND OTHER RECEIVABLES

	2021 \$'000	2020 \$'000
<b>Current</b>		
Trade receivables	3,114	2,494
Less: provision for impairment	(132)	(84)
Trade receivables, net	2,982	2,410
Other receivables and prepayments	382	368
Current trade and other receivables	3,364	2,778
<b>Non-current</b>		
Trade receivables	–	164
Less: provision for impairment	–	(15)
Trade receivables, net	–	149
Other receivables	59	69
Deferred tax asset (see note 11)	76	85
Non-current trade and other receivables	135	303
	3,499	3,081

The trade receivable current balance represents trade receivables with a due date for collection within a one-year period.

The other receivable non-current balance represents lease deposits.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for sales contracts with 180 days or fewer payment terms. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The expected loss rates are based on the ageing of the receivable, past experience of credit losses with customers and forward-looking information. An allowance for a receivable's estimated lifetime expected credit losses is first recorded when the receivable is initially recognised, and subsequently adjusted to reflect changes in credit risk until the balance is collected. In the event that management considers that a receivable cannot be collected, the balance is written off.

Sales contract receivables provided on terms greater than 180 days are at first discounted to recognise the financing component of the transaction and then assessed using the "general approach". Under this approach, the Group models and probability weights a number of scenarios based on their assessment of the credit risk and historical expected losses.

	Considered under the simplified approach \$'000	Considered under the general approach \$'000
Trade receivables	2,385	729
Expected credit loss assessed	–	(132)
	2,385	597

The receivables considered under the general approach relate to one customer in the Americas segment and one customer in the Rest of World segment. The key considerations in the assessment of the provision were the probability of default, expected loss in the event of default and the exposure at the point of default.

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

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

	2021 \$'000	2020 \$'000
Balance at the beginning of the year	99	264
Provided	50	–
Receivables written off as uncollectible	–	(42)
Unused amounts reversed	(15)	(123)
Foreign exchange	(2)	–
Balance at the end of the year	132	99

The net value of trade receivables for which a provision for impairment has been made is \$0.7 million (2020: \$0.6 million).

## 16. TRADE AND OTHER RECEIVABLES CONTINUED

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

	2021 \$'000	2020 \$'000
<b>Current</b>	<b>2,611</b>	2,199
Past due:		
Up to 30 days	34	8
31 to 60 days	2	—
61 to 90 days	78	—
Greater than 90 days	257	352
<b>Total</b>	<b>2,982</b>	2,559

## 17. TRADE AND OTHER PAYABLES

	2021 \$'000	2020 \$'000
<b>Current</b>		
Trade payables	1,227	1,309
Accruals	1,382	745
Taxation and social security	101	63
Income tax liability	1	1
	<b>2,711</b>	2,118

## 18. BORROWINGS

### (A) CURRENT BORROWINGS

	2021 \$'000	2020 \$'000
Vehicle loans	20	8
Bank loans	17	25
	<b>37</b>	33

### (B) NON-CURRENT BORROWINGS

	2021 \$'000	2020 \$'000
Vehicle loans	81	44
Bank loans	143	149
	<b>224</b>	193

## 19. LEASES: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The recognised right-of-use assets relate to the following types of assets:

	2021 \$'000	2020 \$'000
Real estate leases	830	935
Vehicles	13	35
	<b>843</b>	970

### REAL ESTATE LEASES

Buildings are leased for office/warehouse space under leases which typically run for a period of three to five years and lease payments are at fixed amounts. Some leases include extension options exercisable for a period of one year before the end of the cancellable lease term.

### VEHICLES

The Group leases a vehicle for an employee with a standard lease term of three years with fixed payments. The Group does not purchase or guarantee the future value of lease vehicles.

## NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

## 19. LEASES: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES CONTINUED

## RIGHT-OF-USE ASSETS

## 2021 – RIGHT-OF-USE ASSETS

	Real estate lease \$'000	Vehicles \$'000	Total \$'000
At 1 January 2021	935	35	970
Additions	312	–	312
Disposals	(7)	–	(7)
Amortisation	(410)	(22)	(432)
<b>At 31 December 2021</b>	<b>830</b>	<b>13</b>	<b>843</b>

## 2020 – RIGHT-OF-USE ASSETS

	Real estate lease \$'000	Vehicles \$'000	Total \$'000
At 1 January 2020	387	29	416
Additions	921	20	941
Disposals	(49)	–	(49)
Amortisation	(324)	(14)	(338)
At 31 December 2020	935	35	970

## LEASE LIABILITIES

## 2021 – LEASE LIABILITIES

	Real estate lease \$'000	Vehicles \$'000	Total \$'000
At 1 January 2021	947	36	983
Additions	313	–	313
Disposals	(13)	–	(13)
Interest expense	48	1	49
Lease payments	(429)	(23)	(452)
<b>At 31 December 2021</b>	<b>866</b>	<b>14</b>	<b>880</b>

## 2020 – LEASE LIABILITIES

	Real estate lease \$'000	Vehicles \$'000	Total \$'000
At 1 January 2020	430	30	460
Additions	921	20	941
Disposals	(56)	–	(56)
Interest expense	26	1	27
Lease payments	(374)	(15)	(389)
At 31 December 2020	947	36	983

The maturity of the lease liabilities is as follows:

	Undiscounted				
	Carrying amount \$'000	contractual cash flows \$'000	Less than one year \$'000	One to two years \$'000	Two to five years \$'000
2021					
Leased buildings	866	929	432	376	121
Leased vehicle	14	14	10	4	–
<b>Total</b>	<b>880</b>	<b>943</b>	<b>442</b>	<b>380</b>	<b>121</b>
2020					
Leased buildings	947	1,028	426	334	268
Leased vehicle	36	37	22	11	4
<b>Total</b>	<b>983</b>	<b>1,065</b>	<b>448</b>	<b>345</b>	<b>272</b>

The current and non-current portions of the leases were \$400,000 and \$480,000 as at 31 December 2021, respectively.

## 20. FINANCIAL INSTRUMENTS

### (A) CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that all entities in the Group will be able to continue as going concerns, while maximising shareholder value through the optimisation of its debt and equity structure. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated deficit as disclosed in note 22.

### (B) CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Amortised costs	
	2021 \$'000	2020 \$'000
<b>Non-current financial assets</b>		
Trade and other receivables	59	218

	Notes	Fair value through profit or loss		Amortised cost (loans and receivables)	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Current financial assets</b>					
Trade and other receivables	16	–	–	2,982	2,559
Investments	20	8,157	3,167	–	–
Cash and cash equivalents		–	–	1,005	982
		8,157	3,167	3,987	3,541

	Notes	Amortised cost	
		2021 \$'000	2020 \$'000
<b>Current financial liabilities</b>			
Trade payables	17	1,227	1,309
Accrued liabilities	17	1,382	749
Borrowings	18	37	33
Lease liability		400	400
		3,046	2,491

	Notes	Amortised cost	
		2021 \$'000	2020 \$'000
<b>Non-current financial liabilities</b>			
Borrowings	18	224	193
Lease liability		480	583
		704	776

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

### (C) INVESTMENTS

#### 2021 – INVESTMENTS

Description	Classification	2021 Value \$'000
PNC Money Market Fund	Government	5
PNC Ultra Short Bond Fund	Mutual fund	8,152
		8,157

#### 2020 – INVESTMENTS

Description	Classification	2020 Value \$'000
PNC Money Market Fund	Government	1
PNC Ultra Short Bond Fund	Mutual fund	3,166
		3,167

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

for the year ended 31 December 2021

**20. FINANCIAL INSTRUMENTS CONTINUED****(C) INVESTMENTS CONTINUED**

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

**(D) LIQUIDITY RISK**

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by reference to continuously monitored forecast and actual cash flows. As part of its monitoring, the Group ensures that the financial liabilities due to be paid can be met by existing cash and cash equivalents. Cash equivalents are composed of short-term investment grade securities and are readily marketable and convertible to cash. The Group does not currently generate sufficient cash from its operations to meet its annual funding needs. 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 at least 12 months from the approval of the financial statements.

**(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 the functional currency. Transaction exposure arises because affiliated companies undertake transactions in foreign currencies. The Group does not use forward foreign exchange rate contracts to hedge exchange rate risk.

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

	Assets		Liabilities	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Euro	369	219	311	276
Pound Sterling	584	997	34	31
Mexican Peso	1,290	1,476	328	597
Brazilian Real	617	353	383	139

If the exchange rate on uncovered exposures were to move significantly there would be foreign exchange differences on the retranslation of financial assets and liabilities and an impact on the Group's gross profit. A significant depreciation in the Mexican Peso or British Pound Sterling could have a negative impact on the Group's gross profit.

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

	2021 \$'000	2020 \$'000
Mexican Peso	297	321
Pound Sterling	35	28
Spain Euro	124	94
Brazilian Real	110	53

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

	2021 \$'000	2020 \$'000
Mexican Peso	262	270
Pound Sterling	27	18
Spain Euro	101	77
Brazilian Real	164	86

## 20. FINANCIAL INSTRUMENTS CONTINUED

### (G) PRICE RISK

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

### (H) INTEREST RATE RISK

The Group is exposed to interest rate risk on its cash and investment balances. To manage the interest rate risk, the Group limits its portfolio to cash and investment grade securities on active exchanges having maturities of less than five years. The Group does not have any interest bearing borrowings and is not exposed to any risk associated with the interest rate benchmark reform.

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 lease liabilities, 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, South Africa, Mexico and South America.

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

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

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

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

## 21. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company at 31 December 2021.

Name	Registered addresses	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Plant Health Care, Inc.	701 S. Carson Street Suite 200 Carson City, NV 89701	United States (Nevada)	100%	Holding company
Plant Health Care, Inc.	242 S Main Street Suite 216 Holly Springs, NC 27540	United States (Pennsylvania)	100%*	Sales
Plant Health Care de Mexico S. de R.L. de C.V.	Bodega 26 Avenida Ceylan 959 Colonia Industrial Vallejo 2300 Ciudad de Mexico CDMX, Mexico	Mexico	100%*	Sales
Plant Health Care (UK) Limited	1 Scott Place 2 Hardman Street Manchester M3 3AA	United Kingdom	100%*	Sales
Plant Health Care España	CL. Serrano, 76 28.612, Madrid	Spain	100%*	Sales
Plant Health Care Brasil	Av. Dr. Chucri Zaidan, 1.550, Conj. 1.212 Vila São Francisco (Zona Sul) CEP 04711-130, São Paulo/SP	Brazil	100%*	Sales
VAMTech, LLC	2711 Centerville Road Suite 400 Wilmington, DE 19808	United States (Delaware)	100%*	Sales

\* Held indirectly.

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

## NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2021

**22. SHARE CAPITAL****(A) ISSUED SHARE CAPITAL**

	2021 \$'000	2020 \$'000
Allotted, called-up and fully paid share capital:		
304,662,482 (2020: 251,989,567) ordinary shares at £0.01 each	<b>4,326</b>	3,605

**(B) MOVEMENT IN SHARE CAPITAL**

The movements in issued share capital are as follows:

	Ordinary shares of Plant Health Care plc	
	Number	\$'000
<b>In issue at 1 January 2020</b>	207,387,381	3,030
Shares issued	44,602,188	575
<b>In issue at 31 December 2020</b>	251,989,569	3,605
Shares issued	52,672,913	721
<b>In issue at 31 December 2021</b>	<b>304,662,482</b>	<b>4,326</b>

During the year ended 31 December 2021, the following fully paid £0.01 ordinary shares in the Company were issued:

- 50,397,913 (2020: 44,602,188) new ordinary shares with net proceeds of \$9,060,000 (2020: \$4,449,000) (directly attributable costs of \$627,000 (2020: \$130,000)) were issued pursuant to an equity placing at £0.14 per share (2020: £0.08 per share).
- 2,275,000 shares with an aggregate value of \$266,336 were issued for the exercise of share (2020: 0.8p) options at an exercise price of 1p.

**(C) OTHER EQUITY INSTRUMENTS**

The Company had the following other equity instruments in issue at 31 December 2021 and 2020:

	2021 Number	2020 Number
Share awards under the 2004 plan	<b>139,647</b>	158,147
Share awards under 2017 plan	<b>26,630,655</b>	22,795,655
	<b>26,770,302</b>	22,953,802

**(D) SHARE OPTIONS****(I) 2004 EMPLOYEE SHARE OPTION PLAN**

The Company has issued share options to certain employees under the Plant Health Care plc Unapproved Share Option Scheme 2004. In 2014, the scheme reached the 10th anniversary of its approval by shareholders; no further options may be granted. At the time of its admission to AIM, the Company also agreed to honour outstanding options under the Plant Health Care, Inc. 2001 Equity Incentive Plan. No further options have been or will be issued under that plan. In addition, in limited instances, the Company has granted options to certain management for ordinary share capital of the Company under separate unapproved option agreements.

The movements on share options are as follows:

	Options over ordinary shares			Weighted average exercise price
	Directors and former Directors	Other	Total	
<b>Outstanding at 1 January 2020</b>	245,852	56,000	301,852	83p
Awarded	—	—	—	—
Exercised	—	—	—	—
Forfeited	(128,205)	(15,500)	(143,705)	84p
<b>Outstanding at 31 December 2020</b>	117,647	40,500	158,147	77p
Awarded	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	(18,500)	(18,500)	55p
<b>Outstanding at 31 December 2021</b>	<b>117,647</b>	<b>22,000</b>	<b>139,647</b>	<b>86p</b>

Of the total number of options outstanding at 31 December 2021, 139,647 (2020: 158,147) had vested and were exercisable. The weighted average exercise price was 86p (2020: 77p).

The options outstanding at 31 December 2021 have a weighted average remaining life of 1.27 years (2020: 2.08 years) and the range of exercise prices is 57p to 96p (2020: 53p to 225p).



**22. SHARE CAPITAL CONTINUED**  
**(D) SHARE OPTIONS CONTINUED**  
**(II) 2015 EMPLOYEE SHARE OPTION PLAN**

	Directors	Other	Total	Weighted average exercise price
<b>Outstanding at 1 January 2020</b>	–	3,087,763	3,087,763	20p
Awarded	–	–	–	–
Forfeited	–	(3,087,763)	(3,087,763)	20p
<b>Outstanding at 31 December 2020</b>	–	–	–	–
Awarded	–	–	–	–
Forfeited	–	–	–	–
<b>Outstanding at 31 December 2021</b>	–	–	–	–

Of the total number of options outstanding at 31 December 2021, nil (2020: nil) had vested and were exercisable.

The options outstanding at 31 December 2021 have a weighted average remaining life of 0 years (2020: 0 years) and the exercise price was nil (2020: nil).

**(III) 2017 EMPLOYEE SHARE OPTION PLAN**

	Directors	Other	Total	Weighted average exercise price
<b>Outstanding at 1 January 2020</b>	5,309,299	9,399,220	14,708,519	21p
Awarded	12,623,880	5,447,180	18,071,060	7p
Forfeited	(5,309,299)	(4,674,625)	(9,983,924)	26p
<b>Outstanding at 31 December 2020</b>	12,623,880	10,171,775	22,795,655	7p
Awarded	4,700,000	1,560,000	6,260,000	2p
Exercised	(2,275,000)	–	(2,275,000)	1p
Forfeited	–	(150,000)	(150,000)	10p
<b>Outstanding at 31 December 2021</b>	<b>15,048,880</b>	<b>11,581,775</b>	<b>26,630,655</b>	<b>6p</b>

Of the total number of options outstanding at 31 December 2021, 21,586,655 (2020: 10,936,060) had vested and were exercisable.

The options outstanding at 31 December 2021 have a weighted average remaining life of 4.97 years and the range of exercise prices is 1p to 15p.

**23. RESERVES**

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

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Foreign exchange reserve	Gains/losses on retranslating the net assets of overseas operations.
Accumulated deficit	Cumulative net gains and losses recognised in the consolidated income statement. During the year ended 31 December 2014, the Company transferred the amounts in the share-based payment reserve and reverse acquisition reserve into retained earnings.

**24. 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 USA employees. In 2021, the Group's pension expense under the scheme was \$76,567 (2020: \$72,936). Mexico has a government-run pension plan to which our operations there must contribute. In 2021, the expense for this plan was \$6,518 (2020: \$7,645). Several United Kingdom employees receive contributions to their pension plans. The expense for this was \$6,396 (2020: \$5,697). A Spain employee receives contributions to their pension plan. The expense for this was \$8,364 (2020: \$6,849). Total pension expense for the year was \$97,845 (2020: \$93,127).

**25. POST-BALANCE SHEET EVENTS**

There have been no Post-Balance sheet events.

## FINANCIAL STATEMENTS

# COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Note	2021 \$'000	2020 \$'000
<b>Fixed assets</b>			
Fixed asset investments	32	<b>31,499</b>	21,354
<b>Current assets</b>			
Debtors	34	<b>20</b>	12
Cash at bank and in hand		<b>3</b>	50
<b>Total current assets</b>		<b>23</b>	62
<b>Creditors: amounts falling due within one year</b>	35	<b>(231)</b>	(74)
<b>Net current liabilities</b>		<b>(208)</b>	(12)
<b>Total assets less current liabilities</b>		<b>31,291</b>	21,342
<b>Capital and reserves</b>			
Called-up share capital	29	<b>4,326</b>	3,605
Share premium	29	<b>100,859</b>	92,520
Accumulated deficit	29	<b>(73,894)</b>	(74,783)
Shareholders' funds		<b>31,291</b>	21,342

The financial statements were approved and authorised for issue by the Board on 11 May 2022.

## DR CHRISTOPHER RICHARDS

### Director

Registered no: 05116780 (England and Wales)

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss and related notes in these financial statements. The Company's profit after tax for the year is \$317,000 (2020: \$2,420,000).

The notes on pages 82 to 85 form part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Share capital \$'000	Share premium \$'000	Accumulated deficit \$'000	Total \$'000
<b>Balance at 1 January 2020</b>	3,030	88,647	(77,799)	13,878
Shares issued	575	3,873	–	4,448
Share-based payment	–	–	596	596
Profit for the year	–	–	2,420	2,420
<b>Balance at 31 December 2020</b>	3,605	92,520	(74,783)	21,342
Shares issued	721	8,339	–	9,060
Share-based payment	–	–	572	572
Profit for the year	–	–	317	317
<b>Balance at 31 December 2021</b>	<b>4,326</b>	<b>100,859</b>	<b>(73,894)</b>	<b>31,291</b>

The notes on pages 82 to 85 form part of these financial statements.

## NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2021

### 26. ACCOUNTING POLICIES

#### BASIS OF PREPARATION

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

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

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

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

#### INVESTMENTS

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

#### SHARE-BASED PAYMENTS

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

The Company grants share options and shares under its share-based payment plans directly to employees of its subsidiaries. In accordance with the provisions of the plan, the cost of the share-based payments will be recorded by each subsidiary as an expense, with a corresponding increase in equity as a contribution from the parent. The Company, over whose shares options are issued, recognises an increase in the investment in the related subsidiary and a credit to accumulated deficit.

#### DEFERRED TAXATION

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

## 27. JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- At the end of the financial period, the Company reviews the carrying amounts of its fixed asset investments to determine whether there is any indication that those assets have suffered any impairment loss. The recoverable amount is determined as the higher of the value in use or the fair value less costs to sell. The value in use is calculated by estimating future cash flows using a discount rate to calculate the present value of cash flows. The fair value method is calculated using the market value of the Group less any costs to sell. Actual outcomes may vary. More details are included in note 32.

## 28. SHARE-BASED PAYMENTS

See note 22 of the Group financial statements.

## 29. RESERVES

See note 23 of the Group financial statements for a description of the nature and purpose of each reserve within owners' equity.

## 30. DIRECTORS' REMUNERATION

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

## 31. STAFF COSTS

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

	2021 \$'000	2020 \$'000
Wages and salaries	525	346
Social security and payroll taxes	91	35
	616	381
Share-based payments charge	295	248
	911	629

The average number of employees of the Company during the year, including Executive Directors, was four (2020: four).

**NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS CONTINUED**

for the year ended 31 December 2021

**32. FIXED ASSET INVESTMENTS**

	Shares in Group undertakings \$'000	Loans to Group undertakings \$'000	Total \$'000
<b>Cost</b>			
Cost at 1 January 2020	16,915	76,594	93,509
Additions, net of repayments	–	7,480	7,480
Cost at 31 December 2020	16,915	84,074	100,989
Additions, net of repayments	–	10,145	10,145
<b>Cost at 31 December 2021</b>	<b>16,915</b>	<b>94,219</b>	<b>111,134</b>
<b>Impairments</b>			
Impairments at 1 January 2020	(16,915)	(62,720)	(79,635)
Charge	–	–	–
Impairments at 31 December 2020	(16,915)	(62,720)	(79,635)
Charge	–	–	–
<b>Impairments at 31 December 2021</b>	<b>(16,915)</b>	<b>(62,720)</b>	<b>(79,635)</b>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>–</b>	<b>21,354</b>	<b>21,354</b>
<b>At 31 December 2021</b>	<b>–</b>	<b>31,499</b>	<b>31,499</b>

In the opinion of the Directors the value of the investments in the subsidiary undertakings is not less than the amount shown above. As a result no impairment has been recorded in 2021 (2020: \$nil).

### 33. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company are disclosed in note 21 of the Group financial statements.

### 34. DEBTORS

	2021 \$'000	2020 \$'000
Prepayments	20	12

All amounts fall due within one year.

### 35. CREDITORS

	2021 \$'000	2020 \$'000
Trade creditors	40	35
Accruals	191	39
Total	231	74

### 36. SHARE CAPITAL

The share capital of the Company is disclosed in note 22 of the Group financial statements.

### 37. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption allowed by Financial Reporting Standard 102 "Related Party Transactions" not to disclose any transactions with its wholly owned subsidiary companies as these are included within the consolidated financial statements of the Group.

### 38. POST-BALANCE SHEET EVENTS

There have been no Post-Balance sheet events.

**DIRECTORS**

**DR CHRISTOPHER G J RICHARDS**

Chief Executive Officer

**DR RICHARD H WEBB**

Chairman and Non-executive Director

**GUY VAN ZWANENBERG**

Non-executive Director

**WILLIAM M LEWIS**

Non-executive Director

**JEFFREY TWEEDY**

Executive Director

**JEFFREY HOVEY**

Executive Director

**COMPANY SECRETARY**

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In this document, references to “the Company” are to Plant Health Care plc. References to “Plant Health Care”, “the Group”, “we” or “our” are to Plant Health Care plc and its subsidiaries and lines of business, or any of them as the context may require. The Plant Health Care name and logo, Myconate®, Innatus™ 3G and other names and marks appearing herein and on Company literature are trademarks or trade names of Plant Health Care. All other third-party trademark rights are acknowledged.





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