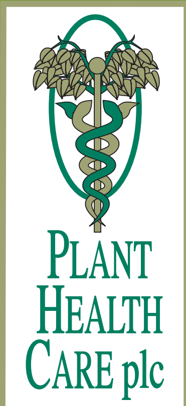
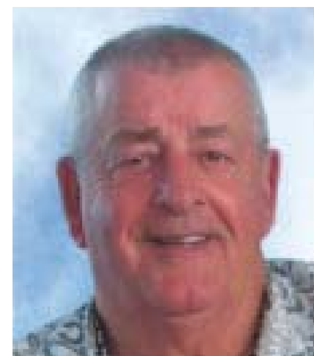
PLANT HEALTH CARE plc

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2007



From inventor to investor. . .

The inventor



Sometimes help comes from unexpected places. It was a power outage that led Plant Health Care founder and Chief Scientist, Donald Marx, to an important discovery in developing a unique, environmentally-friendly way to foster plant growth.

Marx's research career has been devoted to mycorrhizal fungi, which are vital to plant health and have existed on plant roots for millions of years.

While with the USDA Forest Service in the 1960's, he set up a greenhouse experiment to grow these fungi on pine seedlings. One weekend, the power went out, shutting off the greenhouse cooling system. When he arrived the next morning, the temperature in the greenhouse had reached more than 130°F (55°C) and nearly all of the pine seedlings had died — except one group. "Those seedlings inoculated with a specific fungus were thriving," recalls Marx. The fungus seemed to have enabled the plants to withstand the high temperatures.

Later, he found the same fungus growing on tree roots in unlikely environments, such as the acidic, hot and hostile climates on strip mined coal spoils. Marx saw potential for it to be used to help reforest these environmentally-stressed and drought-ridden areas.

By the mid-1970's, his research team became the first to develop an inoculant of the fungus that could be applied to the roots of tree seedlings in nurseries. They found that, when these seedlings were planted on the adverse coal spoils, they survived and grew normally, whereas seedlings without the fungus died within a month.

Following these initial successes, Marx tested the fungal technology in Africa, Mexico, South America, India, Europe and in China and found that it significantly increased the success of reforestation on cut-over and eroded land. Marx also won numerous awards for his pioneering work, including Sweden's prestigious Marcus Wallenburg Prize, awarded to him by the King of Sweden for his research on tree mycorrhizae.

When Marx retired from the Forest Service in 1994, he put his vast knowledge on mycorrhizal fungi to good use in founding Pittsburgh, Pennsylvania-based Plant Health Care. Working with Dr. Stephen Maul, whose company (MycorrTech) was later merged with the Company, Dr. Ming Lin of Formosa Plastic and Dr. Michael Kernan of Plant Health Care, they were able to mass produce these fungi for commercial use.

The team developed environmentally-friendly products with the fungi for use on plants in urban landscapes, turf, flower beds, nursery, forestry, mined-land revegetation and, most recently, agriculture. Today, one of the Company's core products uses patented Myconate® technology to strengthen plant health by stimulating mycorrhizal development and increasing yields. One of Plant Health Care's first achievements has been a cooperation agreement with Bayer Crop Science to test the Myconate technology on certain agriculture crops. In February 2007, the Company also acquired the rights to the Harpin technology from Eden Bioscience Corp. Harpin proteins activate a plant's natural ability to protect itself during growth with stress-defence responses.

The Myconate and Harpin technologies, says Marx, will "change the face of farming." Meanwhile, he and his technical team will continue to seek out other environmentally-friendly technologies that fit with Plant Health Care's portfolio. But, who knows where he would be today if it hadn't been for that power outage?

The farmer

More than 30 years of farming the High Plains of Texas has taught Ron Luker the key to turning out a good crop.

"Get the soils right, get the roots healthy, and the rest will usually take care of itself," says Luker, who farms just over 1,000 acres, mostly cotton, near Brownfield, in north Texas. "There can be too much focus on the top half of the cotton crop, when the real source of plant vigour and yield is the ground the crop stands in," he adds.

In his quest to build the best foundation for his crops, Luker focuses on enhancing and balancing the health of the soil with environmentally-friendly products that do not disturb the soil's bio-ecology. This is a crop management philosophy that seems to be catching on these days, and Plant Health Care's products fit that approach.

Luker, who graduated in agricultural engineering from Texas A&M, has always had a penchant for tinkering with the latest technologies. But he prides himself not only on testing and adopting the most innovative, but also the most low-impact farming technologies on his cotton fields.

He adds digested chicken manure to his liquid fertiliser, which is not only effective as a fertiliser but has allowed him to cut his nitrogen use in half, sparing the soil. He also adds some calcium to the mix to help release phosphorus the cotton leaves in the ground.

Luker is also using low-impact products to help him improve the soil. He says using a combination of Plant Health Care's N-Hibit® and a natural nutrient blend on his crops last year significantly increased plant yields and resulted in fewer crops that got sick.

He uses the Company's N-Hibit, for example, to help him manage nematodes, microscopic worms rampant in the High Plains that can sap a cotton plant's health.

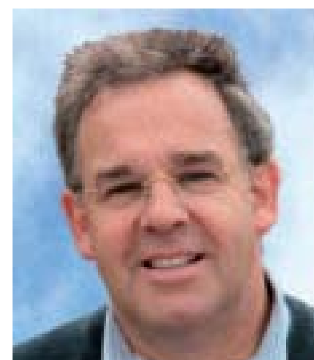
"A lot of people underestimate the damage and yield loss nematodes cause in cotton," says Luker. "I know they are in my fields and that they have to be managed. We need new nematode tools that perform but don't have toxicity issues, and that are affordable."

N-Hibit contains Harpin, a naturally occurring protein produced by bacteria that attack plants. The presence of Harpin turns on internal plant signals that activate its natural self defence and growth systems as though the plant was under attack. N-Hibit has been found to increase cotton plant yields by an average of 5.4% in replicated and commercial field trials.

Luker is also using some soil aids that are probably as old as the planet, including mycorrhizal fungi products. When Luker plants his crop, the Texas farmer makes sure to water in products that increase fungi production. After decades of use, modern agricultural techniques tend to strip away the natural bacteria and other microbes that make for healthy soil. Plant Health Care has developed a full line of inoculants and soil nutrient formulations that help restore this balance. These ancient fungi have a symbiotic relationship with roots, building tubes that greatly extend the reach of roots so they can capture more water and nutrients in return for plant sugars.

Another key factor for Luker in growing cotton in the parched Southwest is that such fungi help cotton plants thrive even at times of water scarcity. "Building more root mass and healthier soils helps less water do more for the crop, and if we have abundant rainfall that will really bring the crop on," he says.

The salesman



When Pius Floris heard Don Marx speak at a tree conference about the unknown healing power of mycorrhizal fungi in Hilton Head, South Carolina more than a decade ago, he knew the founder of Plant Heath Care was on to something.

Floris, who at the time ran Pius Floris Tree Care, his own chain of tree care companies in the Netherlands, was highly intrigued by what Marx had to say about the symbiotic relationship of mycorrhizal fungi and a variety of plants.

"Most people at that time misunderstood the role of mycorrhizal fungi," says Floris. "Few believed that they actually helped plants grow, acting like another kind of fertiliser." For the unconvinced, there was even a demonstration outside the hotel of some thriving trees whose roots had already been treated with the fungi.

Excited, Floris decided to try taking strains of the ancient fungi back with him to the Netherlands to apply to trees prone to diseases. He was thrilled by the results. "We found that the trees weren't dying anymore after being planted or transplanted."

As the head of a business with some 200 employees and ten branches across the Netherlands, the trained tree expert says he always sought to keep on top of innovations in plant care. This was clearly one of them and Floris was soon importing fungi-based products from Plant Health Care to use in his tree care company.

Ultimately, he became so involved with the innovative range of products that Plant Health Care's Chief Executive, John Brady, asked Floris if he wanted to come over to the 'other side'. Floris opened the Company's first offices in the Netherlands and, in 2001, after selling his own company, came on board full-time as managing director in charge of Dutch, German and Greek sales at Plant Health Care.

He and his sales team are now selling the Company's products and services in several countries in Europe and the Middle East, from northern Finland to sunny Sicily, in the areas of horticulture and for agricultural uses.

Whereas US customers tend to respond more to the message that mycorrhizal fungi help increase crop yield, a big selling point for Europeans, he notes, is that Plant Health Care's products can help farmers and horticulturists save on pesticides, reducing the amount of harmful fertilisers applied to the ground.

Still, it takes a lot of educational work to get the message out, as some potential customers still have to be shown the value of mycorrhizal fungi and other environmentally-friendly products. "People have been told for decades that chemicals alone are the answer when a plant is sick," he notes. "But that's the same old recipe. You have to change the mindset of the growers." That's why Floris' sales team keeps busy not only in making sales calls, but also giving presentations on the benefits of the environmentally-friendly Plant Health Care technologies at growers' groups across Europe.

Floris says he is convinced that more and more customers will see the value in applying products to their crops that will enable a more sustainable use of the land. "This is going to be the future of agriculture. These products will be increasingly employed to reduce the amount of harmful chemicals used."

The investor

As a homeopathic veterinary surgeon, Marc Baer takes a different view than a conventional animal doctor on how to cure disease in horses, dogs or cats. Homeopathy believes in using the body's natural defence mechanisms to help organisms regain their internal balance and thus cure disease, rather than merely treating symptoms.

Baer views what Plant Health Care is doing as applying this same philosophy to the plant world. "They are introducing sustainable methods to help individual plants restore their equilibrium," says the Swiss vet, one of the early investors in the Company.

Baer invested his own funds in Plant Health Care as far back as 1996, when the Company was just a fledgling start-up. In spite of a successful IPO on London's Alternative Investment Market (AIM) in 2004, Baer insists on keeping his shares. "I have no intention of selling my stake. This is something I believe in."

After coming into contact with founder Don Marx and Plant Health Care's management, Baer decided that he liked the team, the product and the Company's philosophy towards the environment, which matches his own.

"We all need to be aware that we should look after our planet. Once it becomes too polluted, that will be difficult to fix," says Baer.

Just as homeopathic treatments seek to prevent disease from entering by keeping the living organism in good shape, so do Plant Health Care's products prevent plant sickness by allowing them to thrive, both by utilising mycorrhizal fungi or the use of Harpin proteins. In doing so, they not only increase crop yield or let nursery plants thrive, but also reduce the amount of chemical substances that must be used to combat sickness.

Baer has seen the results of Plant Health Care's mycorrhizal fungi treatment at very close range. Several years ago, he applied the Company's mycorrhizal fungi mixture to the roots of a large but sickly beech tree that sprawls in his front yard in the historic quarter of Zurich. Baer says the tree's condition has markedly improved since doing so.

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Directors and advisors

Directors

Dr. Albert Fischer	*Non-executive Chairman*
John Brady	*Chief Executive*
Dr. Donald Marx	*Executive Director and Chief Scientist*
Stephen Weaver	*Finance Director*
Thomas Isler	*Senior Independent Director*
Dr. Robert Chanson	*Non-executive Director*
Samuel Wauchope	*Non-executive Director*

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Highlights

Plant Heath Care was established in 1995 in Pittsburgh (Pennsylvania) in the United States. Its products are aimed at the agriculture, commercial landscaping and land reclamation industries, through both direct sales and supply and distribution agreements with major agrichemical industry partners. Plant Health Care's products create both environmental and economic benefits for its customers and capitalise upon long-term trends toward natural systems and biological products to promote plant growth, health and yield.

Financial highlights

- Turnover up 34% to $18.3 million (2006: $13.7 million);
- Gross profit up 37% to $8.4 million (2006: $6.1 million);
- Gross margin up from 44.7% to 45.6%
  - due to upfront fee income from partners and entry into the higher margin Harpin business;
- Loss, before exceptional costs, costs of share-based payments, interest and taxation, of $4.4 million (2006: loss of $2.5 million);
- Net loss of $5.4 million (2006: loss of $3.0 million); and
- Net cash at 31 December 2007 of $9.8 million (2006: $3.7 million).

Operational highlights

- First Myconate manufacture and supply agreement signed with Bayer Cropscience in January 2007
  - exclusive for seed-coated corn, soybean, cotton and sunflower;
- In December 2007, agreement signed with Monsanto to evaluate, develop and commercialise certain applications of the Harpin-based technology
  - made possible by the acquisition of the Harpin intellectual property from Eden Bioscience;
- Significant contribution from US Agriculture division in its first full year of operation;
- New share capital of $10 million raised in September; and
- Post year end: Steve Weaver appointed to the Board of Directors as Finance Director on 28 March 2008.

Chairman's statement

Our core business is to provide natural products which promote plant growth, health and yield with environmental care. There are few more topical issues in the markets today than increased world population, the rapid growth of a sizeable middle class in emerging economies demanding higher protein diets, and the drive for biofuels. These have all contributed to higher demand levels for agricultural products than has ever been seen before. At the same time, the availability of productive agricultural land in suitable climate zones is becoming more limited. Despite significant productivity increases from advances in seeds, fertilisers, pest control and land management, the demand/supply balance is being seriously tilted, crop prices are rising and strategic security concerns are being aired. Major agriscience and agrichemical companies are responding to this by seeking the next wave of technology innovation to further improve yields and re-establish balance, in order to secure their own future profitability.

Plant Health Care is very well positioned in this market environment, with the proven capabilities of our IP-protected natural technologies, as evidenced by our two major partnership deals with Bayer CropScience and Monsanto, for Myconate and Harpin, respectively. We have set two strategic targets: growth and product development. Our major target is to exploit our natural technologies through two sales channels: major partnerships with significant players who have the distribution and resources to achieve wide penetration for our technologies in high volume row crops, and product sales through major national distributors for more fragmented markets where we can be cost effective in reaching customers. We also continue to pursue the strategy of securing and developing innovative natural technologies and products with a high level of intellectual property protection for plant growth, health and yield, which can fulfil the above market demand.

An overview of 2007

The most important milestones during the period were the first two major partnership agreements signed for our natural technologies. In January, Bayer CropScience agreed to develop and commercialise Myconate seed treatment applications for corn, cotton, soybean and sunflowers, while, in December, Monsanto entered into an agreement with us to evaluate, develop and commercialise certain applications of our Harpin-based technology suite.

The latter agreement was made possible by our acquisition in February 2007 of certain assets and the Harpin intellectual property from Eden Bioscience, another highlight of our year.

In 2007, we continued our pursuit of sales growth. Our performance was pleasing, with record revenue in almost all business units; in particular, in its first full year of operation, our US Agriculture division successfully introduced Plant Health Care into what will be an important market for the future.

Shareholder support for the Company was demonstrated when, in September, we raised $10 million of new equity, which has left us in a strong cash position with no foreseeable need for further capital or borrowings to fulfil our present plans.

Financial results

Revenue for the year was $18.3 million, an increase of 34% over 2006 ($13.7 million). The gross margin was 45.6% (2006: 44.7%), although increased expenses associated with the development and testing of our Myconate and Harpin technologies, together with

Chairman's statement

continued

the costs of our first full year of operation in the US agriculture market, led to an operating loss, before exceptional costs and the costs of equity share-based payments, of $4.4 million (2006: loss of $2.5 million). After exceptional costs, the costs of equity share-based payments, interest and a small taxation charge on certain overseas operations, the net loss for the year was $5.4 million (2006: loss of $3.0 million).

At 31 December 2007, net cash was $9.8 million (2006: $3.7 million).

Board changes

I am pleased to announce that Steve Weaver was appointed to the Board on 28 March 2008. Steve joined us as Chief Financial Officer in May 2007 and has made invaluable contributions in improving our financial controls, analysis and reporting to meet our needs as we grow. He has also proven himself a strong contributor in strategic discussions and we look forward to his input as a Board member in the coming years.

Today we are also announcing that our two longest serving Board members, Don Marx and Robert Chanson, are both standing down at the forthcoming annual general meeting. Each has served thirteen years as a director of Plant Health Care plc and its predecessor companies, during which time they have each contributed a great deal to the development of the Company and its business.

Don, a co-founder of Plant Health Care, provided us with a wealth of knowledge, experience and contacts after a highly successful and prestigious career with the USDA Forestry Service. After a period as Chief Executive of the Group, he has since deployed his skills as our Chief Scientist and as a member of the Board. Although standing down from the Board, Don will continue as Chief Scientist and we look forward to his continued contribution in that role.

Robert has made many contributions to the Company in his role as non-executive director. Before our AIM listing, he was instrumental in helping to secure investment in the Company and his wider business knowledge has enabled him to contribute greatly to the strategy of the Company.

I would like to take this opportunity to thank both Don and Robert for their contributions to the Company and to the Board over the past thirteen years.

Outlook

Plant Health Care's ability to fulfil the need for higher yields on existing land has been validated by the transactions with Bayer CropScience and Monsanto. With our stable of effective natural technologies, we are extremely well positioned to offer further solutions to help meet this global challenge and, as such, the macro environment remains favourable.

As a consequence of our progress in 2007 and the positive global drivers for the business, the Board looks forward to the coming year with confidence. I would like to thank all of the Plant Health Care team for their contribution to the success of our Company and look forward to working with them to achieve our shared goals.

Dr Albert Fischer

Non-executive Chairman

28 March 2008

Chief Executive's report

Introduction and summary of operating results

2007 was another successful year for Plant Health Care, with our first two major partnership deals with Bayer CropScience and Monsanto for Myconate and Harpin, respectively, and turnover up 34% to a record $18.3 million (2006: $13.7 million). I am delighted to report that this growth was led by our US Agriculture division (established in 2006) which generated $4.0 million of sales in 2007 and from fee income from partners, which contributed some 5% of turnover.

Gross profit was up 37% to $8.4 million (2006: $6.1 million). The improvement in our gross margin to 45.6% (2006: 44.7%) is attributable to fee income from our partners and to our entry into the higher margin Harpin business, which contributed sales of $2.6 million.

We continued to develop and test new applications of our natural technologies, and we expanded our sales team to achieve the above-mentioned sales growth in US Agriculture. This resulted in increased operating costs of $13.6 million (2006: $9.0 million).

The operating loss for the year was $5.2 million (2006: loss of $2.9 million), slightly higher than expected due to a delay on another Harpin deal, which is expected to be completed in the first half of the current year. Net cash at 31 December 2007 was $9.8 million, boosted by a successful $10 million equity fundraising in September 2007.

Our natural technologies partnerships

Myconate®

Myconate increases the rate of plant root colonisation by beneficial fungi, which extract nutrients from the soil for the benefit of the plant. This allows the plant to grow more quickly and with more strength to resist pathogens and disease. The result is healthier plants and, in the context of agriculture, significantly improved yields. Myconate is particularly effective when applied in the earliest stages of a plant's growth, and can be applied as a seed coating or side dressing at time of planting.

In January 2007, the first manufacture and supply agreement for Myconate was signed with Bayer CropScience, covering seed treatment of corn, cotton, soybean and sunflower, and a year on Bayer confirmed that they are continuing to pursue their planned programme to introduce Myconate to their market. As a result, we have now received our first milestone payment and our relationship with Bayer remains strong.

Bayer is the worldwide leader in seed coatings for corn, and is also strongly represented in seed coatings for the other crops in which we are partnered with them. They have indicated their intention to launch their first Myconate-based product in 2010, and we expect that such products will, following a period of market rollout, address a significant proportion of the markets in which Bayer is currently represented.

In 2007, we also continued our independent programme of Myconate testing in other applications, the results of which reaffirm significant yield enhancement when it is applied to grains and high-value vegetables.

Chief Executive's report

continued

For example:

- on grain and straw in winter wheat, tested using a variety of application methods, there were particularly pleasing yield improvements. When applied as a seed treatment, yield increased as much as 5.4% and, when applied as a ground spray, the improvement was up to 7.4%. Additionally, Myconate's application as both a seed treatment and a ground spray delivered yield increases of up to 9.4%;
- when applied to carrots in furrow application at seeding, Myconate produced a yield improvement in excess of 30% in two separate trials;
- celery trials demonstrated a 14% harvestable yield increase when Myconate was applied as a pre-plant, transplant spray. Against the control, tests showed a 12% increase in total weight and 12% increase in top weight; and
- a 13% yield increase was achieved in trials on onions; as with celery, application was by pre-plant, transplant spray. Additionally, a 13% increase in bulb weight and 11% increase in diameter were recorded.

We have reached non-exclusive agreements with several multi-national agriculture companies to allow them to run their own tests and consider the commercialisation of Myconate for application on small grain cereals, such as wheat and barley.

We will continue discussions with prospective partners regarding the use of Myconate on vegetables, although we will also consider the option of addressing this market, which is characterised in the USA by a small number of large, specialised growers for each of the main crops, by means of direct sales.

Finally, we continue to explore the potential for Myconate in the emerging market of energy crops. We have evidence that Myconate is highly effective on crops such as switchgrass, which are anticipated to be the coming crops of choice to fuel the growing demand for biofuels, and we will address that market with a properly structured development, testing and commercialisation model.

Harpin

The acquisition of certain assets from Eden Bioscience was completed in February 2007. The assets included the patent-protected rights to Harpin technology and, additionally, provided Plant Health Care with Harpin-based products aiding the development of our US Agriculture business.

Harpin is a protein which, while itself harmless to a plant, causes the plant to believe it is under attack from pathogens. Accordingly, the plant triggers its natural defences, which typically involve stronger growth and pathogen resistance.

Chief Executive's report
continued

Amongst the proven applications of this technology to date are:

- to defend against cyst nematodes, particularly in soybeans; cyst nematodes are estimated to cause approximately $1.0 billion of damage to the annual soybean crop in the USA, and there is no other effective treatment available today;
- to generate extended shelf life in leaf and other salad crops, of real economic benefit to supermarkets and other retailers; and
- to improve yield in crops treated with glyphosate, an industry-standard herbicide.

At the interim stage, the Board stated its belief that "–following an evaluation of the technology, the commercial prospects for Harpin were significantly greater than initially thought. In light of this, Plant Health Care has actively pursued opportunities to further demonstrate the efficacy of Harpin and has undertaken trials in conjunction with the American Soybean Association and the University of Illinois".

These field trials of Harpin-based N-Hibit and ProAct® delivered very encouraging results. Yield improvements in cotton were between 6% and 12% when used in combination with nematicides and both products consistently demonstrated their efficacy in improving crop yields by reducing harmful nematodes.

The acquisition of Eden Bioscience's assets provided us with five years of trial data demonstrating significant yield increases for plants treated with a combination of glyphosate and Harpin. Additionally, we continued to pursue registration of Pre-Tect, our shelf-life extension product.

Our first partnership agreement to develop, evaluate and commercialise Harpin was signed with Monsanto Company in December 2007. This agreement grants Monsanto exclusive rights to certain applications of Harpin in return for undisclosed upfront fees, milestone payments, which are dependent on the progress of the development programme, and ongoing royalty payments based on the acreage to which the product is applied. The Board believes that, once evaluations are complete, products could begin to be available to growers by 2009.

Product sales

Agriculture

We continue to believe that agriculture represents the market of greatest potential for Plant Health Care. As well as through the partnerships described above, we see significant potential in our product sales operations. In 2007, we saw strong growth in our agriculture businesses in the USA, Mexico and in various European markets. Only in the UK was there a slight slowdown.

Our growth is derived from a number of products which meet particular needs of growers and their customers. For example, our natural liquid plant foods are proving popular with growers with a need for a high nitrogen input but a desire also for natural inputs, PreTect offers extended shelf life in-store for a wide variety of leaf and salad plants, while Harpin-based N-Hibit offers soybean farmers a means of addressing their nematode problem.

It is through these and other similar innovative products, and a strategy of progressively introducing these products into new territories (as registrations and marketing resources allow), that we anticipate continued strong growth in our direct sales to the world's agriculture markets.

Chief Executive's report

continued

Horticulture and Turf

Our US horticulture and turf business reached a major milestone in 2007 by delivering a positive financial contribution for the first time on the back of record sales of $6.3 million (2006: $6.0 million). We had recognised that the growth potential for Plant Health Care in this market in the near term does not match that available in agriculture, and had set our sights, therefore, on achieving a positive return from what we could conservatively anticipate in sales, rather than on major promotional spending to chase growth, which might prove difficult to secure. Our focused work with major distributors, combined with stringent cost control, resulted in the shift into profitability for this operating unit.

Outlook

A number of important milestones were met during the period and we made significant progress towards achieving our objectives.

Our work with Bayer CropScience and Monsanto continues to take us closer to realising significant revenue and financial returns from the widespread exploitation of our natural technologies.

Our product sales activities provide a powerful platform from which to promote our technologies, and also generate revenue and contribution from higher value, smaller volume products and crops.

We continue to invest heavily into the development and testing of our technologies to ensure that we maximise our potential from their exploitation, and we remain alert to the possibilities of securing further innovative natural technologies, which can be effectively deployed in our target markets.

We remain focused on building Plant Health Care into the leading global provider of natural technologies and products which promote plant growth, health and yield, and thereby building value for our shareholders. The macro drivers and market conditions remain extremely favourable and the prospects for our Company remain strong. As a result, we look forward to reporting further progress during the current year.

John Brady
Chief Executive

28 March 2008

Directors

Dr. Albert Fischer
Non-executive Chairman
Age 50

Dr. Fischer is a citizen of the Netherlands. He joined the Group as Non-executive Chairman in 2001. Dr. Fischer is managing partner and co-founder of Planet Capital, an independent advisory firm to entrepreneurs, management teams and investors in clean technology; it is also an active investor in companies with key intellectual property in clean technology. Previously, he was a partner with Green Partners and PYMWYMIC, an investment firm focused on businesses that integrate the values of a socially and environmentally sustainable society into their day-to-day business practices. Prior to that, Dr. Fischer served in various senior functions at Reed Elsevier Science plc, one of the world's largest providers of scientific and technical information products. Dr. Fischer served at Elsevier for nine years; his last function was Head of Development.

Dr. Fischer is a director of Social Venture Network Europe, a network of European enterprises and organisations dedicated to working according to sustainable business practices.

John Brady
Chief Executive
Age 53

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

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

Mr. Brady is also a non-executive director of Organic Bouquet Inc. and Organic Style Limited.

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

Dr. Donald Marx
Executive Director and
Chief Scientist
Age 71

Dr. Marx is a US national and was a founding director of the Group in 1995, following 37 years with the USDA Forest Service. As Chief Scientist, Dr. Marx oversees the Group's research programmes and works with the Group's partners and customers to explain and demonstrate to them the benefits of Plant Health Care's approach to plant management. He also manages the university and field-testing of Plant Health Care products, and chairs the Company's Scientific Advisory Board.

Dr. Marx lectures extensively throughout the USA and abroad on soil ecology, plant physiology, mycorrhizal fungi and bacteria. He has authored more than 250 scientific papers in forest microbiology, has presented more than 400 invitational lectures in 28 countries, as well as at most major universities in the USA, and has carried out research in 25 countries. As a result of his accomplishments Dr. Marx has received numerous awards, including the Marcus Wallenberg Prize (awarded by the King of Sweden), the Barrington Moore Award from the Society of American Foresters, the USDA Distinguished Science Award, the Superior Achievement Award from the US Department of Energy and the Congress Medal for Outstanding Achievement in Plant Protection from the International Congress of Plant Protection.

Directors
continued

Stephen Weaver
Finance Director
Age 54

Mr. Weaver is a US national and joined the Group as Chief Financial Officer in 2007. He was appointed to the Board on 28 March 2008. He is responsible for managing the accounting, finance, human resource and information technology functions for the Group.

Prior to joining the Group, Mr. Weaver was Chief Financial Officer of Xaloy, Inc., an international manufacturing business serving the global plastics industry. Prior to that, Mr. Weaver served consecutively as Vice President and Chief Financial Officer and Senior Vice President and General Manager of Carbide/Graphite Group, Inc., a manufacturing company serving the global steel industry. He served at Carbide/Graphite Group, Inc., a NASDAQ-listed company, for 11 years.

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

Thomas Isler
Senior Independent Director
Age 63

Mr. Isler is a Swiss national and joined the Board of the Group in 2001. Mr. Isler has extensive experience in industry, international marketing and private and international banking. He is currently CEO of a privately-owned Swiss textile company, and is a director of several other Swiss companies, including Desco von Schulthess AG, an international trading house. From 1987 to 2005, Mr. Isler served as a Member of Parliament of the Canton of Zurich.

Dr. Robert Chanson
Non-executive Director
Age 58

Dr. Chanson is a Swiss national. He joined the Board of the Group in 1995. He is a lawyer, politician and ecoinvestment consultant. In 1991, he founded Eco-Rating International Limited in Switzerland and, since its inception, has been Executive Chairman. He is also Chairman and CEO of Ambiocare Holdings Limited in Switzerland. Dr. Chanson acts as a member of various advisory boards and committees in academic research, commerce and environmental conservation in Europe and the USA.

Samuel Wauchope
Non-executive Director
Age 56

Mr. Wauchope is a UK citizen and joined the Group as a non-executive director in June 2004. A chartered accountant, Mr. Wauchope's executive career has involved CEO and Executive Chairman positions in a number of UK listed companies, including Acorn Computer Group plc, Oceonics Group plc and Ultrasis plc. He has also served as a non-executive director on the boards of other fast-growing UK quoted companies, including Waste Recycling Group plc and Gall Thomson Environmental plc. Mr. Wauchope is currently advisor to a number of private companies and a non-executive director of Property Recycling Group plc.

Board committees

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

Audit Committee

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

Remuneration Committee

The Remuneration Committee is chaired by Thomas Isler and includes Albert Fischer, Robert Chanson and Sam Wauchope as members. The Committee is responsible for determining the contract terms, remuneration and other benefits for executive directors and senior management. Its policy is to ensure that, through a process of regular review, the Group's remuneration arrangements attract and incentivise the quality of executive management that the Company needs to achieve its goals and grow shareholder value, and are in line with best practice. The Committee may take independent specialist advice to assist it in its work. When required, the Committee is also involved in the selection process for executive directors and approves remuneration before a final offer is made. The Remuneration Committee report is set out on pages 20 to 25.

Corporate governance statement

In July 2003, the Financial Reporting Council published the Principles of Good Governance and the Code of Best Practice ("the Combined Code"). This code was updated in July 2006.

Since admission to AIM, Plant Health Care plc has taken note of the Combined Code and has applied its principles of corporate governance commensurate with the Company's size, notwithstanding that the rules of the London Stock Exchange do not require companies that have securities traded on AIM to formally comply with the Combined Code.

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

Board composition

The Board currently comprises a non-executive chairman, three executive directors and three other non-executive directors.

Biographies of the Board members appear on pages 14 and 15. These indicate the high levels and range of business experience which is essential to oversee effectively a business of the size, complexity and geographical spread of the Group.

The Board considers all of the non-executives to be independent in judgment and character, while acknowledging the following departures from the Combined Code's anticipated criteria for independence:

(i) While serving as non-executive directors of Plant Health Care, Inc., Albert Fischer, Robert Chanson and Thomas Isler were granted options for their services to that company. At flotation, these options were exchanged for options in Plant Health Care plc. The Company will not make any further awards of options to non-executive directors.

(ii) Robert Chanson was first appointed to the Board of the Group in 1995. He has, therefore, now served as a director of the Group for over the recommended maximum of nine years.

Robert Chanson and Donald Marx have informed the Board that they will not be seeking re-election at the forthcoming Annual General Meeting on 6 June 2008, and will stand down from the Board as of that date.

Board committees

The Board has established audit and remuneration committees, as described on page 16. No separate nominations committee has been established; the full Board acts as such a committee when changes to the Board of directors are proposed.

Workings of the Board

The Board meets on a pre-scheduled basis nine times each year and more frequently when required. The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the Group. The schedule includes matters such as: approval of the Group's strategic plan; extension of the Group's activities into new business or geographic areas; any decision to cease to operate all or any material part of the Group's business; changes relating to the Group's capital structure; major (over $1 million) bids by

Corporate governance statement

continued

PHC Reclamation; contracts that are material strategically or by reason of size; investments including the acquisition or disposal of interests in the voting shares of any company or the making of any takeover offer; and the prosecution, defence, or settlement of litigation material to the Group.

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

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

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

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

The Board conducts an annual Board Performance Evaluation in line with the requirements of the Combined Code.

Re-election of directors

Any director appointed during the year is required under the provisions of the Company's articles of association to retire and seek election by shareholders at the next annual general meeting. The articles also require that one-third of the directors retire by rotation each year and seek re-election at the annual general meeting. The directors required to retire will be those in office longest since their previous re-election.

Remuneration of directors

A statement of the Company's remuneration policy and full details of directors' remuneration are set out in the Remuneration Committee report on pages 20 to 25. Executive directors abstain from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package.

Corporate governance statement

continued

Communication

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

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

Internal controls and risk management

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

The directors recognise that the Group is ambitious and seeking significant growth. There is an on-going process in place to review regularly the control systems across the Group to ensure that they develop in anticipation of this growth. Twice a year, prior to the announcement of the Group's interim and final financial results, the Finance Director presents to the Board for discussion and approval a summary of the key internal controls in place during the prior period and proposals for enhancements to these controls in the forthcoming period. Based on this process, the directors believe that the Group has internal control systems in place appropriate to its size and nature.

The Board also has in place a formal ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which complies with the guidance provided by the document: *Internal Control: Guidance for Directors on the Combined Code*.

The Company does not maintain an internal audit function. The directors do not believe such a function is justified in terms of the scale of the Group or the costs involved.

Auditor independence

The Audit Committee has sole responsibility for assessing the independence of the external auditors, BDO Stoy Hayward LLP. The Committee has had due regard to the document published in May 2003 by the Institute of Chartered Accountants in England and Wales: *Reviewing Auditor Independence: Guidance for Audit Committees*. Each year the Committee:

- seeks reassurance that the external auditors and their staff have no family, financial, employment, investment or business relationship with the Company. To this end, the Committee requires the external auditors and their associates to confirm this in writing, and detail the procedures which the auditors have carried out in order to make this confirmation;
- checks that all partners engaged in the audit process are rotated at least every five years;
- assesses the likely impact on the auditors' independence and objectivity before awarding them any contract for additional services. It is Company policy to require Audit Committee approval for all non-audit services provided by the independent auditors; and
- has as a standing agenda item at each Audit Committee meeting the consideration of auditor independence.

Remuneration Committee report

The Remuneration Committee is chaired by Thomas Isler and includes Albert Fischer, Robert Chanson and Sam Wauchope as members. All are non-executive directors. The Committee is responsible for determining the contract terms, remuneration and other benefits of the executive directors and of the Chairman, and for monitoring the remuneration of first-line executive management. The Committee may also call on outside compensation experts as required.

Remuneration policy

It is Group policy to set directors' remuneration levels to attract, incentivise and retain the quality of individuals that the Group requires to succeed in its chosen objectives.

It is also Group policy to ensure that there is a strong link between the level of executive directors' remuneration and the performance of the Group in achieving its goals.

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

Elements of remuneration – executive directors

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

- basic salary and benefits;
- annual bonus;
- long-term share-based incentives;
- pension contributions; and
- post-employment health benefits.

Basic salary and benefits

Salaries are reviewed (but not necessarily increased) annually by the Committee. As the level of each individual director's remuneration can be significantly augmented through performance-related bonuses, only in exceptional circumstances will the Committee consider an increase in excess of the general rate of wage inflation for the United States. Where such an increase has been awarded, the Committee will publish the reasons behind its decision in the Remuneration Committee report.

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

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

Annual bonus

Annual bonuses are payable to each executive director based on achievement of financial, strategic and sustainability objectives, both corporate and personal. For 2007, the directors had bonus potential of between 25% and 67% of their basic salaries: for 2008, the figures are between 40% and 62%. This ensures that there is a significant element of "at risk" pay, which is only available when good results are achieved.

Remuneration Committee report

continued

Long-term share-based incentives

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

(a) *Share option schemes*

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

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

(b) *Long-term incentive stock award plan*

On 8 June 2007, the Company adopted the Plant Health Care plc 2007 Long Term Incentive Plan (the "LTIP"). The main features of the plan are:

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

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

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

➢ if a grantee terminates employment for any reason prior to vesting of all or a portion of a stock award, the unvested portion must be returned to the Company; and

➢ the LTIP automatically terminates ten years from its effective date of 8 June 2007, unless terminated earlier by the Company or extended by the Company with the approval of the shareholders.

Remuneration Committee report
continued

Pension contributions

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

- participation is open to all US-based employees who have completed a probationary period after initial employment;
- employees may contribute a percentage of salary to the plan through a payroll withholding scheme;
- the Company contributes an amount up to 3% of compensation, at the discretion of the Board, for all employees eligible to participate;
- vesting of Company contributions is 20% after two years of service, with further vesting in 20% annual increments until vesting is complete; and
- the plan is subject to various statutory non-discrimination tests to ensure that it does not favour highly-compensated employees.

Post-employment health benefits

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

Elements of remuneration – non-executive directors

The remuneration for non-executive directors consists solely of fees for their services in connection with the Board and Board committees. Sam Wauchope receives 100% of his fees in cash. The other non-executive directors, including the Chairman, have to 31 December 2007 received 50% of their fees in cash and 50% in the form of the Company's ordinary shares. Commencing 1 January 2008, Robert Chanson will also receive 100% of his fees in cash.

Prior to the creation of Plant Health Care plc, the then non-executive directors participated in the Plant Health Care, Inc. Incentive Stock Option plans described above. Albert Fischer, Robert Chanson and Thomas Isler hold such options (now converted to options over shares in Plant Health Care plc). No options have been granted to non-executives since the formation of Plant Health Care plc and no further options will be granted to non-executives.

Service contracts

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

For executive directors:

- termination may be initiated by either party with a notice period of 12 months;
- if the Company terminates other than for cause, the individual is entitled to a payment equal to 12 months' monthly base salary plus a payment equal to salary to the effective date of termination, payment for accrued but unused vacation, and *pro rata* cash bonus for the year to date (if targets are being met); and

Remuneration Committee report

continued

- in the event of termination for cause, the individual would receive only base salary through the date of termination and accrued vacation pay. "For cause" includes fraud or felonious conduct; embezzlement or misappropriation of Company funds or property; refusal, misconduct in or disregard of the performance of the individual's duties and obligations; abandonment or voluntary resignation; death, retirement or permanent disability.

For non-executive directors:

- termination is on not less than one month's written notice; and
- directors may be terminated with immediate effect for serious breach or repeated or continued material breach of any obligations to the Company; any act of dishonest or serious misconduct or conduct which tends to bring the director or the Company into disrepute; or a declaration of bankruptcy.

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

Outside appointments

The committee believes that there are significant benefits, to both the Company and the individual, from executive directors accepting non-executive directorships of outside companies. The committee will consider up to one external appointment, for which a director may retain some or all of the fee. John Brady is a non-executive director of Organic Bouquet Inc. and Organic Style Limited (two connected companies regarded by the Committee as a single appointment for this purpose), and is permitted to retain a maximum of $25,000 of the fee received, the balance (if any) being remitted to the Company.

Directors' remuneration

The remuneration of the individual directors who served during the year, for the period for which they were directors, was as follows:

	Base salary and fees $'000s	Performance-related bonus $'000s	Other short-term benefits $'000s	Compensation for loss of office $'000s	Total 2007 $'000s	Total 2006 $'000s
Executive:						
J Brady	281	200	5	—	486	252
W Bratkowski*	63	15	10	145	233	130
D Marx	142	30	7	—	179	153
Non-executive:						
A Fischer	76	—	—	—	76	65
R Chanson	55	—	—	—	55	56
T Isler	55	—	—	—	55	51
S Wauchope	70	—	—	—	70	60
	742	245	22	145	1,154	767

** Appointed 3 March 2006; resigned 16 May 2007*

In 2007, the Company accrued a contribution to the 401(k) Plan of 1.5% of eligible compensation. In 2007, pension expense for the executive directors was $8,000 (2006: nil) and post-employment health benefits for John Brady were $23,000 (2006: nil).

Remuneration Committee report

continued

With effect from 1 April 2007, the Committee recommended and the Board approved an increase in the base salary of John Brady to $300,000, and increased his bonus potential to an annual $200,000. This exceptional increase reflects the Board's view of the outstanding performance of John Brady in developing the Company to its current position, and acknowledges also the value that the market would place on those achievements.

Stephen Weaver joined the Board as Finance Director on 28 March 2008. He has a base salary of $200,000 and annual bonus potential of up to 40% of base salary.

Directors' share-based incentives

Movements in year

On 30 January 2007, John Brady exercised 300,000 options at 37 pence from options exercisable until 20 August 2011. On the same date, Don Marx exercised all of his options, comprising 715,761 options at 37 pence and 34,237 options at 71 pence. The share price at the close of the day on which the options were exercised was 233.5 pence.

Upon the resignation of Walter Bratkowski on 16 May 2007, 200,000 options granted to him, which had not vested, were forfeited.

On 1 July 2007, John Brady was awarded 300,000 ordinary shares under the LTIP. The stock award will vest, subject to certain performance and service conditions, in three equal tranches following the announcement of the Company's final results for the years ended 31 December 2007, 2008 and 2009.

With regard to the 100,000 shares, the vesting of which was dependent upon the achievement of 2007 performance targets, the Committee has determined that 20,000 of such shares will vest, the balance being forfeited. These shares will be allotted to John Brady after the announcement of the Company's final results for 2007.

On 20 July 2007, Don Marx, as personal representative of the Estate of Selina Marx, exercised options over 3,470 shares at 73.5 pence. The share price at the close of the day on which the options were exercised was 281 pence.

On 4 October 2007, Stephen Weaver (then Chief Financial Officer) was awarded 100,000 ordinary shares under the LTIP. The stock award will vest, subject to certain performance and service conditions, following the announcement of the Company's final results for the year ended 31 December 2009.

There were no movements in the directors' share-based incentives in 2006.

Further information related to shares issued to directors during the year is detailed in note 21 to the financial statements.

Remuneration Committee report

continued

Interests in share-based incentives

(a) *Options*

The interests of the directors in share options over the ordinary shares of the Company at 31 December 2007, all of which are exercisable now, are set out in the following table.

	No of options	*Exercise price £*	*Expiry date*
A Fischer	37,500	0.37	18 November 2011
	37,500	0.37	18 November 2012
	37,500	0.37	1 March 2014
	75,000	0.74	23 March 2014
	37,500	0.37	15 June 2014
J Brady	225,000	0.37	20 August 2011
	918,975	0.37	4 March 2014
	56,025	0.71	4 March 2014
R Chanson	37,500	0.37	18 November 2011
	37,500	0.37	18 November 2012
	37,500	0.37	1 March 2014
	60,000	0.74	23 March 2014
	37,500	0.37	15 June 2014
T Isler	37,500	0.37	18 November 2011
	37,500	0.37	18 November 2012
	37,500	0.37	1 March 2014
	52,500	0.74	23 March 2014
	37,500	0.37	15 June 2014
	1,837,500		

There were no movements in the above holdings from 1 January 2008 to the date of this report.

(b) *LTIP*

As described above, on 1 July 2007 John Brady was awarded 300,000 shares under the LTIP and on 4 October 2007 Stephen Weaver was awarded 100,000 shares under the LTIP.

As described above, following the announcement of the Company's final results for 2007, 20,000 share awards will vest and 80,000 share awards will be forfeited, from the first tranche of LTIP awards granted to John Brady.

(c) *Other information*

During the year, the Company's share price on AIM ranged between 169.5 pence and 289 pence. At 31 December 2007, the share price was 271 pence, and at 27 March 2008, the last working day prior to the approval of this Annual Report, the share price was 247.5 pence.

Report of the directors

for the year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007.

Results and dividends

The results of the Group for the year are set out on page 33 and show a loss for the year of $5,413,000 (2006: loss of $2,998,000).

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

Principal activities, review of business and future developments

Details of the Group's principal activities and a review of business and future developments are included in the Chairman's statement and Chief Executive's report on pages 8 to 13.

Directors

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

	At 31 December 2007			*At 1 January 2007*	
	Shares	*Options*	*LTIP*	*Shares*	*Options*
A Fischer	151,092	225,000	—	138,628	225,000
J Brady	—	1,200,000	300,000	—	1,500,000
D Marx	432,283	—	—	578,815	753,468
R Chanson	135,166	210,000	—	135,166	210,000
T Isler	406,654	202,500	—	397,777	202,500
S Wauchope	52,232	—	—	50,000	—

Walter Bratkowski resigned as a director on 16 May 2007.

On 28 March 2008, Stephen Weaver was appointed to the Board of Directors as Finance Director. On the same date, Donald Marx and Robert Chanson announced that they will not be seeking re-election at the forthcoming annual general meeting on 6 June 2008 and will leave the Board as of that date.

Further details of the directors' share options are shown in the Remuneration Committee report on pages 24 and 25.

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

Substantial shareholders

On 27 March 2008, the Company had been notified of the following holdings representing in excess of 3% of the Company's ordinary shares:

Name	*Shares held*	*Percentage of issued share capital*
Pictet Asset Management S.A.	4,350,900	10.34
Gartmore Investment Limited	3,983,820	9.47
Universities Superannuation Scheme Limited	2,552,500	6.08
Aviva plc and its subsidiaries	2,328,481	5.27
Branco Weiss	2,196,954	5.24
Funds managed by AXA SA for Framlington HSBC	2,125,995	5.05
Credit Suisse	1,377,432	3.11

Report of the directors

for the year ended 31 December 2007

Research and development

The Group continues to invest in research and development activities with an emphasis on the commercialisation of existing technologies and formulation of products to meet specific customer needs.

Business review

For a discussion of the Group's 2007 performance against its key performance indicators, see the Chairman's statement and Chief Executive's report on pages 8 to 13.

Key performance indicators ("KPIs"):

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

KPIs for financial performance include turnover, gross profit margin, and earnings before interest and tax. These KPIs indicate the volume of work the Group has undertaken, as well as the efficiency and profitability with which this work has been delivered.

KPIs for the Group's natural technologies include the number and nature of contracts realised with partners, and progress along the mutually agreed paths to commercial launch of products.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which have been identified within the business which could have a material impact on the Group's longer-term performance. These can be summarised as:

- the Group is dependent on a small management team;
- technology and commercialisation risks associated with the Group's proprietary products and its technology partners must be monitored, developed and modified as conditions require; and
- the Group does not currently generate sufficient cash from operations to meet its annual funding needs. In the past, this has required the Group to raise cash from its shareholders. Over the longer term, this requires the Group to become profitable and cash generating.

Financial instruments:

The Group uses various financial instruments, including loans, equity offerings, cash and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. The main risks arising from the Group's financial instruments are currency risk, credit risk, interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Currency risk

The Group has a minimal exposure to translation and transaction foreign exchange risk. This is achieved by maintaining the vast majority of the Group's cash in US dollars, which is the Group's functional currency.

Report of the directors

for the year ended 31 December 2007

Credit risk

The Group's principal credit risk relates to the recovery of amounts owed by trade debtors. 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.

Interest rate risk

The Group's external borrowings bear interest at a rate which may be a combination of fixed and variable elements. The Group seeks the lowest market rate available.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and, more particularly, its ability to reach a point where its trading is cash generative, together with the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulties in meeting its financial obligations as they fall due.

Current and projected working capital demand is reviewed in conjunction with existing financing facilities to determine cash requirements on an on-going basis.

Further information related to financial instruments is detailed in Note 19 to the financial statements.

Payment of creditors

The Company follows the practices customary in the various geographic areas in which it operates. Terms of payment are established with suppliers when agreeing the terms of each transaction. As of 31 December 2007, creditor days outstanding stood at 51 (2006: 68).

Charitable and political contributions

During the year, the Group made the following contributions:

	2007	*2006*
	$	*$*
Charitable	1,000	3,000

Board meetings and attendance

The following table shows the attendance of directors at meetings of the Board and Audit and Remuneration Committees held during the 2007 financial year.

	Board	*Audit Committee*	*Remuneration Committee*
Number of meetings held	**12**	**4**	**12**
A Fischer	12	—	12
J Brady	12	—	—
D Marx	11	—	—
R Chanson	11	—	12
T Isler	12	4	12
S Wauchope	11	4	12
W Bratkowski*	4	—	—

* *Resigned as a director on 16 May 2007*

Report of the directors

for the year ended 31 December 2007

Capital raising

On 26 September 2007, the Company raised £4,993,240 (before expenses) by way of a placing of 2,098,000 new ordinary shares at a price of 238 pence per share.

Post balance sheet events

There are no post balance sheet events to report.

Auditors

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

Annual general meeting

At the forthcoming annual general meeting of the Company, resolutions will be put forward to elect Stephen Weaver, who was appointed to the Board since the last annual general meeting and to re-appoint BDO Stoy Hayward LLP as auditors to the Company.

By Order of the Board

Andrew C. Wood FCIS
Company Secretary

28 March 2008

Statement of directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's *Framework for the preparation and presentation of financial statements*. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the directors to:

➢ consistently select and apply appropriate accounting policies;

➢ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

➢ provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

➢ select suitable accounting policies and then apply them consistently;

➢ prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business;

➢ make judgments and estimates that are reasonable and prudent; and

➢ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group'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 Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditors' report

To the shareholders of Plant Health Care plc

We have audited the Group and parent company financial statements (the "financial statements") of Plant Health Care plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated and individual company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report, the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Highlights, Chairman's statement, Chief Executive's report, Directors, Board committees, Corporate governance statement, Remuneration Committee report and the Report of the directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

Independent auditors' report

continued

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

28 March 2008

Consolidated income statement

for the year ended 31 December 2007

	Note	2007 $'000s	2006 $'000s
Revenue	3	**18,295**	13,679
Cost of sales		**(9,944)**	(7,565)
Gross profit		**8,351**	6,114
Distribution costs		**(4,660)**	(3,143)
Research and development expenses		**(771)**	(306)
Administrative expenses		**(8,161)**	(5,531)
Operating loss	4	**(5,241)**	(2,866)
Finance revenue	9	**177**	275
Finance costs	9	**(302)**	(335)
Loss before tax		**(5,366)**	(2,926)
Tax expense	10	**(47)**	(72)
Loss for the year		**(5,413)**	(2,998)
Attributable to:			
Equity holders of the parent		**(5,424)**	(3,028)
Minority interest		**11**	30
		(5,413)	(2,998)
Basic and diluted loss per share	11	**(12.8¢)**	(8.2¢)

In 2007 and 2006 all results derived from continuing operations.

The notes on pages 37 to 68 form part of these financial statements.

Consolidated statement of recognised income and expense for the year ended 31 December 2007

	2007 $'000s	2006 $'000s
Net income recognised directly in equity:		
Exchange differences on translation of foreign operations	130	219
Loss for the year	(5,413)	(2,998)
Total recognised income and expense for the year	(5,283)	(2,779)
Attributable to:		
Equity holders of the parent	(5,294)	(2,809)
Minority interest	11	30
	(5,283)	(2,779)

The notes on pages 37 to 68 form part of these financial statements.

Consolidated balance sheet

at 31 December 2007

	Note	*2007 $'000s*	*2006 $'000s*
Assets			
Non-current assets			
Intangible assets	12	**4,282**	2,737
Property, plant and equipment	13	**928**	1,008
Total non-current assets		**5,210**	3,745
Current assets			
Inventories	14	**2,872**	2,468
Trade and other receivables	15	**6,751**	6,942
Short-term investments	19	**559**	436
Cash and cash equivalents		**10,254**	4,446
Total current assets		**20,436**	14,292
Total assets		**25,646**	18,037
Liabilities			
Current liabilities			
Trade and other payables	16	**3,648**	3,108
Short-term borrowings	17	**205**	314
Provisions	18	**546**	396
Total current liabilities		**4,399**	3,818
Non-current liabilities			
Long-term borrowings	17	**278**	414
Provisions	18	**440**	—
Total non-current liabilities		**718**	414
Total liabilities		**5,117**	4,232
Total net assets		**20,529**	13,805
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**809**	731
Share premium	22	**33,451**	21,826
Reverse acquisition reserve	22	**11,016**	11,174
Share-based payment reserve	22	**580**	118
Foreign exchange reserve	22	**121**	(9)
Retained earnings	22	**(25,679)**	(20,255)
		20,298	13,585
Minority interests	22	**231**	220
Total equity		**20,529**	13,805

The financial statements were approved and authorised for issue by the Board on 28 March 2008.

J Brady
Director

The notes on pages 37 to 68 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2007

	Note	2007 $'000s	2006 $'000s
Cash flows from operating activities			
Loss before tax		(5,366)	(2,926)
Adjustments for:			
Depreciation	12	262	248
Amortisation of intangibles	13	242	2
Impairment charge		—	30
Finance revenue		(177)	(275)
Finance costs		302	335
Share-based payment expense		462	68
(Gain)/loss on sale of fixed assets		(5)	10
Cash used in operating activities before changes in working capital and provisions		(4,280)	(2,508)
Decrease/(increase) in trade and other receivables		208	(3,952)
Decrease/(increase) in inventories		436	(887)
Increase in trade and other payables		836	387
(Decrease)/increase in provisions		(121)	396
Cash used in operations		(2,921)	(6,564)
Interest paid		(287)	(322)
Income taxes paid		(74)	(79)
Net cash flows used in operating activities		(3,282)	(6,965)
Investing activities			
Purchase of business net assets	25	(2,446)	—
Purchase of tangible fixed assets		(136)	(396)
Expenditure on internally-developed intangible assets	12	(53)	—
Proceeds on sale of assets held for sale		675	—
Proceeds on sale of fixed assets		21	20
Interest received		177	275
Purchase of short-term investments		(123)	(184)
Net cash used in investing activities		(1,885)	(285)
Financing activities			
Issuing of ordinary share capital		10,182	11,053
Exercise of options and warrants		1,365	64
Repayment of borrowings		(367)	(180)
Repurchase of minority interest's shares by subsidiary		(160)	(119)
Net cash generated from financing activities		11,020	10,818
Effects of exchange rate changes on cash and cash equivalents		(45)	(16)
Net increase in cash and cash equivalents		5,808	3,552
Cash and cash equivalents at beginning of period		4,446	894
Cash and cash equivalents at end of period		10,254	4,446

The notes on pages 37 to 68 form part of these financial statements.

Notes forming part of the Group financial statements

for the year ended 31 December 2007

1. Accounting policies

Reporting currency

The financial statements are reported in US dollars. The directors believe that it is appropriate to use US dollars as a currency for reporting, given that the majority of the Group's operations are denominated in that currency.

Basis of preparation

This is the first time the Group has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, having previously prepared its financial statements in accordance with UK GAAP accounting standards. Details of how the transition from UK accounting standards to EU-adopted IFRS has affected the Group's reported financial position, financial performance and cash flows are given in note 28.

Changes in accounting policies – First-time adoption of International Financial Reporting Standards

In preparing these financial statements, the Group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards':

- ➢ business combinations effected before 1 January 2006 have not been restated;
- ➢ the carrying amount of capitalised goodwill at 31 December 2005 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment at 1 January 2006; and
- ➢ IFRS 2 'Share-based payment' has been applied to employee options granted after 7 November 2002 that had not vested by 1 January 2006.

The Group has made estimates under IFRSs at the date of transition; these were consistent with those estimates made at the same date under UK GAAP, there being no objective evidence that those estimates were in error; that is, the Group has not reflected any new information in its opening IFRS balance sheet, but reflected that new information, if any, in its income statement for subsequent periods.

Basis of consolidation

On 6 July 2004, Plant Health Care plc became the legal parent company of Plant Health Care, Inc. in a share-for-share transaction. The former shareholders of Plant Health Care, Inc. became the majority shareholders of Plant Health Care plc. Further, the continuing operations and executive management of Plant Health Care plc were those of Plant Health Care, Inc. Accordingly, the substance of the combination was that Plant Health Care, Inc. acquired Plant Health Care plc in a reverse acquisition. In order to present a true and fair view, the directors have adopted reverse acquisition accounting as the basis of consolidation.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, 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 consolidated income statement from the date on which control is obtained.

Notes forming part of the Group financial statements
for the year ended 31 December 2007 continued

1. Accounting policies continued

Revenue

Revenue is comprised of sales of goods to external customers, revenues from service contracts and fee income. Sales of goods to external customers are at invoiced amount less value added tax or local taxes on sales and are recognised at the point that the customer takes legal title to the goods sold. Revenue from service contracts is recognised as the services are performed and revenue is earned and billed over the term of the contract. Fee income is recognised when the Company has no remaining obligations to perform under a non-cancellable contract which permits the user to act freely under the terms of the agreement.

Exceptional items

Exceptional items are those that in management's judgment need to be disclosed by virtue of their size or incidence. Such items are included within the income statement caption to which they relate, and are separately disclosed either in the notes to the consolidated financial statements or on the face of the consolidated income statement.

Goodwill

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

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition date.

At the date of transition to IFRS, 1 January 2006, the goodwill carrying amount under UK GAAP was tested for impairment and, based on the conditions existing at the transition date, no impairment was identified. Thus, the carrying amount of goodwill in the Company's IFRS opening balance sheet was equal to the goodwill carrying amount under UK GAAP. From the date of transition to IFRS, the Company discontinued the amortisation of goodwill and implemented annual impairment tests for goodwill.

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 the administrative expenses line in the consolidated income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual or legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

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

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

1. Accounting policies continued

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

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

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated income statement as incurred.

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

Licenses	–	12 years
Developed technology	–	15 years
Trade name and customer relationships	–	15 years
Registrations	–	5-10 years

Impairment of goodwill and other intangible assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives 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 in the administrative expenses line item in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of recognised income and expense. An impairment loss recognised for goodwill is not reversed.

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the consolidated income statement.

On consolidation, the results of non-US operations are translated into US dollars at rates approximating to those ruling when the transactions took place. Balance sheets are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of non-US operations at actual rate are recognised directly in equity (the 'foreign exchange reserve').

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

1. Accounting policies continued

Financial instruments

Trade receivables are initially recognised at fair value, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Short-term investments comprise interest bearing cash held on deposit and short-term investments maturing in less than one year at fixed rates of interest.

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

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the instrument. Borrowings are subsequently measured at amortised cost using the effective interest rate method, which ensures that interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet.

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

The Group does not trade in derivative financial instruments.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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 the consolidated income statement represents the employer contributions payable to the schemes for the financial period.

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

Equity share-based payments

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

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with the fair value of goods and services received.

The fair value of equity instruments is calculated using the binomial option pricing model.

Leased assets

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

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

1. Accounting policies continued

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

All other leases are treated as operating leases. Their annual rentals are charged to the consolidated income statement.

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 tangible fixed assets over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	–	over length of lease
Production machinery	–	10 – 20% per annum
Office equipment	–	20 – 33% per annum
Vehicles	–	20% per annum

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing inventories to their present location and condition.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date 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.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

1. Accounting policies continued

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

Standards and interpretations not yet applied

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IFRS 8	*Operating Segments*
IFRIC 11	*IFRS 2 – Group and Treasury Share Transactions*
IFRIC 12	*Service Concession Arrangements*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC 11 requires share-based payment transactions in which an entity receives services as consideration for its own equity instruments to be accounted for as equity settled. In addition, equity instruments accounted for as equity settled share-based payment transactions that are granted by a parent to the employees of its subsidiary, are to be accounted for in the separate financial statements of each group entity. The Company currently accounts for share-based payment transactions in which it receives services as consideration for its own equity instruments as equity settled at the Group level. The standard will only impact how that transaction is recorded by each group entity and, therefore, it is not anticipated that IFRIC 11 will have a material impact on the financial statements of the Group.

IFRS 8 affects only disclosures and, therefore, is anticipated to have no material impact on the Group financial statements. It is anticipated that the adoption of IFRIC 12, IFRIC 13 and IFRIC 14 will have no impact on the financial statements of the Group.

As of the date of authorisation of these financial statements, the following amendments to published standards, which have not been applied in these financial statements, were in issue but not yet effective. Management is currently assessing the impact of these amendments on the accounts.

IFRS 2	*Share-based Payment (Amendment)*
IAS 1	*Presentation of Financial Statements (Amendment)*
IAS 1	*Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)*
IAS 23	*Borrowing Costs (Amendment)*
IAS 32	*Financial Instruments: Presentation (Amendment)*
IFRS 3	*Business Combinations (Amendment)*
IAS 27	*Consolidated and Separate Financial Statements (Amendment)*

2. Critical accounting estimates and judgments

In preparing its financial statements, the Group makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

2. Critical accounting estimates and judgments continued

believed to be reasonable under the circumstances. In the future, actual experience may differ from estimates and assumptions. The estimates and assumptions 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 is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in note 12.

Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details including carrying values are included in notes 12 and 13.

Inventory

The Company reviews the net realisable value of, and demand for, its inventory on a periodic basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include timing and success of future technological innovations, competitor actions, supplier prices and economic trends. Changes in these factors that differ from management's estimates can result in adjustment to the carrying value and amounts charged to the consolidated income statement in specific periods. More details on carrying amounts and write down of inventories to fair value less costs to sell are included in note 14.

Share-based payments

The Group has two types of equity-settled share-based remuneration schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share-based payments is estimated using the binomial pricing model on the date of grant based on certain assumptions as described in note 7. Changes to estimates of non-market based vesting conditions can result in adjustment to the carrying value and amounts charged to the consolidated income statement in specific periods. More details including carrying values are disclosed in note 21.

Warranty claims

The Group offers a three-year warranty on certain of its products in the USA. The Group estimates the amount and cost of future warranty claims for its current period sales. These estimates are used to record accrued warranty provisions for current period product

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

2. Critical accounting estimates and judgments continued

shipments. The Company uses historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include the successful growth rate of plant material to which the Company's product is applied and the cost of the plant material covered under the claim. More details including carrying values are disclosed in note18.

Determination of fair values of intangible assets acquired in business combinations

The fair value of intangible assets acquired in business combinations is based on the discounted cash flows expected to be derived from the use of the asset.

3. Revenue

Revenue arises from:

	2007 $'000s	2006 $'000s
Sale of goods	15,523	12,359
Service contracts and fee income	2,772	1,320
	18,295	13,679

4. Operating loss

	2007 $'000s	2006 $'000s
Operating loss is arrived at after charging:		
Staff costs (see note 5)	7,831	5,040
Research and development costs	771	306
Depreciation	262	248
Amortisation	242	2
Equity share-based payment expense	462	67
Write-down of inventory to net realisable value	114	33
Operating lease expense	543	468
Auditors' remuneration:		
For the audit of the Company's annual accounts	127	97
For other services:		
Audit of the Company's subsidiaries	143	106
Tax services	5	25
Other services*	18	36
Total fees for other services	166	167
Total auditors' remuneration	293	264
Exceptional costs – Plant relocation	175	250
Staff reorganisation	171	—
Placement costs	—	63
	346	313

* The "other services" provided related to the Company's transition to International Financial Reporting Standards. In 2006, the auditors were also paid $87,000 in relation to the Company's secondary placement and a business acquisition; these fees were capitalised.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

4. Operating loss continued

Plant relocation expenses comprise a provision for the relocation of the Pittsburgh, Pennsylvania manufacturing facility.

Write-down of inventory to net realisable value recognised as an expense during 2007 and 2006 relates primarily to changes in market conditions impacting the expected demand for specific products.

5. Staff costs

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

	2007 $'000s	2006 $'000s
Wages and salaries	**5,984**	4,166
Social security and payroll taxes	**750**	448
Defined contribution pension costs	**64**	—
Medical and other benefit plans	**403**	359
Equity-settled share-based payment expense	**462**	67
Other long-term employee benefits	**23**	—
Compensation for loss of office	**145**	—
	7,831	5,040

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

	2007	2006
Management	**10**	9
Sales	**37**	27
Production and technical services	**12**	14
Administration	**23**	19
	82	69

6. Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, including directors of the Company and the Chief Financial Officer of the Company. Further disclosures on the remuneration of each individual director are included in the Remuneration Committee report.

	2007 $'000s	2006 $'000s
Base salary and fees	**842**	679
Bonuses	**289**	72
Other short-term employee benefits	**153**	16
Equity-settled share-based payments	**380**	—
Pensions and other post-retirement benefits	**31**	—
Compensation for loss of office	**145**	—
	1,840	767

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

Notes forming part of the Group financial statements
for the year ended 31 December 2007 continued

7. Share-based payment

The Company operates two equity-settled share-based remuneration schemes for employees: a share option scheme and a long-term incentive stock award plan, as described in the Remuneration Committee report on pages 20 to 25.

Valuation of the share options granted during the period was as follows:

	2007		*2006*		
	26 September	***17 January***	*3 November*	*22 June*	*11 April*
Share options granted	**16,500**	**175,000**	3,000	50,000	131,470
Weighted average fair value	**134p**	**90p**	39p	47p	34p
Assumptions used in measuring fair value:					
Weighted average share price	**240p**	**165p**	128p	106p	74p
Exercise price	**245p**	**224p**	128p	123p	74p
Expected volatility	**53%**	**60%**	57%	57%	57%
Option life	**10 years**	**10 years**	10 years	10 years	10 years
Expected vesting period	**4.5 years**	**4.5 years**	4.5 years	4.5 years	4.5 years
Expected dividend yield	**Nil**	**Nil**	Nil	Nil	Nil
Risk-free interest rate	**5.04%**	**5.09%**	4.77%	4.77%	4.42 %

Valuation of the stock awards under the long-term incentive plan adopted in 2007 was as follows:

	4 October 2007	*1 July 2007*
Shares awarded	100,000	300,000
Weighted average fair value	216p	237p
Assumptions used in measuring fair value:		
Expected volatility	58%	58%
Expected vesting period	3 years	2.5 years
Expected dividend yield	Nil	Nil
Risk-free interest rate	4.93%	5.59%

For valuation of both the share options granted and LTIP shares awarded:

- in 2007, the expected volatility was determined by reference to the historical share price of Plant Health Care plc for a three-year period;
- in 2006, the expected volatility was determined by reference to the historic share price of three comparable companies for a three-year period;
- the expected vesting period reflects market-based performance conditions for these options and share awards; and
- fair values were calculated using the binomial option pricing model.

Further information on share-based payments is given in sections (d) and (e) of note 21.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

7. Share-based payment continued

The Company pays a portion of non-executive directors' fees, as described in the Remuneration Committee report on pages 20 to 25, and a portion of the Company Secretary's fees in the form of the Company's ordinary shares at a total value equal to the fair value of the services rendered. In 2007, the Company issued 33,789 shares (2006: 29,760) with an aggregate value of $156,000 (2006: $38,000) for the payment of fees.

8. Segment information

The Group's primary reporting format for reporting segment information is based on the geographical location of the Group's operations: USA, Mexico and Europe. The secondary segment format is based on customer markets: Agriculture, Horticulture and Turf, and Other.

Primary segment information

By location of operations

2007	*USA $'000s*	*Mexico $'000s*	*Europe $'000s*	*Elimination $'000s*	*Total $'000s*
Revenue					
External sales	12,996	3,295	2,004	—	18,295
Inter-segment sales	543	—	878	(1,421)	—
Total revenue	13,539	3,295	2,882	(1,421)	18,295
Segment operating (loss)/profit	(1,903)	273	(366)	—	(1,996)
Unallocated corporate expenses					(3,245)
Operating loss					(5,241)
Finance revenue					177
Finance costs					(302)
Tax expense					(47)
Loss for the year					(5,413)

Other segment information:

	USA $'000s	*Mexico $'000s*	*Europe $'000s*	*Unallocated/ Elimination $'000s*	*Total $'000s*
Segment assets	13,259	1,982	3,422	6,983	25,646
Segment liabilities	4,012	469	2,064	(1,428)	5,117
Capital expenditure	78	45	15	49	187
Depreciation	164	68	24	6	262
Amortisation	242	—	—	—	242
Other non-cash expenses:					
Share-based payment	—	—	—	462	462

Notes forming part of the Group financial statements
for the year ended 31 December 2007 continued

8. Segment information continued

Primary segment information
By location of operations

2006	*USA $'000s*	*Mexico $'000s*	*Europe $'000s*	*Elimination $'000s*	*Total $'000s*
Revenue					
External sales	8,791	2,536	2,352	—	13,679
Inter-segment sales	717	—	742	(1,459)	—
Total revenue	9,508	2,536	3,094	(1,459)	13,679
Segment operating (loss) profit	(1,462)	256	(12)	—	(1,218)
Unallocated corporate expenses					(1,648)
Operating loss					(2,866)
Finance revenue					275
Finance costs					(335)
Tax expense					(72)
Loss for the year					(2,998)

Other segment information:	*USA $'000s*	*Mexico $'000s*	*Europe $'000s*	*Unallocated/ Elimination $'000s*	*Total $'000s*
Segment assets	9,749	2,436	3,183	2,669	18,037
Segment liabilities	2,074	364	2,023	(229)	4,232
Capital expenditure	223	142	49	83	497
Depreciation	165	46	36	1	248
Amortisation	—	—	—	2	2
Other non-cash expenses:					
Share-based payment	—	—	—	68	68
Other	—	—	—	30	30

Inter-segment transfers are priced at competitive market prices charged to external customers for similar goods. This policy was applied consistently throughout the current and prior period.

Unallocated corporate expenses include finance, human resources, legal and employee costs that are not directly allocated to the geographical operating units.

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

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

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

8. Segment information continued

Secondary segment information

By customer market

	External revenue 2007 $'000s	External revenue 2006 $'000s
Agriculture	**8,025**	4,866
Horticulture and Turf	**7,898**	7,026
Other	**2,372**	1,787
	18,295	13,679

Assets, liabilities and capital expenditures are common across all secondary segments and therefore cannot be allocated on a reasonable basis. This segment information has therefore not been disclosed.

9. Finance revenue and costs

	2007 $'000s	2006 $'000s
Finance revenue		
Bank deposits	**177**	275
Finance costs		
Finance leases	**43**	22
Revolving credit agreement	**139**	225
Notes payable	**53**	72
Unwinding of discount on provisions	**22**	—
Total interest expense	**257**	319
Exchange rate losses	**45**	16
	302	335

10. Tax expense

The tax charge for the year comprises:

	2007 $'000s	2006 $'000s
Current tax expense		
Corporation tax and income tax on profits for the year	**77**	81
Utilisation of previously unrecognised tax losses	**(30)**	—
	47	81
Deferred tax expense:		
Origination and reversal of temporary differences	**—**	(9)
	47	72

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

10. Tax expense 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:

	2007 $'000s	2006 $'000s
Loss for the period	**(5,366)**	(2,926)
Expected tax charge based on the standard rate of corporation tax in the UK of 30% (2006: 30%)	**(1,610)**	(878)
Expenses not deductible for tax purposes	**477**	—
Utilisation of previously unrecognised tax losses	**(30)**	—
Financial statement share-based payment expense	**139**	—
Tax returns share-based payment expense	**(2,089)**	—
Losses in year not relieved against current tax	**3,398**	950
Amortisation of intangibles	**3**	—
Different tax rates applied in overseas jurisdictions	**(241)**	—
	47	72

At 31 December 2007, the Group has a potential deferred tax asset of $15,156,000, which includes tax losses available to carry forward of $10,812,000 arising from historic losses incurred, anticipated tax relief on share-based payments of $4,037,000 and other timing differences of $307,000.

11. Loss per share

Basic loss per ordinary share has been calculated on the basis of the loss attributable to equity holders of the parent of $5,424,000 (loss for 2006: $3,028,000) and the weighted average number of shares in issue during the relevant financial periods. For 2007, the weighted average number of equity shares in issue is 42,408,798 (2006: 36,838,918). Instruments (share options, warrants and share awards – see note 21) that could potentially dilute basic earnings per share in the future have been considered, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

12. Intangible assets

	Goodwill $'000s	Licenses and registrations $'000s	Developed technology $'000s	Trade name and customer relationships $'000s	Total $'000s
Cost					
Balance at 1 January 2006 and 1 January 2007	536	2,586	—	—	3,122
Additions – internally developed	—	53	—	—	53
Acquired through business combinations	1,432	—	143	159	1,734
Balance at 31 December 2007	1,968	2,639	143	159	4,909
Accumulated amortisation					
Balance at 1 January 2006	348	5	—	—	353
Impairment charge	—	30	—	—	30
Amortisation charge for the year	—	2	—	—	2
Balance at 1 January 2007	348	37	—	—	385
Amortisation charge for the year	—	217	12	13	242
Balance at 31 December 2007	348	254	12	13	627
Net book value					
At 1 January 2006	188	2,581	—	—	2,769
At 31 December 2006	188	2,549	—	—	2,737
At 31 December 2007	1,620	2,385	131	146	4,282

Included in the balance sheet at year end is goodwill with a net book value of $188,000 with respect to a previous year acquisition, and $1,432,000 related to the 2007 acquisition of the Eden Bioscience assets as disclosed in note 25. The directors considered the following assumptions appropriate in performing the annual impairment test on goodwill for these balances:

- ➢ the recoverable amount of goodwill is based on value in use;
- ➢ forecast cash flows are based on approved budgets and plans for the next five years;
- ➢ the underlying assumptions of these cash flows are based on management's experience and probability ratios for new business generation;
- ➢ subsequent cash flows have been increased at a terminal growth rate of 0%; and
- ➢ the cash flows have been discounted using a pre-tax discount rate of 15%, based on the Group's estimated incremental borrowing rate adjusted for risks associated with the estimated cash flows.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

13. Property, plant and equipment

	Leasehold improvements $'000s	Production machinery $'000s	Office equipment $'000s	Vehicles $'000s	Total $'000s
Cost					
Balance at 1 January 2006	185	748	840	311	2,084
Additions	—	108	153	236	497
Disposals	—	—	(1)	(82)	(83)
Balance at 1 January 2007	185	856	992	465	2,498
Additions	3	5	121	58	187
Acquired through business combinations	—	—	11	—	11
Disposals	—	—	(46)	(50)	(96)
Balance at 31 December 2007	188	861	1,078	473	2,600
Accumulated depreciation					
Balance at 1 January 2006	136	490	530	138	1,294
Depreciation charge for the year	5	63	103	77	248
Disposals	—	—	(1)	(51)	(52)
Balance at 1 January 2007	141	553	632	164	1,490
Depreciation charge for the year	5	61	99	97	262
Disposals	—	—	(39)	(41)	(80)
Balance at 31 December 2007	146	614	692	220	1,672
Net book value					
At 1 January 2006	49	258	310	173	790
At 31 December 2006	44	303	360	301	1,008
At 31 December 2007	42	247	386	253	928

The net book value of property, plant and equipment includes an amount of $207,000 (2006: $236,000) in respect of assets held under finance leases. Depreciation expense includes an amount of $62,000 (2006: $54,000) in respect of assets held under finance leases.

14. Inventories

	2007 $'000s	2006 $'000s
Raw materials	**1,407**	1,089
Work in progress	**24**	53
Finished goods and goods for resale	**1,441**	1,326
	2,872	2,468

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

15. Trade and other receivables

	2007 $'000s	2006 $'000s
Trade receivables	**6,914**	6,194
Less: provision for impairment	**(775)**	(312)
Trade receivables – net	**6,139**	5,882
Other receivables	**57**	57
Prepayments	**529**	996
Prepaid corporation tax	**26**	7
	6,751	6,942

All amounts fall due for payment within one year.

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

	2007 $'000s	2006 $'000s
Balance at the beginning of the year	**312**	218
Provided	**516**	113
Receivables written off as uncollectable	**(45)**	(19)
Unused amounts reversed	**(8)**	—
Balance at the end of the year	**775**	312

The gross value of trade receivables for which a provision for impairment has been made is $1,216,000 (2006: $360,000).

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

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

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

	2007 $'000s	2006 $'000s
Current	**5,215**	4,944
Past due:		
Up to 3 months	**457**	755
3 to 6 months	**79**	160
6 to 12 months	**388**	23
Total	**6,139**	5,882

The main factors used in assessing the impairment of trade receivables are the age of the balances and the circumstances of the individual customer. The Group has not provided for these receivables as these relate to customers with no default history and there has not been a significant change in credit quality.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

16. Trade and other payables

	2007 $'000s	2006 $'000s
Trade creditors	**1,276**	1,513
Accruals	**2,185**	1,481
Taxation and social security	**187**	114
	3,648	3,108

17. Borrowings

(a) Amounts falling due within one year

	2007 $'000s	2006 $'000s
Notes payable	**139**	131
Finance leases	**66**	69
Revolving credit facility	**—**	114
	205	314

(b) Amounts falling due after more than one year

	2007 $'000s	2006 $'000s
Notes payable	**218**	286
Finance leases	**60**	128
	278	414

Notes payable are unsecured.

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

(c) Due date for payment

The following table illustrates the contractual maturity of the Group's financial liabilities on a gross basis:

	Notes payable 2007 $'000s	Notes payable 2006 $'000s	Finance leases 2007 $'000s	Finance leases 2006 $'000s	Revolving credit facility 2007 $'000s	Revolving credit facility 2006 $'000s
In less than one year	**155**	155	**87**	88	**—**	114
In more than one year, but less than two years	**185**	155	**47**	83	**—**	—
In more than two years, but less than five years	**60**	155	**37**	69	**—**	—
	400	465	**171**	240	**—**	114

(d) Other financial commitments

The Group had $520,000 of letters of credit outstanding at 31 December 2007 (2006: $250,000); $250,000 expiring September 2008 and $270,000 expiring December 2009. Short-term investments in the amount of $559,000 (2006: $275,000) are pledged as security for these letters of credit.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

18. Provisions

	Onerous contracts $'000s	Warranty $'000s	Post-employment insurance benefits $'000s	Total $'000s
Balance at 1 January 2007	282	114	—	396
Provided	175	346	23	544
On acquisition	711	—	—	711
Utilised in year	(462)	(225)	—	(687)
Unwinding of discount	11	11	—	22
Balance at 31 December 2007	717	246	23	986
Due within one year or less	344	202	—	546
Due after more than one year	373	44	23	440
	717	246	23	986

Onerous contracts relate to the excess of rents payable over rents receivable on two idle leased facilities. The lease term of both of these facilities expires in December 2009.

Warranty claims are expected to be paid out over the warranty period of up to three years.

Post-employment insurance benefits are payable upon termination of employment, unless termination is for cause, and continue for the employee's lifetime.

19. Financial instruments

(a) *Interest rate and currency of borrowings*

The Group's borrowings comprise notes payable, finance leases and a short-term revolving credit facility.

Non-interest-bearing subordinated notes payable of $357,000 (2006: $417,000) are accounted for at net present value using market discount rates of 5.61% to 10% per annum. Amortisation of this discount is charged to interest expense over the life of the notes.

$126,000 (2006: $197,000) of the Group's borrowings are finance leases; $80,000 is denominated in US dollars (2006: $156,000), $21,000 in Euros (2006: $41,000) and $25,000 in Pesos (2006: nil), all at fixed interest rates. The weighted average fixed interest rate is 17.5% and the weighted average period for which it is fixed is 27 months.

There is no interest rate risk related to the notes payable and finance leases as the agreements are at fixed rates of interest.

The Group had $114,000 in short-term financing through a revolving credit facility in the USA at 31 December 2006. Borrowings under this facility were repaid in 2007. Interest was at LIBOR plus 2.375%, adjusted weekly. At the year end, no amounts have been drawn down on this facility, therefore there is no interest rate risk on this instrument.

Notes forming part of the Group financial statements
for the year ended 31 December 2007 continued

19. Financial instruments continued

(b) *Interest rate and currency of cash balances*

The Group invests its surplus cash in bank deposits denominated in US dollars and British pounds which earn interest at money market rates. In doing so, the Group exposes itself to fluctuations in money market interest rates. These cash balances are held with one international bank.

Floating rate financial assets comprise $9,551,000 (2006: $3,940,000) of deposits on money market deposit at call, seven-day and monthly floating rates; $8,101,000 is denominated in US dollars (2006: $3,517,000) and $1,450,000 in British pounds (2006: $423,000). The annualised effect of a movement of 0.5% in the average interest rate received on the Group's bank deposits at the balance sheet date would result in an increase or decrease in the Group's income statement of $48,000 (2006: $20,000).

Short-term investments include $559,000 (2006: $436,000) held on deposit at 31 December 2007. These deposits are pledged as collateral for the Company's letters of credit and the revolving credit facility in 2006.

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

(c) *Currency exposure*

The following table show the effects, all other things being equal, of changes to exchange rates on the Group's loss after tax and on the exchange differences on retranslation of the assets and liabilities of foreign operations which are recognised directly in equity. It illustrates the effects if the exchange rates for the British Pound, Euro and Mexican Peso had been higher or lower than those which actually applied during the year and at year end.

	(Increase)/decrease in loss after tax		*Effect of exchange rates on translation of assets and liabilities of foreign entities*	
	2007	*2006*	***2007***	*2006*
	$'000s	*$'000s*	***$'000s***	*$'000s*
Strengthening of GBP by 5%	**19**	(2)	**13**	(4)
Weakening of GBP by 5%	**(21)**	2	**(15)**	5
Strengthening of Euro by 5%	**(1)**	5	**18**	23
Weakening of Euro by 5%	**1**	(5)	**(20)**	(25)
Strengthening of Peso by 5%	**(3)**	(7)	**(46)**	(44)
Weakening of Peso by 5%	**3**	8	**51**	49

(d) *Fair values of financial instruments*

At 31 December 2007 and 2006, the current values of all of the Group's financial instruments are not materially different from the book values.

(e) *Undrawn bank facilities*

On 12 April 2007, the Company entered into a revolving credit agreement that provides for $2,000,000 in borrowings. The agreement matures one year from the date it was entered into. Interest is at prime plus 8%. An undrawn facility fee is charged

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

19. Financial instruments continued

at 2.5% per annum on the undrawn loan balance, calculated monthly. A facility fee of 4% was payable upon closing. As of 31 December 2007 and the date of this report, no borrowings were outstanding under the agreement. Borrowings available under the agreement are based on the eligible accounts receivable and inventory of certain of the Group's US subsidiaries. They are secured by substantially all of the assets of those subsidiaries and are guaranteed by Plant Health Care, Inc. At the year end, no amounts were drawn down on this facility. Therefore, there is no interest risk on this instrument.

(f) *Categories of financial assets and financial liabilities*

	Loans and receivables	
	2007	*2006*
	$'000s	*$'000s*
Current financial assets		
Trade and other receivables	**6,751**	6,942
Short-term investments	**559**	436
Cash and cash equivalents	**10,254**	4,446
	17,564	11,824

	Financial liabilities measured at amortised cost	
	2007	*2006*
	$'000s	*$'000s*
Current financial liabilities		
Trade and other payables	**3,648**	3,108
Loans and borrowings	**205**	314
Total current financial liabilities	**3,853**	3,422
Non-current financial liabilities		
Loans and borrowings	**278**	414
Total non-current financial liabilities	**278**	414
	4,131	3,836

The amounts disclosed for all of the above financial assets and financial liabilities are the book values. The directors consider that these are not materially different to their fair values.

(g) *Credit risk*

The Group's principal credit risk relates to the recovery of amounts owed by trade debtors. 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 each of its geographic segments in the USA, Europe and Mexico. There is no dependence on any one customer or any customer representing more than 10% of the Group's total sales.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

19. Financial instruments continued

(h) *Capital*

As described in notes 21 and 22, the Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings. The Group is not subject to any externally-imposed capital requirements. The Group's primary objective in managing its capital is to support the development of the Group's activities through to the point where they are cash generative on a sustained basis.

20. Subsidiary undertakings

The following were subsidiary undertakings of the Company at the end of the year.

Name	*Country of incorporation or registration*	*Proportion of voting rights and ordinary share capital held*	*Nature of business*
Plant Health Care, Inc	USA (Nevada)	97.5%	Holding company
Plant Health Care, Inc	USA (Pennsylvania)	97.5%*	Manufacturing and sales
PHC Reclamation, Inc	USA (Nevada)	97.5%*	Contracting and consulting
Plant Health Care de Mexico S. de R.L. de C.V.	Mexico	78.0%*	Sales
Plant Health Care (UK) Limited	United Kingdom	97.5%*	Sales
Plant Health Care BV	Netherlands	97.5%*	Sales
Plant Health Care España	Spain	97.5%*	Sales
VAMTech, LLC	USA (Delaware)	97.5%*	Manufacturing
PHC Royalty Corporation	USA (Nevada)	97.5%*	Intellectual property

** Held indirectly*

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

During the year ended 31 December 2007, Plant Health Care, Inc. (Nevada) purchased six of its outstanding shares from minority shareholders for $180,000. As a result of this transaction, the Company's percentage ownership of Plant Health Care, Inc. (Nevada) increased to 97.5% at 31 December 2007 (2006: 96.9%).

Subsequent to the year end, the Company issued 495,000 new ordinary shares in exchange for Plant Health Care, Inc. (Nevada) minority shares, increasing the Company's percentage ownership of Plant Health Care, Inc. (Nevada) from 97.5% to 99.4% as of the date of this report.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

21. Share capital

(a) *Authorised and issued share capital*

	2007 $'000s	*2006 $'000s*
Authorised share capital: 500,000,000 ordinary shares at £0.01 each	**8,984**	8,984
Allotted, called up and fully-paid share capital: 44,214,229 (2006: 40,333,972) ordinary shares at £0.01 each	**809**	731

(b) *Movement in share capital*

The movements on issued share capital are as follows:

	Ordinary shares of Plant Health Care plc	
	Number	*$'000s*
In issue at 1 January 2006	**30,150,462**	**542**
Secondary placement	**10,000,000**	**186**
Shares exchanged	**7,500**	**—**
Shares issued for services received	**29,760**	**—**
Share options exercised	**90,000**	**2**
Warrants exercised	**56,250**	**1**
In issue at 31 December 2006	**40,333,972**	**731**
Secondary placement	**2,098,000**	**43**
Shares issued for services received	**33,789**	**1**
Share options exercised	**1,748,468**	**34**
In issue at 31 December 2007	**44,214,229**	**809**
Shares exchanged	**495,000**	**10**
In issue at the date of this report	**44,709,229**	**819**

During the year ended 31 December 2006, the following fully-paid 1 pence ordinary shares in the Company were issued:

(i) 10,000,000 shares, with an aggregate value of $12,066,000, were issued by way of a placing at 65 pence per share on 5 May 2006.

(ii) 7,500 shares, with an aggregate value of $14,000, were issued in exchange for Plant Health Care Inc. shares in accordance with the circular dated 30 June 2004.

(iii) 29,760 shares, with an aggregate value of $38,000, were issued to certain non-executive directors in payment of fees.

(iv) 90,000 shares, with an aggregate value of $62,000, were issued for the exercise of share options at an exercise price of 37 pence per share

(v) 56,250 shares, with an aggregate value of $1,000, were issued for the exercise of share warrants, in accordance with the circular dated 30 June 2004.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

21. Share capital continued

During the year ended 31 December 2007, the following fully-paid 1 pence ordinary shares in the Company were issued:

(i) 2,098,000 shares, with an aggregate value of $10,163,000, were issued by way of a placing at 238 pence per share on 26 September 2007.

(ii) 33,789 shares, with an aggregate value of $156,000, were issued to certain non-executive directors and the Company Secretary in payment of fees.

(iii) 1,748,468 shares, with an aggregate value of $1,365,000, were issued for the exercise of share options, at exercise prices ranging from 37 pence per share to 110 pence per share.

During the period from 1 January 2008 to the date of this report, the following additional shares of 1 pence each were issued:

(i) 495,000 new ordinary shares, with an aggregate value of $2,491,000, were issued pursuant to the acceptance of an exchange offer for minority shares in Plant Health Care, Inc.

(c) *Warrants*

The company had 176,704 warrants outstanding at 31 December 2007. There were no movements in warrants during the year ended 31 December 2007 or to the date of this report.

The warrants are exercisable at 52 pence per warrant on or before 5 July 2014.

(d) *Share options*

As described in the Remuneration Committee report on pages 20 to 25, the Company issues share options to certain employees under the Plant Health Care plc Unapproved Share Option Scheme 2004. At the time of its admission to AIM, the Company also agreed to honour outstanding options under the Plant Health Care, Inc 2001 Equity Incentive Plan. No further options have been or will be issued under that Plan.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

21. Share capital continued

The movements on share options are as follows:

	Options over ordinary shares			
	Directors	*Other*	*Total*	*Weighted average exercise price (pence)*
Outstanding at 1 January 2006	**2,887,498**	**1,923,498**	**4,810,996**	43
Appointment of CFO as director	100,000	(100,000)	—	—
Awarded	103,470	81,000	184,470	88
Exercised	—	(90,000)	(90,000)	37
Forfeited	—	(104,500)	(104,500)	62
Outstanding at 31 December 2006	**3,090,968**	**1,709,998**	**4,800,966**	**45**
Awarded	—	191,500	191,500	226
Exercised	(1,053,468)	(695,000)	(1,748,468)	40
Forfeited	(200,000)	(26,500)	(226,500)	67
Outstanding at 31 December 2007	**1,837,500**	**1,179,998**	**3,017,498**	**57**

Of the total number of options outstanding at 31 December 2007, 2,471,248 (2006: 4,029,371) had vested and were exercisable. The weighted average exercise price was 42 pence (2006: 40 pence).

The weighted average share price at the dates of exercise for the share options exercised during 2007 was 235 pence (2006: 119 pence).

The options outstanding at 31 December 2007 have a weighted average remaining life of 5.7 years (2006: 6.3 years) and the range of the exercise prices is 37 pence to 245 pence (2006: 37 pence to 128 pence).

There were no further movements in options from 1 January 2008 to the date of this report.

(e) *Share awards under long-term incentive plan*

As described in the Remuneration Committee report on pages 20 to 25, the Company awards shares to certain employees under the Plant Health Care plc 2007 Long Term Incentive Plan.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

21. Share capital continued

The movements on share awards during the year ended 31 December 2007 and to the date of this report are as follows:

	Share awards Directors	Other	Total
Outstanding at 1 January 2007	—	—	—
Awarded	300,000	100,000	400,000
Outstanding at 31 December 2007	300,000	100,000	400,000
Appointment of Stephen Weaver as Finance Director	100,000	(100,000)	—
Outstanding at date of this report	400,000	—	400,000

None of the shares awarded had vested at 31 December 2007.

The share awards granted vest, subject to certain performance and service conditions, over the period from 2008 to 2010.

22. Reserves

	Share premium $'000s	Reverse acqui-sition reserve $'000s	Share-based payment reserve $'000s	Foreign exchange reserve $'000s	Retained earnings $'000s	Total $'000s	Minority interest $'000s	Total equity $'000s
Balance at 1 January 2006	10,847	11,195	51	(228)	(17,227)	4,638	190	4,828
Share issues	11,918	—	—	—	—	11,918	—	11,918
Plant Health Care, Inc. shares exchanged	13	(21)	—	—	—	(8)	—	(8)
Share-based payments	—	—	67	—	—	67	—	67
Options exercised	61	—	—	—	—	61	—	61
Placement costs	(1,013)	—	—	—	—	(1,013)	—	(1,013)
Movement in exchange rates	—	—	—	219	—	219	—	219
Loss in the year	—	—	—	—	(3,028)	(3,028)	30	(2,998)
Balance at 31 December 2006	**21,826**	**11,174**	**118**	**(9)**	**(20,255)**	**12,854**	**220**	**13,074**
Share issues	10,627	—	—	—	—	10,627	—	10,627
Repurchase of minority interest's shares by subsidiary	—	(158)	—	—	—	(158)	—	(158)
Share-based payments	—	—	462	—	—	462	—	462
Options exercised	1,331	—	—	—	—	1,331	—	1,331
Placement costs	(333)	—	—	—	—	(333)	—	(333)
Movement in exchange rates	—	—	—	130	—	130	—	130
Loss in the year	—	—	—	—	(5,424)	(5,424)	11	(5,413)
Balance at 31 December 2007	**33,451**	**11,016**	**580**	**121**	**(25,679)**	**19,489**	**231**	**19,720**

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

22. Reserves continued

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

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

23. Pensions

The Group does not maintain any defined benefit pension plans. The Group does maintain a retirement plan qualified under Section 401(k) of the United States Internal Revenue Code. This plan covers substantially all US employees. In 2007, the Company's pension expense under the scheme was $64,000 (2006: Nil).

24. Leases

Finance leases

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

Future lease payments are due as follows:

2007:	*Minimum lease payments $'000s*	*Interest $'000s*	*Present value $'000s*
Not later than one year	87	21	66
Later than one year and not later than five years	84	24	60
	171	45	126

2006:	*Minimum lease payments $'000s*	*Interest $'000s*	*Present value $'000s*
Not later than one year	88	19	69
Later than one year and not later than five years	152	24	128
	240	43	197

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

24. Leases continued

Operating leases

The Group leases all of its properties, as well as office equipment and vehicles. The terms of property leases vary from country to country and tend to have rent reviews at the end of the lease term for renewal purposes. Vehicle operating leases are for a fixed term with a fair value buy-out option at the end of the lease term.

The total value of minimum lease payments are due as follows:

	2007 $'000s	*2006 $'000s*
Not later than one year	**326**	407
Later than one year and not later than five years	**327**	554
	653	961

25. Asset purchase

On 28 February 2007, the Company acquired certain of the assets of Eden Bioscience Corporation for a total consideration of $2,200,000, plus the assumption of certain liabilities associated with these assets. $1,500,000 was paid at closing and $700,000 was paid during the year under a secured promissory note bearing interest at a rate of 5% per annum. Costs attributable to the purchase were $246,000.

Details of the fair value of the assets acquired and liabilities assumed were as follows:

	$'000s
Inventories	839
Tangible assets	686
Intangible assets	302
Accrued expenses	(102)
Onerous lease provision	(711)
	1,014
Goodwill	1,432
Cost of acquisition	2,446

The main factors leading to the recognition of goodwill are:

- the presence of certain intangible assets which do not qualify for separate recognition; and
- synergistic cost savings which result in the Group being prepared to pay a premium.

The Company acquired certain equipment under the asset purchase agreement that would not be used in the Company's operations. The Company sold all of this equipment during the year for an amount equal to its fair value.

The Company assumed the obligations under an Exclusive License Agreement relating to the licensing of technology from Cornell University. Payments due under the agreement with Cornell are the greater of 2% of sales or $200,000 per annum.

Following the acquisition of the assets of Eden Bioscience Corporation, the assets were fully integrated into the Group, therefore it is not possible to disclose a separate profit or loss applicable to this acquisition for the period since the date of acquisition.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

26. Notes supporting cash flow statement

Significant non-cash transactions are as follows:

	2007 $'000s	2006 $'000s
Operating activities		
Equity consideration for services rendered	**156**	38
Financing activities		
Assets acquired under finance leases	**52**	101
Notes issued for the repurchase of minority interest's shares by subsidiary	**68**	—
	120	101

27. Commitments and contingencies

On 1 November 2007, the Company committed to purchase $880,000 of goods from a third party supplier. During 2007, $85,000 of goods were purchased from the supplier. From 1 January 2008 to the date of this report, the Company purchased $423,000 of goods. The remainder of the goods are due for delivery during 2008.

28. First-time adoption of International Financial Reporting Standards (IFRS)

Reconciliations and explanatory notes on how the transition to IFRS has affected profit and net assets previously reported under UK Generally Accepted Accounting Principles (UK GAAP) are given below:

Income statement reconciliation for the year ended 31 December 2006

	Note	UK GAAP $'000s	Adjustments $'000s	IFRS $'000s
Revenue		13,679	—	13,679
Cost of sales		(7,565)	—	(7,565)
Gross profit		6,114	—	6,114
Goodwill amortisation	(i)	(36)	36	—
Administrative expenses	(ii)	(8,976)	(4)	(8,980)
Operating loss		(2,898)	32	(2,866)
Finance revenue		275	—	275
Finance costs		(335)	—	(335)
Loss before tax		(2,958)	32	(2,926)
Tax expense		(72)	—	(72)
Loss for the year		(3,030)	32	(2,998)
Attributable to:				
Equity holders of the parent		(3,060)	32	(3,028)
Minority interest		30	—	30
		(3,030)	32	(2,998)

All amounts relate to continuing operations.

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

28. First-time adoption of International Financial Reporting Standards (IFRS) continued

Balance sheet reconciliation at 1 January 2006

	Note	UK GAAP $'000s	Adjustments $'000s	IFRS $'000s
Assets				
Non-current assets				
Intangible assets		2,769	–	2,769
Property, plant and equipment		790	–	790
Total non-current assets		3,559	–	3,559
Current assets				
Inventories		1,582	–	1,582
Trade and other receivables		2,989	–	2,989
Short-term investments		252	–	252
Cash and cash equivalents		894	–	894
Total current assets		5,717	–	5,717
Total assets		9,276	–	9,276
Liabilities				
Current liabilities				
Trade and other payables	(ii)	2,813	51	2,864
Short-term borrowings		285	–	285
Provisions		234	–	234
Total current liabilities		3,332	51	3,383
Non-current liabilities				
Long-term borrowings		523	–	523
Provisions		–	–	
Total non-current liabilities		523	–	523
Total liabilities		3,855	51	3,906
Total net assets		5,421	(51)	5,370
Capital and reserves attributable to equity holders of the Company				
Share capital		542	–	542
Share premium		10,847	–	10,847
Reverse acquisition reserve		11,195	–	11,195
Share-based payment reserve		51		51
Foreign exchange reserve	(iii)	–	(228)	(228)
Retained earnings		(17,404)	177	(17,227)
		5,231	(51)	5,180
Minority interest		190	–	190
Total equity		5,421	(51)	5,370

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

28. First-time adoption of International Financial Reporting Standards (IFRS) continued

Balance sheet reconciliation at 31 December 2006

	Note	UK GAAP $'000s	Adjustments $'000s	IFRS $'000s
Assets				
Non-current assets				
Intangible assets	(i)	2,701	36	2,737
Property, plant and equipment		1,008	–	1,008
Total non-current assets		3,709	36	3,745
Current assets				
Inventories		2,468	–	2,468
Trade and other receivables		6,942	–	6,942
Short-term investments		436	–	436
Cash and cash equivalents		4,446	–	4,446
Total current assets		14,292	–	14,292
Total assets		18,001	36	18,037
Liabilities				
Current liabilities				
Trade and other payables	(ii)	3,052	56	3,108
Short-term borrowings		314	–	314
Provisions		396	–	396
Total current liabilities		3,762	56	3,818
Non-current liabilities				
Long-term borrowings		414	–	414
Provisions		–	–	–
Total non-current liabilities		414	–	414
Total liabilities		4,176	56	4,232
Total net assets		13,825	(20)	13,805
Capital and reserves attributable to equity holders of the Company				
Share capital		731	–	731
Share premium		21,826	–	21,826
Reverse acquisition reserve		11,174	–	11,174
Share-based payment reserve		118	–	118
Foreign exchange reserve	(iii)	–	(9)	(9)
Retained earnings		(20,244)	(11)	(20,255)
		13,605	(20)	13,585
Minority interest		220	–	220
Total equity		13,825	(20)	13,805

Notes forming part of the Group financial statements

for the year ended 31 December 2007 continued

28. First-time adoption of International Financial Reporting Standards (IFRS) continued

Adjustments

Explanations of the adjustments made to the UK GAAP income statement and balance sheets are as follows:

Note

(i) IFRS 3 'Business Combinations" has been applied to acquisitions completed after the date of transition, 1 January 2006. As a result, the carrying value of goodwill in the UK GAAP balance sheet at 31 December 2005 is brought forward to the IFRS opening balance sheet. The effect of IFRS has been to reverse the goodwill amortisation charge for the June 2006 and December 2006 reporting periods.

(ii) In accordance with IAS 19, administrative expenses have been adjusted to reflect accrued entitlement to short-term compensated absences.

(iii) In accordance with IAS 21, the foreign exchange reserve is classified as a separate component of equity.

There were no material changes to the cash flow for the year ended 31 December 2006; the only changes are presentational.

Company balance sheet

at 31 December 2007

	Note	2007 $'000s	2006 $'000s
Fixed assets			
Fixed asset investments	33	**34,839**	30,636
Current assets			
Debtors	35	**29**	21
Cash at bank and in hand		**8,995**	3,599
		9,024	3,620
Creditors: amounts falling due within one year	36	**(482)**	(333)
Net current assets		**8,542**	3,287
Net assets		**43,381**	33,923
Capital and reserves			
Called-up share capital	21	**809**	731
Share premium	38	**33,451**	21,826
Reverse acquisition reserve	38	**14,455**	14,455
Option reserve	38	**580**	118
Profit and loss account	38	**(5,914)**	(3,207)
Shareholders' funds		**43,381**	33,923

The financial statements were approved and authorised for issue by the Board on 28 March 2008.

J Brady

Director

The notes on pages 70 to 72 form part of these financial statements.

Notes forming part of the Company financial statements

for the year ended 31 December 2007

29. Accounting policies

Basis of preparation

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

Investments

Fixed asset investments comprise investments by the Company in the shares of subsidiary undertakings and loans to Group undertakings. They are stated at cost less any provision where, in the opinion of the directors, there has been an impairment.

Equity share-based payments

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

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.

30. Loss for the financial year

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The Group loss for the year includes a loss after tax of $2,707,000 (2006: loss of $1,012,000), which is dealt with in the financial statements of the parent company.

31. Employees

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

	2007	*2006*
	$'000s	*$'000s*
Wages and salaries	**694**	257
Social security and payroll taxes	**137**	17
Defined contribution pension costs	**5**	—
Medical and other benefit plans	**32**	13
Other long-term employee benefits	**23**	—
Compensation for loss of office	**145**	—
	1,036	287

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

	2007	*2006*
Management	**4**	4

Notes forming part of the Company financial statements

for the year ended 31 December 2007 continued

32. Directors' remuneration

	2007 *$'000s*	*2006* *$'000s*
Directors' emoluments	**1,009**	*767*
Pension contributions	**8**	—
Post-employment health benefits	**23**	—
Compensation for loss of office	**145**	—
	1,185	*767*

Further disclosures on the remuneration of each individual director are included in the Remuneration Committee report.

Total emoluments paid to the highest paid director were $486,000 (2006: $252,000).

The three executive directors who served during the year were eligible to participate in the Group's 401(k) retirement plan. The contribution to the plan accrued for the highest paid director was $3,000 (2006: Nil).

33. Fixed asset investments

	Shares in Group undertakings $'000s	*Loans to Group undertakings $'000s*	*Total $'000s*
Cost			
At 1 January 2006	**15,293**	**8,498**	**23,791**
Additions	14	6,831	6,845
At 1 January 2007	**15,307**	**15,329**	**30,636**
Additions	—	4,203	4,203
At 31 December 2007	**15,307**	**19,532**	**34,839**

The directors do not consider that any provision is required against the cost of these investments.

34. Subsidiary undertakings

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

35. Debtors

	2007 *$'000s*	*2006* *$'000s*
Prepayments	**29**	21

All amounts fall due within one year.

36. Creditors

	2007 *$'000s*	*2006* *$'000s*
Trade creditors	**40**	107
Accruals	**442**	226
	482	333

All amounts fall due for payment within one year.

Notes forming part of the Company financial statements

for the year ended 31 December 2007 continued

37. Share capital

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

38. Reconciliation of movements in shareholders' funds

	Share premium $'000s	*Reverse acquisition reserve $'000s*	*Share-based payment reserve $'000s*	*Retained earnings $'000s*
Balance at 1 January 2006	10,847	14,453	51	(2,195)
Plant Health Care, Inc. shares exchanged	13	2	—	—
Share issues	11,880	—	—	—
Share-based payments	38	—	67	—
Options exercised	61	—	—	—
Placement costs	(1,013)	—	—	—
Loss in the year	—	—	—	(1,012)
Balance at 31 December 2006	**21,826**	**14,455**	**118**	**(3,207)**
Share issues	10,627	—	—	—
Share-based payments	—	—	462	—
Options exercised	1,331	—	—	—
Placement costs	(333)	—	—	—
Loss in the year	—	—	—	(2,707)
Balance at 31 December 2007	**33,451**	**14,455**	**580**	**(5,914)**

39. Cash flow statement

The Company has taken advantage of the exemption conferred by FRS 1 not to prepare a cash flow statement on the basis that the Company's results are included in the Group financial statements.

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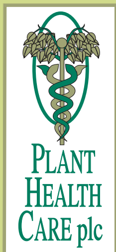

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