

PLANT HEALTH CARE PLC

*(a company incorporated under the laws of England and
Wales with registered no. 05116780)*

(the ‘Issuer’)

16 February 2010

Application for admission of up to 56,000,000 ordinary shares of 1p each (the ‘Shares’) to the Official List of the Channel Islands Stock Exchange, LBG (the ‘CISX’)

Application has been made to the CISX for the listing and permission to deal in the Shares (**‘Admission’**). The CISX is a Designated Investment Exchange within the meaning of the United Kingdom Financial Services and Markets Act 2000.

This listing document (the **‘Listing Document’**), including the audited consolidated financial statements for the years ended 31 December 2007, 2008 and 2009 attached as Part III (the **‘Accounts’**), includes particulars given in compliance of the Listing Rules of the CISX with the purpose of giving information with regard to the Issuer.

The Directors of the Issuer, whose names appear on pages 6 and 7 (the **‘Directors’**), accept full responsibility for the information contained in this Listing Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Ogier Corporate Finance Limited (the **‘Sponsor’**) is acting as CISX Listing Agent and acts for the Issuer and for no one else in connection with the listing of the Shares and will not be responsible to anyone other than the Issuer.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Sponsor as to the accuracy or completeness of the financial or other information contained in the Listing Document or any other information supplied in connection with the Shares.

Neither the admission of the Shares to the Official List of the CISX nor the approval of the Listing Document pursuant to the listing requirements of the CISX shall constitute a warranty or representation by the CISX as to the competence of the service providers to, or any other party connected with, the Issuer, the adequacy and accuracy of the information contained in the Listing Document, or the suitability of the Issuer for investment or for any other purpose.

The delivery of this Listing Document shall not in any circumstances create any implication that there has been no adverse change, or that no event has occurred that is reasonably likely to cause any adverse change to the contents of this Listing Document since the date of this Listing Document.

The Listing Document does not constitute an offer of, or an invitation by or on behalf of, the Issuer to purchase any Shares and may not be relied on by any person who is considering purchasing any Shares. This Listing Document may not be used for or in connection with an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

Application has been made for the listing of the Shares by way of introduction to the CISX and no application has been made for the listing on any other stock exchange. The Issuer’s Shares are currently quoted on the AIM Market of the London Stock Exchange and the Issuer will retain this quotation platform. It is expected that admission to the CISX will take place and that dealings in the Shares on the CISX will commence on 17 February 2010.

The ISIN code for the Issuer is GB00B01JC540.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Dr. Albert Fischer (<i>Non-executive Chairman</i>) John Brady (<i>Chief Executive</i>) Stephen Weaver (<i>Finance Director</i>) Samuel Wauchope (<i>Senior Independent Director</i>) Dr. David Buckeridge (<i>Non-executive director</i>) Dr. Dominik Koechlin (<i>Non-executive director</i>) Jeremy Scudamore (<i>Non-executive director</i>)
Registered Office	The Broadgate Tower 20 Primrose Street London EC2A 2RS
Company Secretary	Andrew C. Wood, FCIS
Sponsor to the Listing	Ogier Corporate Finance Limited Ogier House St Julian's Avenue St Peter Port Guernsey GY1 1WA
Financial Adviser, Nominated Adviser and Broker	Evolution Securities Limited 100 Wood Street London EC2V 7AN
Legal Advisers	Reed Smith LLP The Broadgate Tower 20 Primrose Street London EC2A 2RS
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0GA

PART I

INFORMATION ON THE ISSUER

1. Introduction

The Issuer was incorporated on 30 April 2004 with company number 05116780 under the laws of England and Wales.

The Issuer is the holding company of a group of companies (the '**Group**'). The Group was established to provide environmentally responsible products for plants and soil. The Group's primary strategy is to develop and provide naturally-derived IP-protected products which promote plant growth, yield and health. The Group's products create both economic and environmental benefits for its customers and capitalise upon long-term trends towards natural systems and biological products which enhance plant health and growth.

The Group's products are provided to the agriculture, horticulture and turf industries through partnership licensing and product supply arrangements with seed and agrichemical companies and by direct sales to distributors for onward sale to growers.

The Group's principal operations are in the United States with further operations in the United Kingdom, Mexico, Spain and the Netherlands.

The Group's two major proprietary technologies, over which it has significant intellectual property rights, are Harpin and Myconate®.

Harpin

Harpin proteins activate a plant's intrinsic ability to protect itself through growth and stress-defence responses. Harpin proteins link to receptors in the plant which alert the plant to the presence of disease pathogens. The proteins contain no pathogens, but stimulate these receptors, activating the plant's self-defence and growth systems. These reactions promote plant health and stimulate increased yields. Once this has occurred Harpin proteins quickly degrade in the environment, not having entered the plant.

In December 2007, an agreement was reached with Monsanto Company ('**Monsanto**') to evaluate, develop and commercialise Harpin technology as a seed treatment on certain major row crops. In December 2008 Monsanto signed a 15-year contract with PHC, Inc. to commercialise Harpin as a seed treatment in corn, soybeans, cotton, canola and selected vegetables ('**Monsanto Agreement**').

Under the Monsanto Agreement, Monsanto has exclusive worldwide (save for certain developing African countries) rights to commercialise the Issuer's current generation of Harpin for seed treatment and is permitted to utilise the technology in its own new generation of corn, soybean, cotton, canola and selected vegetable seeds. The Monsanto Agreement, which covers only seed coating, does not permit Monsanto to use the technology in foliar applications or in combination with fungicides, insecticides and herbicides (e.g. glyphosate) or any other product, or grant access to any future generations of Harpin technology.

In September 2008, it was announced that a long-term licence agreement had been signed with Bayer CropScience AG for the use of the Issuer's current generation of Harpin genes in brassica oilseeds.

Myconate®

Over 80 per cent. of all plant species in the world are dependent on mycorrhizal fungi, which occur naturally in soil and contribute to healthy root development. Myconate® encourages mycorrhizal fungi to colonise the roots of crops. This enhances root function, even during drought, stress or other conditions such as low soil fertility. The Issuer's test programmes and large scale field trials have shown considerable yield advantage when using Myconate®, especially on acres that suffer from overworked soil or lack of moisture.

Since the termination of an exclusive agreement in relation to Myconate® with Bayer CropScience AG in December 2008, discussions are underway with several agrichemical and seed companies with a view to entering into an agreement or agreements to commercialise and supply Myconate® in major row crops.

Further information

As at 31 December 2009, the Group had total assets of US\$36.8 million, all of which were situated outside of the Channel Islands. The main components of this figure were as follows: US\$15.9 million of cash and cash equivalents and short term investments, US\$14.5 million of trade and other receivables and US\$4.0 million of intangible assets.

The Group has made significant investments in new technologies and products over the past three years. In 2007, the Group acquired substantially all of the assets of Eden Bioscience, Inc. for US\$2.2 million, including the patents and intellectual property for Harpin, which has subsequently become a key technology for the Group. Each year, the Group spends money on further development of its technologies (primarily Harpin and Myconate) and their applications, with spending on field trials, scientific personnel, product registrations and industry consultants. In 2007, 2008 and 2009 spending on these items amounted to approximately US\$1.1 million, US\$1.9 million and US\$2.4 million, respectively. In 2009, the Group leased a laboratory facility in Seattle, Washington, at an annual cost of approximately US\$24,000 to further the development of Harpin technology.

In 2010, the Group intends to increase Harpin development spending on laboratory facilities in Seattle, Washington, by installing new equipment at a cost of approximately US\$400,000 and increasing staff and related spending by approximately US\$385,000. In addition, field trials, scientific personnel, product registrations and industry consultant spending are expected to approach US\$3.2 million in 2010. The Group expects to continue its search for and investment in new products and technologies in order to strengthen its portfolio of naturally-derived yield enhancing technologies.

As at 31 December 2008 and 31 December 2009, the Group employed the following numbers of people in the following areas:

<i>Business Unit</i>	<i>31 December 2009</i>		<i>31 December 2008</i>	
	<i>Full time</i>	<i>Part time</i>	<i>Full time</i>	<i>Part time</i>
U.S. Product Sales	18	2	27	2
Partnering	13	1	6	1
Mexico	15	2	15	2
U.K.	4	1	4	1
Reclamation	6	2	6	4
Spain	1	0	2	0
Netherlands	3	2	4	2
Accounting & Finance	8	0	10	0
Corporate	4	1	4	1
Total	<u>72</u>	<u>11</u>	<u>78</u>	<u>13</u>

The Issuer does not intend to make any changes to the nature of its business following the CISX listing.

2. Current Trading and Prospects

The economic conditions of 2008 and 2009 have made trading more challenging for all, but the future of the Group's business is underpinned by the growing worldwide demand for food crops, which will continue to outpace available acreage. There is a growing need and demand for yield-enhancing and plant health protection products and, with Harpin being sold to growers in significant quantity for the first time in 2009, the Directors believe that the Group is in a strong position to take advantage of that need and demand.

The Directors consider that it is too early in the year to comment in detail on the revenue potential for 2010. Until the timing and scale of economic recovery are clear, the Directors are cautious of the prospects for growth in sales to the horticulture and turf markets, and associated operating costs are being controlled accordingly. However they remain confident that sales of Harpin will continue to grow under the present arrangements with Monsanto and that further partnering agreements will be entered into during 2010.

With all of the progress made during the past two years and the market forces supporting the Group's strategy, the Directors have confidence in the Company's prospects for the years ahead.

3. Financial position of the Issuer

The Directors confirm that, to the best of their knowledge and belief, there has been no adverse change in the financial or trading position of the Group since 31 December 2009, the date of the last consolidated audited accounts.

The earnings per share of the Issuer for three years ended 31 December 2007, 2008 and 2009 are as follows:

	2007	2008	2009
Loss per share (US\$)	(\$0.126)	(\$0.096)	(\$0.027)
Based upon:			
Net earnings attributable to equity shareholders (\$000s)	(5,424)	(4,306)	(1,331)
Weighted average number of shares in issue (000s)	42,409	44,748	(49,731)

No dividends were declared or paid in the three years ended 31 December 2007, 2008 and 2009.

At 31 December 2009, the Group had total indebtedness of US\$121,000, comprising US\$51,000 of notes payable and US\$70,000 of finance leases. The notes payable are unsecured. Finance leases are secured by retention of title to the relevant equipment and vehicles. There are no other mortgages or charges over the Group's assets nor any contingent liabilities or guarantees of the Group. Intra-group liabilities have been disregarded.

Save as set out, the Group has no other borrowings or indebtedness.

As at 31 December 2009, the net tangible asset backing for the shares was US\$27.7 million, being shareholders' funds less intangible assets.

4. Board of Directors

The Board of Directors of the Issuer (the '**Board**') is comprised of the following persons:

Dr. Albert Fischer (Non-executive Chairman)

Dr. Fischer is a Dutch citizen and joined the Issuer as non-executive Chairman in 2001. In 2008, Dr. Fischer was appointed managing director of Yellow&Blue Investment Management B.V. to lead Yellow&Blue Clean Energy Investments, a Netherlands-based venture capital fund active in the clean energy world, founded by Nuon, a major energy provider in the Netherlands. Previously, he was managing partner and co-founder of Planet Capital, an independent advisory firm in clean energy technology. Before that, Dr. Fischer was a partner with Greenpartners 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 Elsevier Science, a subsidiary of Reed Elsevier plc, one of the world's largest providers of scientific and technical information products.

Dr. Fischer is also a non-executive director of German company P21 GmbH.

Dr. Fischer will stand down as Chairman and Director at the conclusion of the Issuer's forthcoming Annual General Meeting on 15 April 2010. His successor as Chairman will be Dr. Dominik Koechlin (see below).

John Brady (Chief Executive)

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

Prior to joining the Issuer, 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 holds an MBA from Arizona State University and a BA in Political Science from the University of Connecticut.

Stephen Weaver (Finance Director)

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

Prior to joining the Issuer, 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 NASDAQ-listed manufacturing company serving the global steel industry.

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

Samuel Wauchope (Senior Independent Director)

Mr. Wauchope is a UK citizen and joined the Issuer 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, Oeconics Group plc and Ultrasis plc. Mr. Wauchope now acts as a strategic adviser to growth companies in the technology and cleantech sectors.

Mr. Wauchope is non-executive chairman of Evergreen Securities plc and a non-executive director of Progressive European Markets Limited and of Landover Wireless Inc. (USA).

Dr. David Buckeridge (Non-executive director)

Dr. Buckeridge is a UK citizen and joined the Issuer as a non-executive director in October 2008. Dr. Buckeridge is currently an operating director with Paine & Partners, a US private equity firm. Previously, he spent 20 years with multinational pharmaceutical company AstraZeneca. Dr. Buckeridge held a number of senior positions during his time at AstraZeneca, including five years running the company's commercial seed business in the United States. In 1999, he was appointed as a main board director of AstraZeneca's seeds business and then CEO of Advanta, then the largest independent agronomic seeds business in the world.

Dr. Buckeridge is non-executive chairman of Archimica Cooperatief U.A. (the Netherlands) and a non-executive director of Oxitec Limited, NLA FP Limited, Icicle Seafoods Inc. and Icicle Holdings Inc.

Dr. Dominik Koechlin (Non-executive director)

Dr. Koechlin is a Swiss citizen and joined the Issuer as a non-executive director in January 2009. After starting his career in banking, Dr. Koechlin founded Epsilon AG, a consultancy and corporate financier focused on environmentally sound management. He then joined Telecom PTT, the leading Swiss telecommunications company, and led it through privatisation to become Swisscom AG.

Dr. Koechlin is a non-executive director of the Swiss companies EGL AG, Swissmetal AG and Clariant AG and of LGT Bank in Lichtenstein. He also serves as non-executive director of several private companies.

Jeremy Scudamore (Non-executive director)

Mr. Scudamore is a UK citizen and joined the Issuer as a non-executive director in October 2008. Mr. Scudamore worked for 35 years in the life science, agrichemical and specialty chemical business of ICI, AstraZeneca and Avecia, latterly as chief executive officer and chairman of the Avecia group. Previously chief executive officer of Zeneca Specialties, Mr. Scudamore led the £1.3 billion buyout from AstraZeneca and successfully restructured the group into a pure biotechnology company.

Mr. Scudamore is currently senior independent director of ARM Holdings plc, a non-executive director of Oxford Catalysts Group PLC and non-executive chairman of Boardlink Group Limited.

PART II
ADDITIONAL INFORMATION

1. Share Capital

As at the date of this Listing Document, the issued share capital of the Issuer is £527,113.73 comprised of 52,711,373 fully paid ordinary shares of £0.01 each (**‘Ordinary Shares’**). The memorandum of association of the Issuer currently limits the share capital of the Issuer to a maximum of 500,000,000 Ordinary Shares.

Shares Issued

In the two year period ending on the date of this Listing Document, the following shares have been issued in the Issuer:

<i>Date of admission</i>	<i>No. of ordinary shares</i>	<i>Issue price per ordinary share</i>	<i>Purpose of issue</i>
22/02/10*	24,880	£2.11	In accordance with the Issuer’s contractual arrangements with non-executive directors, under which part of the non-executive directors’ remuneration is payable in shares
28/01/10	37,500	£0.37	Exercise of options
05/01/10	15,000	£0.52	Exercise of options
14/12/09	11,250	£0.37	Exercise of options
16/11/09	1,500	£1.28	Exercise of options
12/11/09	1,500	£1.28	Exercise of options
10/11/09	176,704	£0.52	Exercise of warrants
02/10/09	10,000	£0.46	Exercise of options
24/09/09	1,000	£0.62	Exercise of options
23/09/09	25,065	£2.24	In accordance with the Issuer’s contractual arrangements with non-executive directors, under which part of the non-executive directors’ remuneration is payable in shares
23/09/09	5,000	£0.62	Exercise of options
23/09/09	50,000	£0.37	Exercise of options
26/08/09	1,000	£0.62	Exercise of options
19/08/09	1,500	£0.62	Exercise of options
23/07/09	50,000	£0.58	Exercise of options
03/06/09	50,000	£0.37	Exercise of options
27/05/09	100,000	£0.62	Exercise of options
22/05/09	4,500	£0.62	Exercise of options
13/05/09	7,000,000	£1.50	Placing to raise £10.5m
07/05/09	40,000	£0.01	Allotment of shares following vesting of shares awarded under the Issuer’s 2007 Long term Incentive Plan
21/04/09	150,000	£0.37	Exercise of options
07/04/09	50,000	£0.37	Exercise of options
02/04/09	25,983	£1.67	In accordance with the Issuer’s contractual arrangements with non-executive directors, under which part of the non-executive directors’ remuneration is payable in shares
02/04/09	15,000	£0.01	Sign on bonus for senior executive
02/02/09	5,000	£0.62	Exercise of options
24/11/08	1,500	£0.62	Exercise of options

* The 24,880 ordinary shares were issued on 15 February 2010 and their expected date of admission to AIM is 22 February 2010.

<i>Date of issue</i>	<i>No. of ordinary shares</i>	<i>Issue price per ordinary share</i>	<i>Purpose of issue</i>
15/09/08	5,693	£3.03	In accordance with the Issuer's contractual arrangements with non-executive directors, under which part of the non-executive directors' remuneration is payable in shares
20/06/08	50,000	£0.37	Exercise of options
19/05/08	50,000	£0.37	Exercise of options
08/05/08	15,000	£0.52	Issued pursuant to the acceptance of an exchange offer for minority shares in Plant Health Care, Inc
08/04/08	7,569	£2.68	In accordance with the Issuer's contractual arrangements with non-executive directors, under which part of the non-executive directors' remuneration is payable in shares
08/04/08	20,000	£0.01	Allotment of shares following vesting of shares awarded under the Issuer's 2007 Long term Incentive Plan
18/03/08	3,750	£0.52	Issued pursuant to the acceptance of an exchange offer for minority shares in PHC, Inc.
18/02/08	491,250	£0.52	Issued pursuant to the acceptance of an exchange offer for minority shares in PHC, Inc.

Share Options

Prior to the formation of the Issuer, the then directors and senior personnel participated in the Plant Health Care, Inc. ('**PHC, Inc.**') Incentive Stock Option plans ('**PHC, Inc. Plans**'). Under these plans, options over Ordinary Shares were periodically awarded at the discretion of the board of directors of that company. These plans were frozen at the time of admission to AIM and outstanding options in PHC, Inc. were converted into options over Ordinary Shares in the Issuer ('**Converted Options**') bearing the same rights *mutatis mutandis* as under the PHC, Inc. Plans. As at the date of this Listing Document, there are unexercised Converted Options over 1,887,498 Ordinary Shares in the Issuer, held as follows:

<i>Date of Issue</i>	<i>Vesting Date</i>	<i>Expiry</i>	<i>Exercise Price (£)</i>	<i>No. of Ordinary Shares under option</i>
20/08/01	15/02/03	20/08/11	0.37	25,000
20/08/01	16/02/04	20/08/11	0.37	150,000
19/11/01	19/11/01	18/11/11	0.37	75,000
19/11/02	19/11/02	18/11/12	0.37	112,500
11/03/03	11/03/03	10/03/13	0.37	16,875
11/03/03	11/03/04	10/03/13	0.37	16,875
11/03/03	11/03/05	10/03/13	0.37	16,875
11/03/03	11/03/06	10/03/13	0.37	16,875
29/01/04	29/01/04	29/01/14	0.46	5,625
29/01/04	29/01/05	29/01/14	0.46	5,625
29/01/04	29/01/06	29/01/14	0.46	13,750
29/01/04	29/01/07	29/01/14	0.46	15,000
02/03/04	02/03/04	01/03/14	0.37	112,500
05/03/04	05/03/04	21/07/10	0.37	29,998
05/03/04	05/03/04	04/03/14	0.37	918,975
05/03/04	18/06/04	04/03/14	0.71	56,025
24/03/04	24/03/04	23/03/14	0.74	187,500
15/06/04	15/06/04	15/06/14	0.37	112,500

Further details of the Converted Options and the PHC, Inc. Plans are set out below in paragraph 12 of this Part II.

In July 2004, the Board adopted the Issuer's Unapproved Share Option Scheme 2004 ('**2004 Scheme**'). As at the date of this Listing Document, there are unexercised options over 855,750 Ordinary Shares in the Issuer issued pursuant to the 2004 Scheme, held as follows:

<i>Issue Date</i>	<i>Vesting Date</i>	<i>Expiry</i>	<i>Exercise Price (£)</i>	<i>No. of Ordinary Shares under option</i>
30/09/04	30/09/07	29/09/14	0.58	75,000
31/10/05	31/10/08	30/10/15	0.62	139,250
11/04/06	11/04/09	10/04/16	0.735	28,000
22/06/06	22/06/09	21/06/16	1.225	50,000
17/01/07	17/01/10	16/01/17	2.24	175,000
26/09/07	26/09/10	25/09/17	2.45	16,500
01/04/08	01/04/11	31/03/18	2.675	49,000
15/04/08	15/04/11	14/04/18	3.25	106,000
31/03/08	31/03/11	30/03/18	2.675	105,000
29/09/08	29/09/11	28/09/18	3.1725	50,000
15/10/08	15/10/11	14/10/18	2.50	16,500
15/04/09	15/04/12	14/04/19	1.54	26,000
15/10/09	15/10/12	14/10/19	2.54	19,500

Further details of the 2004 Scheme are set out below in paragraph 10 of this Part II.

Long Term Incentive Plan

In June 2007, the Issuer adopted the Plant Health Care plc 2007 Long Term Incentive Plan ('**2007 LTIP**'). As at the date of this Listing Document, there were awards not yet vested over 833,000 Ordinary Shares in the Issuer issued pursuant to the 2007 LTIP, held as follows:

<i>Date of Grant</i>	<i>Vesting Date</i>	<i>Expiry</i>	<i>Grant Price (£)</i>	<i>No. of Ordinary Shares under option</i>
01/07/07	31/03/10	31/03/10	0.01	100,000
04/10/07	23/05/10	23/05/10	0.01	81,334
07/05/08	30/06/11	30/06/11	0.01	83,333
26/11/08	30/06/11	30/06/11	0.01	50,000
05/06/09	30/06/12	30/06/12	0.01	518,333

Further details of the 2007 LTIP are set out below in paragraph 12 of this Part II.

Form of Shares

The Shares are in registered form. No temporary documents of title have been issued in respect of any of the Shares.

2. The Issuer's Group

The Issuer was incorporated on 30 April 2004 with the company number 05116780 under the laws of England and Wales.

The Issuer operates out of its office at 285 Kappa Drive, Suite 100, Pittsburgh, PA 15238, United States of America. The Issuer's registered office is, and its statutory records are available at, The Broadgate Tower, 20 Primrose Street, London EC2A 2RS.

The Issuer has the following subsidiaries incorporated in the following jurisdictions of which it owns the following percentages of the issued share capital:

<i>Name of Subsidiary</i>	<i>General Nature of Business</i>	<i>Place of Incorporation</i>	<i>Date of Incorporation</i>	<i>Issued Capital</i>	<i>% Owned</i>
PHC, Inc.	Holding company	USA (Nevada)	17 November 1994	8,420,670 shares of US\$0.001	100%
Plant Health Care, Inc.	Manufacturing and sales	USA (Pennsylvania)	6 November 1997	1,000 shares of US\$1	100%
PHC Reclamation, Inc.	Contracting and consulting	USA (Nevada)	18 December 1995	1,000 shares of US\$0.1	100%
Plant Health Care de Mexico S. de R.L. de C.V.	Sales	Mexico	3 July 1998	1,000 shares of 5404 peso	80%
Plant Health Care UK Limited	Sales	England & Wales	24 December 1998	90 A and 10 B Shares of £1 each	100%
Plant Health Care BV	Sales	The Netherlands	25 January 1999	400 shares of 45.38 Euro	100%
Plant Health Care (España) S.A.	Sales	Spain	8 April 2005	60,102 shares of 1 Euro	100%
VAMTech, LLC	Manufacturing	USA (Delaware)	5 June 1997	2 shares of US\$1	100%

There have been no material alterations in the capital of PHC Inc. or any of the above subsidiaries within the two years immediately preceding the date of this Listing Document.

3. Principal Establishments

Details of the principal establishments of the Group, all of which are leasehold, are set out below:

<i>Address</i>	<i>Term Expires</i>	<i>Size (Sq ft)</i>
Plant Health Care, Inc.		
285 Kappa Drive, Suite 100, Pgh, Pa 15238 (Main Office)	September 2014	6,000
10 Ann Street, Oakmont, PA 15139 (Manufacturing Plant)	February 2010	30,000
Plant Health Care UK Limited		
Unit 10, Howard Industrial Estate, Chilton Road, Chesham, Buckinghamshire	31 July 2010	5,000
PHC Reclamation, Inc.		
2001 11th Ave., Building A, Suite 28, Helena, MT 59601	Month to month	15,000
Plant Health Care de Mexico		
PHC Mexico Cadereyta No. 13-A, Col: Hipodromo Condesa 06170 Mexico DF, Mexico City, Mexico	July 2010	15,000
Plant Health Care B.V.		
Industrieweg 5-G, 5262 GJ Vught Netherlands	April 2014	6,000
Plant Health Care (España) S.A.		
Carretera Pinar de los Franceses S/N, Nave Junto a la campera, 11130 Chiclana de la Frontera, Cadiz, Spain	October 2010	2,500

4. Group Assets

The Group's material assets consist predominantly of intellectual property rights and plant and equipment used in the manufacture of the Group's products. The Group has no assets located in the Channel Islands. As at 31 December 2009, the location and amount of the Group's assets are as follows:

<i>Location</i>	<i>Assets (US\$'000)</i>	<i>Percentage of total assets (US\$'000)</i>
United States	30,050	81.8%
Mexico	1,428	3.9%
Europe	5,279	14.4%

5. Technology

Technology

The Group's technology is founded on two proprietary technologies and a number of trade secrets, all as described below.

Harpin Technologies

In 2007 the Group acquired from Eden Bioscience Corporation the exclusive rights to the use of all the Harpin gene and protein technologies developed at Cornell University and subsequently at Eden BioScience itself. These assets consist of more than 20 issued patents and pending applications filed in the USA and in the major agricultural countries worldwide. The patents and filings cover the whole class of Harpin genes and proteins (known and unknown members), for all methods of application (foliar, seed treatment and transgenic) and with any other class of agricultural chemical (herbicides, fungicides, insecticides, plant growth regulators and fertilisers) in any of multiple powder or liquid formulations. Also covered are the use of Harpin genes and proteins for many purposes such as growth and yield improvement, pest and disease suppression plus the improvement of post-harvest quality and storage.

The Group's intellectual property estate around the Harpins extends, for the earliest filed patent to 2013 with the later filings to 2023 in the USA. The most recent filings will extend coverage to 2029.

In addition, the synthesis of the Harpin proteins is protected by a number of trade secrets and extensive know-how.

Myconate

In 2004 the Group purchased VAMTech LLC and acquired the exclusive rights to the use of the formononetin (Myconate) technologies developed at Michigan State University and subsequently at VAMTech itself. These assets consist of five issued patents and one pending application filed in the USA and in the major agricultural countries worldwide. The patents and filings cover the whole class of isoflavones and their alkali salts, their synthesis, all methods of application (seed treatment and ground applications) and with any other class of agricultural chemical (herbicides, fungicides, insecticides, plant growth regulators and fertilisers) in any of multiple powder or liquid formulations.

The Group's intellectual property estate around Myconate extends, for the earliest filed patents to 2010 with the synthesis patent extending to 2018 in the USA. The most recent filings will extend seed treatment coverage to 2027.

Mycorrhizal fungi

Mycorrhizal fungi are an essential part of all plant growth. Mycorrhizal fungi are naturally occurring and work as an extension of the plant's roots, increasing the surface area of the root system by up to 700 per cent. They also increase resistance to root diseases and other pests.

In natural soils, mycorrhizal fungi are readily available to plants. However, in urban landscapes, degraded lands and most agricultural lands, mycorrhizal fungi are often not present in adequate quantities. Thousands of research studies have shown that stimulating plant roots with mycorrhizal fungi increases the health and survivability of plants, but no method was previously available for reproducing the fungi in the amounts required for commercial use.

The Group has developed processes that isolate and concentrate VAM (Vesicular-Arbuscular Mycorrhizal) fungal spores. This allows the Group to produce products that have a longer shelf life (a minimum of three to five years) than products based on other propagules, such as root fragments. Spores can be mixed effectively with other biological (i.e. bacteria) and non-biological (i.e. biostimulants) ingredients to enable the Group to diversify its product portfolio.

The Directors believe that the Group is the only group in the industry using this form of VAM fungal spore technology.

The Group has various forest collectors in the USA to harvest puffballs containing spores of ectomycorrhizal fungi. From these, the Group extracts the ectomycorrhizal fungi spores and uses them as ectomycorrhizal inoculum in various products. Many important tree species associate with ectomycorrhizal fungi, including pine, spruce, hemlock, larch, oak, birch, beech, hickory, chestnut, linden, poplar and willow. Ectomycorrhizal fungi spores can be packaged with VAM fungi spores to broaden a product's applicability.

The Group has broadened the mycorrhizal fungi product line to include diverse fungal inoculant products, both VAM and ecto- types, which increase a plant's tolerance to:

- drought;
- high soil temperatures;
- soil salinity and other organic and inorganic soil toxins;
- extremes in soil pH; and
- numerous diseases caused by root pathogens and parasites.

Rhizosphere bacteria

The top eight to 10 inches of soil, the area containing most of the absorbing plant roots (rhizosphere), contains an extremely important and diverse ecosystem with intense biological activity and processes, and mutually beneficial interactions between rhizosphere bacteria and plant roots. Rhizosphere bacterial species used by the Group include bacteria that:

- stimulate root growth;
- increase nitrogen levels in the soil; and
- make insoluble phosphate from the soil available to plants.

The Group has also developed a number of rhizosphere bacterial inoculants which are all commercialised and in the Group's current product range.

General

The markets for mycorrhizal fungal inoculants, biofertilisers, biostimulants, water management agents and other natural plant care products are fragmented among many small companies. There are several dozen companies in the US alone, each with small volumes and a limited product portfolio. Several small companies have begun producing untested mycorrhizal fungal inoculants and selling them through reformulating companies without, the Directors believe, the stringent quality assurance requirements that the Group employs. The Group produces, formulates, packages and ships its own inoculants for commercial use. They are free of the pathogens that can counteract the beneficial effects of mycorrhizal fungi. The Directors believe that the Group is the only group offering a money-back guarantee on its inoculants.

Product Overview

The Group has developed a number of branded products that are already on the market such as:

- **PHC® Plant Saver®, PHC®, Flower Saver® Plus and PHC® Tree Saver®, PHC Turf Saver, PHC Root Dips, PHC MiniPlug, PHC Vertimulch, PHC Injectable for Trees, PHC Palm Saver** – all mycorrhizal fungal inoculants. These products, which can significantly reduce plant loss and decline due to poor soil conditions and drought, contain both ectomycorrhizal and VAM fungi, micronutrients and beneficial rhizobacteria.
- **Compete Plus®, BioPak® and BioPak Plus®** – bacterial inoculants. These products contain rhizosphere bacteria, micronutrients and various other soil microbes that improve soil fertility, biologically promoting a healthy plant root system that is more resistant to environmental stress.
- **Healthy Start®, Colonize™ T&O, and Flexx®** – biofertilisers for commercial turf and ornamental markets. These products contain organic nutrients and rhizosphere bacteria and create root and soil conditions that ensure optimal plant growth, enriching the soil profile and restoring the soil's natural bioactivity and structure. They also contain Myconate, the Issuer's proprietary patented stimulant of VAM fungi.
- **Terra-Sorb®** – a polymer gel for plants improving water retention in the soil. A long lasting hydrogel that absorbs many times its weight in water and slowly releases it into the root zone for use by plant roots. Particularly useful in areas that experience drought conditions or volatile and unpredictable rainfall patterns.
- **Yuccah®** – a soil wetting agent. This product improves the penetration of water or soluble fertilisers into soil. Yuccah® is extracted from a Yucca plant and is used to improve water penetration into soil thereby reducing plant wilting and heat stress in hot weather. By allowing the water to penetrate the soil, it provides moisture for the roots to absorb and reduce the previously mentioned stress conditions.
- **Pond Saver®** – a bacterial pond cleaner. This product is an organic concentrated blend of bacteria that quickly and naturally degrade nutrients, organic matter and other hydrocarbons, clearing the water of odours and discoloration.

The Directors believe that the key features of the Group's products are their effectiveness and their biological basis. Biological treatments, being alive, are sustainable, non-burning, non-polluting, and provide a new category of tools for improving plant growth in the landscape, nursery and agricultural markets.

Registered Intellectual Property

The key registered patents utilised by the Group are as follows:

<i>Patent Number</i>	<i>Country</i>	<i>Patent Title</i>	<i>Expiry Date</i>
<i>Harpin</i>			
5,708,139 ¹	United States	(BT) pseudomonas syringae pv syringae hrpz gene	01/15
5,776,889 ¹	United States	Hypersensitive response induced resistance in plants	06/15
5,849,868 ¹	United States	Elicitor of the hypersensitive response in plants	12/15
5,850,015 ¹	United States	Hypersensitive response elicitor from erwinia chrysanthemi	12/15
5,858,786 ¹	United States	Pseudomonas syringae pv syringae hrpz gene	05/13
5,859,324 ¹	United States	Hypersensitive response induced resistance in plants	06/15
5,977,060 ¹	United States	Insect control with a hypersensitive response elicitor ²	02/18
6,001,959 ¹	United States	Hypersensitive response elicitor from erwinia chrysanthemi	06/15
6,172,184 ¹	United States	Hypersensitive response elicitor from pseudomonas syringae and its use	07/18

<i>Patent Number</i>	<i>Country</i>	<i>Patent Title</i>	<i>Expiry Date</i>
6,174,717 ¹	United States	Elicitor of the hypersensitive response in plants	07/12
6,228,644 ¹	United States	Hypersensitive response elicitor from erwinia amylovora, its use and encoding gene	07/18
6,235,974 ¹	United States	Hypersensitive response induced resistance in plants by seed treatment	12/17
6,262,018 ¹	United States	Hypersensitive response elicitor from erwinia amylovora and its use	07/18
6,277,814 ¹	United States	Enhancement of growth in plants	01/18
6,333,302 ¹	United States	Use of hypersensitive response elicitor protein or polypeptide from clavibacter michiganensis for disease resistance, growth enhancement and insect control ²	08/18
6,583,107 ¹	United States	Hypersensitive response elicitor fragments eliciting a hypersensitive response and uses thereof	05/18
6,596,509 ¹	United States	Recombinant constructs and systems for secretion of proteins via type III secretion system	07/19
6,855,683 ¹	United States	Hypersensitive response elicitor from erwinia amylovora, its use and encoding gene	07/18
6,858,707 ¹	United States	Hypersensitive response elicitor fragments which are active but do not elicit a hypersensitive response ²	01/20
6,998,515 ¹	United States	Enhancement of growth in plants	01/18
7,029,667 ¹	United States	Hypersensitive response elicitor from erwinia amylovora and its use	07/18
7,041,876 ¹	United States	Oomycete-resistant transgenic plants by virtue of pathogen induced expression of a heterologous hypersensitive...	05/21
7,045,123 ¹	United States	Hypersensitive response elicitor from pseudomonas syringae and its use	07/18
7,109,397 ¹	United States	Pseudomonas syringae harpins, hopptop and hoppmahpto, and their uses	05/23
7,132,525 ¹	United States	Hypersensitive response elicitor fragments eliciting a hypersensitive response and uses thereof	12/18
	United States	Hypersensitive response induced resistance in plants by seed treatment	
6,624,139	United States	HR elicitor-induced stress resistance	11/19
Pending	United States	HR elicitor-induced stress resistance	
Pending	United States	Receptor for HR elicitor and uses thereof	
Pending	United States	Treatment of fruits or vegetables with HR elicitor to control post-harvest disease or desiccation	
6,960,705	United States	HR elicitor form santhomonas campestris	11/20
Pending	United States	Method for increasing the efficacy of ag chemicals	
Pending	United States	Production, formulation and uses of stable liquid harpin formulations	
To be filed	United States	Microbial gene and protein combinations	
<i>Myconate</i>			
5,002,603	United States	Method and compositions for stimulating vesicular-arbuscular mycorrhizal fungi	04/12/09 ⁴
5,085,682 ³	United States	Same as above	04/12/09 ⁴
5,125,955 ³	United States	Same as above	04/12/09 ⁴

<i>Patent Number</i>	<i>Country</i>	<i>Patent Title</i>	<i>Expiry Date</i>
5,691,275 ³	United States	Alkali metal formononetin and method of mycorrhizal stimulation	29/01/16
5,981,775 ³	United States	Process for the preparation of isoflavones	16/09/18
Pending ³	United States	Coated seeds and methods of making coated seeds	22/02/27 ⁵

1 Licensed to the Issuer pursuant to an exclusive licence agreement between the Issuer and Cornell University.

2 Jointly owned with Cornell University.

3 These patents also granted or pending in: Brazil, China, European Union, Taiwan, Australia, Japan, Hungary, Canada, India, Mexico, Argentina, Ukraine, Russia and South Africa.

4 Although expired in the USA these patents have a year or more to run in many overseas countries.

5 If granted, this will protect all seed treatment uses of Myconate until the date shown.

The key registered (United States) trade marks utilised by the Group are as follows:

<i>Trademark No.</i>	<i>Description</i>	<i>Date of Expiry</i>
2,824,147	A Natural Systems Approach	16/03/14
2,533,256	Compete	12/01/12
3,046,811	Employ	17/01/16
2,359,623	Flexx	20/06/10
2,793,391	Flower Saver	16/12/13
3,169,424	Harp-N-Tek	07/11/16
2,392,770	Healthy Start	10/10/10
2,291,558	Messenger	09/11/19
2,921,391	Messenger	25/01/15
2,291,557	Messenger	09/11/19
2,789,697	Messenger	02/12/13
3,382,697	Mightyplant	12/02/18
2,239,526	Myconate	13/04/19
2,657,545	Mycor	10/12/12
2,399,131	Mycortree	31/10/10
3,077,917	N-Hibit	04/04/16
2,392,771	Palm Saver	10/10/10
2,399,130	PHC Biopak	31/10/10
3,458,500	PHC, Inc.	01/07/18
2,533,255	PHC	29/01/12
2,619,263	Plant Health Care, Inc. and Design	17/09/12
3,213,473	Plant Health Care, Inc.	27/02/17
3,213,474	Plant Health Care	27/02/17
2,685,087	Plant Saver	11/02/13
2,415,112	Pond Saver	26/12/10
3,432,575	Proact	20/05/18
2,407,784	Terra-Sorb	28/11/10
2,399,132	Tree Saver	31/10/10
2,535,223	Yuccah	05/02/12
VA-9,90-,387	Single Plant Photograph	21/06/94
VA-9,90-,388	Double Plant Photograph	21/06/94
VA-9,90-,389	Triple Plant Photograph	21/06/94

The registered (world) trade marks utilised by the Group are as follows:

<i>Trademark No.</i>	<i>Description</i>	<i>Country/Registrar</i>	<i>Date of Expiry</i>
870044	Harp-N-Tek	WIPO	01/09/14
355.093	Mensagerio	Portugal	11/01/17
1,890,166	Mensajero	Argentina	11/10/12
703195	Mensajero	Mexico	09/04/11
01/3097716	Messenger	France	27/04/11
944890	Messaggero	Italy	13/04/11
45224	Messenger	African Union	09/11/11
1.765.568	Messenger	Argentina	02/12/19
1.765.569	Messenger	Argentina	02/12/19
772645	Messenger	Australia	10/09/18
821065670	Messenger	Brazil	18/09/11
200013882	Messenger	Brazil	18/09/11
TMA543,219	Messenger	Canada	30/03/16
858.365	Messenger	Chile	30/04/19
1401044	Messenger	China	28/05/10
1355258	Messenger	China	21/01/10
243937	Messenger	Columbia	31/10/11
59878	Messenger	Cyprus	17/04/22
242 255	Messenger	Czech Republic	04/04/11
927418	Messenger	European Union	11/09/18
4436858	Messenger	Japan	01/12/10
65052	Messenger	Jordan	22/11/11
52243	Messenger	Kenya	30/10/11
89834	Messenger	Lebanon	14/02/17
597081	Messenger	Mexico	10/09/18
597080	Messenger	Mexico	10/09/18
235814	Messenger	Russian Federation	18/04/11
654/64	Messenger	Saudia Arabia	24/06/11
T01/05075H	Messenger	Singapore	09/04/11
1998/16034	Messenger	South Africa	09/09/18
1998/16035	Messenger	South Africa	09/09/18
497,757	Messenger	Switzerland	06/04/11
866535	Messenger	Taiwan	16/09/19
866878	Messenger	Taiwan	16/09/19
2001/06777	Messenger	Turkey	13/04/11
1151/2001	Messenger	Zimbabwe (Rhodesia)	22/10/11
2,206,247	Myconate	Argentina	02/01/18
1154426	Myconate	Australia	21/12/16
5572326	Myconate	European Union	19/12/16
1030156	Myconate	Mexico	02/02/17
868387	N-Hibit	WIPO	17/11/14
4123428	PHC	European Union	16/11/14
858794	Proact	WIPO	17/11/14

The pending registration trade marks utilised by the Group are as follows:

<i>App/File No.</i>	<i>Description</i>	<i>Country/Registrar</i>	<i>Filing Date</i>
77/718,666	Airstrike Satellite Weigh Wagon	USA	21/04/09
77/718,689	Airstrike	USA	21/04/09
77/877,252	Be-Leaf In Nature	USA	20/11/09
77/877,298	Bountify	USA	20/11/09
77/719,356	Gps Weigh Wagon	USA	22/04/09
77/877,278	Gro Tabs	USA	20/11/09
77/776,342	Groundstrike Satellite Weigh Wagon	USA	08/07/09

<i>App/File No.</i>	<i>Description</i>	<i>Country/Registrar</i>	<i>Filing Date</i>
77/718,711	Groundtrike	USA	21/04/09
828925690	Myconate	Brazil	04/01/07
77/877/287	Natural Start	USA	20/11/09
77/719,376	No Gain, No Pain	USA	22/04/09
77/719,366	Satellite Weigh Wagon	USA	22/04/09
77/877/304	Stress Re-Leaf	USA	20/11/09

The Group relies to a significant extent on its intellectual property, registered patents and trademarks.

6. Material Contracts

Placing Agreement

On 12 May 2009, the Issuer announced it had raised approximately £10.0 million (net of expenses) through the issue of 7,000,000 Ordinary Shares in the Company at £1.50 per share.

In connection with the placing, the Issuer entered into a Placing Agreement dated 24 April 2009 with Evolution Securities Limited (**‘Evolution’**) whereby Evolution agreed to place the 7,000,000 Ordinary Shares at the placing price of £1.50 with certain institutional and other investors. The placing was fully underwritten by Evolution.

The Placing Agreement contained warranties from the Issuer in favour of Evolution in relation to, *inter alia*, the accuracy of the information contained in the placing circular and certain other matters relating to the Issuer and its subsidiaries and its business. In addition, the Issuer agreed to indemnify Evolution in relation to certain liabilities it may incur in respect of the placing.

Fees paid by the Issuer under the Placing Agreement are set out in paragraph 10 of this Part II.

7. Articles of Association

The current articles of association (the **‘Articles’**) were adopted by the Issuer on 6 June 2008. A summary of the key provisions is set out below.

Directors’ Interests

A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract (or any transaction or arrangement whether or not constituting a contract) with the Issuer or any subsidiary undertaking of the Issuer is required to declare the nature of his interest at the Board meeting at which the question of his entering into the contract or arrangement is first taken into consideration.

A director must not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment, or as the holder of any office or place of profit with the Issuer or with any undertaking in which the Issuer is interested. A director must not vote (or be counted in the quorum at a meeting) in respect of a contract or arrangement or any other proposal in which he has an interest which (together with any interest of any person connected with him) is to his knowledge a material interest otherwise than by virtue of his interest in shares or debentures or other securities of, or otherwise in or through, the Issuer. (Subject to the Companies Act 2006, the Issuer may by ordinary resolution suspend or relax this provision.)

If any question arises at any meeting as to the materiality of a director’s interest or his entitlement to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, the question must be referred to the chairman of the meeting (or, if the director concerned is the chairman, to the other directors at the meeting) and the chairman’s ruling in relation to any director other than himself (or, as the case may be, the ruling of the majority of the other directors in relation to the chairman) must be final and conclusive, except in a case where the nature or extent of the interests of the director concerned so far as known to him have not been fairly disclosed.

The directors may authorise a director's conflict of interests provided that the director concerned may not vote on any such authorisation or be counted in the quorum of the meeting of the directors in relation to a resolution giving such authorisation.

The prohibitions above will not apply and a director may (in the absence of some other material interest) vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- (a) the giving of any guarantee, security or indemnity in respect of: (i) money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Issuer or any of its subsidiary undertakings; or (ii) a debt or obligation of the Issuer or any of its subsidiary undertakings for which he has assumed responsibility (in whole or in part and whether alone or jointly) under a guarantee or indemnity or by the giving of security;
- (b) any contract concerning the subscription or purchase by him of shares, debentures or other securities of the Issuer under an offer or invitation to members or debenture holders of the Issuer, or any class of them, or to the public or any section of them;
- (c) any contract concerning any issue or offer of any shares or debentures or other securities of or by the Issuer or any of its subsidiary undertakings for subscription or purchase in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter;
- (d) any contract concerning another body corporate in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he (together with connected persons) does not hold an interest (as that term is used in Rule 3 of the Disclosure and Transparency Rules issued by the Financial Services Authority) representing one per cent. or more of any class of the equity share capital of that body corporate (or any third party body corporate through which his interest is derived) or of the voting rights available to members of that body corporate (automatically a material interest in these circumstances);
- (e) any contract for the benefit of employees of the Issuer or any of its subsidiary undertakings which does not afford to him any privilege or benefit not generally afforded to the employees to whom the contract or arrangement relates; and
- (f) any contract concerning the purchase or maintenance of insurance for, or for the benefit of, any director or for persons who include directors.

Directors' Remuneration

The fees of the directors (other than any directors who for the time being hold an executive office or employment with the Issuer or a subsidiary of the Issuer) for their services as directors must not exceed in aggregate £250,000 per annum (or such higher amount as the Issuer may from time to time by ordinary resolution determine). Subject to this limit, each director must be paid a fee (to accrue from day to day) at such rate as is from time to time determined by the Board. In addition, any director who holds any executive office (including for this purpose the office of chairman or deputy chairman whether or not such office is held in an executive capacity) or who serves on any committee or who acts as trustee of a retirement benefits scheme or an employees' share scheme or who otherwise performs services which, in the opinion of the Board are beyond the ordinary duties of a director may be paid such extra remuneration by way of salary, commission or otherwise as the Board may determine.

Borrowing Powers

The Board may exercise all the powers of the Issuer to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any guarantee, debt, liability or obligation of the Issuer or of any third party.

The Board must restrict the borrowings of the Issuer and exercise all voting and other rights or powers of control exercisable by the Issuer in relation to its subsidiary undertakings so as to secure that the aggregate principal amount of all borrowings by the Issuer outstanding at any time (exclusive of intra-group debt) must not without the previous sanction of an ordinary resolution of the Issuer exceed the greater of four times the Issuer's Adjusted Capital and Reserves (as defined in the Articles).

Director Retirement

Any director appointed during the year is required to retire and seek election by the shareholders at the next annual general meeting. At each annual general meeting at least one-third of the directors (excluding those required to retire at that annual general meeting because they were appointed by the Board since the last annual general meeting) must retire from office. Each director must retire at the third annual general meeting following his appointment or reappointment in a general meeting. Retiring directors are eligible for re-appointment. There is no age at which a director must retire.

Appointment and Removal of Directors

No person other than a director retiring at the meeting is eligible for appointment as a director at any general meeting unless he is recommended by the Board for election, or unless not less than seven nor more than 42 days before the day appointed for the meeting there has been given to the Issuer notice in an instrument, executed by a member (other than the person to be proposed) entitled to attend and vote at the meeting, of his intention to propose such person for appointment, and also notice in writing signed by the person to be proposed of his willingness to be elected. The notice to be lodged by the proposing member must state the particulars of the nominee which would, if he were appointed, be required to be included in the Issuer's register of directors.

Subject to the Articles, the Issuer may by ordinary resolution appoint any person to be a director, either to fill a casual vacancy or as an additional director. In addition, the Board may at any time appoint any person to be a director, either to fill a casual vacancy or as an additional director. Any person so appointed by the Board may hold office only until the next annual general meeting and will then be eligible for election, but will not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

The Issuer may by ordinary resolution of which special notice has been given, remove any director from office notwithstanding any provision of the Articles or of any contract between the Issuer and such director (but without prejudice to any claim he may have for damages for breach of any such contract) and by ordinary resolution appoint another person in place of a director so removed from office, and any person so appointed is treated, for the purpose of determining the time at which he or any other director is to retire by rotation, as if he had become a director on the day on which the director in whose place he is appointed was last elected a director. In default of such appointment, the vacancy arising upon the removal of a director from office may be filled as a casual vacancy.

A director must vacate his position if:

- (a) he is removed or prohibited from being a director under any law;
- (b) he gives to the Issuer notice in an instrument executed by him of his wish to resign, in which event he must vacate that office on the delivery of that notice to the Issuer or at such later time as is specified in the notice;
- (c) he becomes bankrupt, insolvent or makes any arrangement or composition with his creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;
- (d) he is, or may be, suffering from mental disorder and/or either he is admitted to hospital for treatment, or an order is made by a court (whether in the United Kingdom or elsewhere) having jurisdiction in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs and, in either case, the Board resolves that his office be vacated;
- (e) having been appointed for a fixed term, the term expires or his office as a director is vacated;

- (f) he is absent from meetings of the Board for six consecutive months without leave and his alternate director (if any) has not, during such period attended in his place and the Board resolves that his office be vacated; or
- (g) he is removed from office by notice in an instrument given to him and executed by not less than three quarters of his co-directors (or their alternates), but so that in the case of a director holding an executive office which automatically determines on his ceasing to be a director such removal will be deemed an act of the Issuer and will have effect without prejudice to any claim for damages in respect of the consequent termination of his executive office.

Changes in Capital

The Issuer may from time to time by ordinary resolution increase its capital by such sum to be divided into shares of such amounts as the resolution prescribes. All new shares created under the Articles will be subject to the provisions of the law and of the Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise and are unclassified, unless otherwise provided by the resolution creating the shares or by the terms of allotment of the shares.

The Issuer may by ordinary resolution:

- (a) consolidate or consolidate and then divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and reduce the amount of its capital by the amount of the shares so cancelled; or
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association or the Articles (subject to the provisions of the law).

Subject to the law and the rights attached to any class of shares, the Issuer may purchase any of its own shares (including redeemable shares).

Subject to the law and any rights attached to any class of shares, the Issuer may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner.

Dividends

The Issuer may, by ordinary resolution, declare dividends in accordance with the respective rights of members, and may fix the time for payment of such dividends but no dividend may exceed the amount recommended by the directors of the Issuer. All dividends are (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) to be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid (provided that no amount paid on a share in advance of calls are treated as paid on that share).

The Issuer is not obliged to send any dividends or other sums payable in respect of a share to the holder of that share if such a payment sent by the Issuer to that person is returned undelivered or left uncashed on at least two consecutive occasions or, following one such occasion, if reasonable enquiries have failed to establish the new address for that person or, with respect to a payment to be made by a funds transfer system, a new account for that purpose. This entitlement of the Issuer in respect of any member will cease if that member notifies the Issuer of an address or, where payment is to be made by a funds transfer system, details of the account to be used for that purpose.

Any dividend unclaimed after a period of 12 years from the date when it became due for payment will, if the Board so resolves, be forfeited and will cease to remain owing by the Issuer.

Share Transfers

All transfers of certificated shares will be effected by an instrument in any usual or common form, or in any other form acceptable to the Board. The instrument of transfer will be executed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The Board

may in its absolute discretion and, without giving any reason for its decision, refuse to register any transfer of a certificated share which is not a fully paid share and any transfer of a share on which the Issuer has a lien provided that the refusal does not prevent dealings in those shares from taking place on an open and proper basis.

Transfers of an uncertificated share will be effected in accordance with the law and the requirements and facilities of CREST (or any other 'relevant system' approved under the CREST Regulations).

The Board may, in its absolute discretion and without assigning any reason for its decision, decline to register the transfer of a certificated share unless the instrument of transfer:

- (a) is in respect of only one class of share;
- (b) is duly stamped or adjudged or certified as not chargeable to stamp duty and is deposited at the registered office of the Issuer or at such other place as the Board may determine; and
- (c) (except where the shares are registered in the name of a market nominee and no certificate has been issued) is accompanied by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the transfer is executed by some other person on his behalf, the authority of that person to sign).

The registration of transfers may be suspended and the register closed at such times and for such periods (not exceeding 30 days in any year) as the Board may from time to time determine and either generally or in respect of any class of shares, except that the registration of the transfer of any participating security may only be suspended as permitted by law.

Untraceable Members

The Issuer may sell, in such manner as the Board sees fit and at the best price reasonably obtainable, any share held by a member or to which a person is entitled by transmission if:

- (a) the share has been in issue for at least the previous 12 years and during that period at least three cash dividends have become payable in respect of the share and have been sent by the Issuer in a manner authorised by the Articles;
- (b) during that period of 12 years no cash dividend payable in respect of the share has been claimed, no cheque or warrant or other payment for an amount payable in respect of the share has been cashed or otherwise paid and no communication has been received by the Issuer from the member or person;
- (c) the Issuer has, after the expiration of that period, published advertisements in at least one leading national newspaper and one newspaper circulating in the area in which the last known address of the member (or person entitled by transmission to the share) or the address at which notices may be given under these articles is located, in each case giving notice of its intention to sell the share; and
- (d) the Issuer has not, during a further period of three months after the publication of those advertisements and prior to the sale of the share, received any communication in respect of the share from the member or person entitled by transmission.

The buyer shall not be bound to see the application of the purchase money; nor shall the title of the new holder to the shares be affected by any irregularity in, or invalidity of, the proceedings relating to the sale.

The Issuer shall be indebted to the person entitled to the share at the date of sale for an amount equal to the net proceeds of sale, but no trust shall be created and no interest shall be payable in respect of the proceeds of sale. Pending payment of the net proceeds of sale to such person, the proceeds may be used in the Issuer's business or invested in such a way as the Board may from time to time think fit.

Voting Rights

Subject to any special rights or restrictions as to voting for the time being attached to any class of shares in the Issuer, on a show of hands every member present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share held by him.

Any corporation which is a member may (by resolution of its board or other governing body) authorise any person to act as its representative at any meeting of the Issuer or at any separate meeting of the holders of any class of shares. A person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member including a power to vote on a show of hands or on a poll and to demand or concur in demanding a poll.

Unless the Board otherwise determines, a member shall not be entitled to vote at a general meeting either personally or by proxy or (if the member is a corporation) by authorised representative in respect of any share held by him or to exercise any other rights conferred by membership in relation to meetings of the Issuer if any call or other sum presently payable by him to the Issuer in respect that share remains unpaid.

Share Rights

Without prejudice to any rights attaching to any existing shares, the Issuer may issue shares with any preferred, deferred or special rights or restrictions whether in regard to dividends, voting, transfer, return of capital or otherwise. The rights and restrictions must either be approved by an ordinary resolution of the members or be determined by the Board.

The rights attached to any class of share shall, unless otherwise expressly provided by the terms of issue of such shares or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.

Capital Distribution and Rights of Redemption

The Articles do not make specific provision for the entitlement of the members to share in the capital distributions of the Issuer. Any capital distribution will be *pro rata* to existing shareholders in accordance with applicable laws. The Articles provide that the Issuer may, subject to the provisions of applicable laws, issue shares which are required by their terms to be redeemed and shares which may be redeemed at the option of the Issuer or of the relevant member. As at the date of the Listing Document, no such shares have been issued.

Variation of Class Rights

All unissued shares in the Issuer will be at the disposal of the Board who may allot (with or without conferring a right of renunciation), grant options over or otherwise deal with or dispose of them to such persons, at such times and on such terms as the Board may decide.

Whenever the share capital of the Issuer is divided into different classes of shares, all or any of the rights attached to any class may be varied or abrogated in such manner as those rights may provide for or (if no such provision is made) either with:

- (a) the consent of the holders of not less than three-quarters in nominal value of the issued shares of that class and such consent must be by one or more instruments; or
- (b) with the authority of a resolution passed at a separate meeting of the holders of the shares of the class,

(but not otherwise) and may be so varied or abrogated either whilst the Issuer is a going concern or during or in contemplation of a winding up.

Purchase of Own Shares

Subject to any rights attaching to any class of shares, the Issuer may purchase any of its own shares.

8. Fees

The amount of the expenses of the listing, including fees payable by the Issuer for the application for listing, are estimated to be £132,500 plus VAT and disbursements.

9. Contract Resolution

The Group is in the final stages of resolving open issues arising from the termination in 2008 of an agreement with Bayer CropScience.

10. Litigation

The Group is not, nor has it been engaged in any legal or arbitration proceeding (including any such proceedings which are pending or threatened of which the Group is aware) which since the date of its incorporation may have or have had a significant effect on its financial position.

11. Major Shareholders

As at the date of the Listing Document, the Directors of the Issuer are aware of the following persons who, directly or indirectly, are interested in three per cent. or more of the Issuer's existing Ordinary Share capital.

<i>Name</i>	<i>Shares Held</i>	<i>Percentage of Issued Share Capital*</i>
Pictet Asset Management S.A	4,535,900	9.70
Boulder River Capital Corporation	3,200,000	6.12
Aviva plc and its subsidiaries	2,328,481	5.27
Generation Investment Management LLP	2,355,000	5.26
Branco Weiss	2,196,954	5.24
Credit Suisse	2,727,290	5.21
Gartmore Investment Limited	2,660,652	5.08
Funds managed by AXA SA for Framlington	1,804,463	4.02
Universities Superannuation Scheme Limited	2,102,500	3.90

* The percentages shown are based on the issued share capital at the date of notification.

12. Additional information on the Directors

The business address used by the Directors is 285 Kappa Drive, Suite 100, Pittsburgh, PA 15238 USA.

Directors' Employment Agreements and Letters of Appointment:

Dr. Albert Fischer

Albert Fischer is appointed as a non-executive director and chairman of the Issuer. Dr. Fischer's engagement is terminable by either party by giving not less than one month's notice. Dr. Fischer, through his service company Planet Consulting, receives an annual fee for his services amounting to £50,000 payable half in cash and half in Ordinary Shares.

John Brady

Mr. Brady is employed as President and Chief Executive Officer pursuant to a service contract dated 1 July 2007 with PHC, Inc. and the Issuer. The contract can be terminated by either party by not less than 12 months' notice.

Mr Brady's salary and bonus for each financial year is determined by the Remuneration Committee of the Board. In 2010 Mr Brady is entitled to a salary of US\$340,000 and a cash bonus not exceeding US\$220,000. Mr Brady's service contract includes a benefit for payment of health benefits during his lifetime, unless he is terminated by the Issuer for cause, subject to limitations on the annual cost as set forth in the contract. Mr Brady is also entitled to participate in the 2007 LTIP.

Mr Brady's service contract contains post-termination restrictions for one year after termination which prohibit solicitation and dealing with customers and employees.

Stephen Weaver

Mr. Weaver is employed as Finance Director under an agreement dated 23 May 2007 with PHC, Inc. and the Issuer for a period of three years, which can be terminated by either party by not less than 60 days' notice. Thereafter, the term is automatically extended for an additional 12 months on a rolling basis, subject to 90 days' notice of non-extension. Mr. Weaver's salary and bonus for each financial year is determined by the

Remuneration Committee of the Board. In 2010 Mr. Weaver is entitled to a salary of US\$220,000 per annum and a cash bonus not exceeding 45 per cent. of salary. Mr Weaver is entitled to participate in the Issuer's 2007 LTIP, as well as receiving a vehicle allowance and health benefits.

The agreement contains post-termination restrictions for one year after termination which prohibit solicitation and dealing with customers and employees.

Samuel Wauchope

Mr. Wauchope is appointed as a non-executive director of the Issuer. Mr Wauchope's engagement is terminable by either party by giving not less than one month's notice. Mr Wauchope, through his service company You And Your Health Limited, receives an annual fee for his services amounting to £40,000 payable half in cash and half in Ordinary Shares.

Dr. David Buckeridge

Mr. Buckeridge is appointed as a non-executive director of the Issuer. Dr. Buckeridge's engagement is terminable by either party by giving not less than one month's notice. Dr. Buckeridge, through his service company David Buckeridge Investigations Limited, receives an annual fee for his services amounting to £40,000 payable half in cash and half in Ordinary Shares.

Dr. Dominik Koechlin

Dr. Koechlin is appointed as a non-executive director of the Issuer. Dr. Koechlin's engagement is terminable by either party by giving not less than one month's notice. Dr. Koechlin receives an annual fee for his services amounting to £40,000 payable half in cash and half in Ordinary Shares.

Jeremy Scudamore

Mr. Scudamore is appointed as a non-executive director of the Issuer. Mr Scudamore's engagement is terminable by either party by giving not less than one month's notice. Mr Scudamore receives an annual fee for his services amounting to £40,000 payable half in cash and half in Ordinary Shares.

There are no service agreements in existence between any of the Directors and the Issuer which cannot be determined by the Issuer without payment of compensation (other than statutory compensation) within one year.

No Material Interest

There is no contract or arrangement to which the Group is a party and in which any Director is materially interested and which is significant in relation to the business of the Group and no amount or benefit has been or is intended to be paid or given to any promoter of the Group.

Directors' Shareholdings

As at the date of the Listing Document, the Directors were interested in the Shares of the Group as follows:

<i>Director</i>	<i>Number of Shares held</i>	<i>Percentage of issued ordinary share capital</i>
Dr. Albert Fischer	159,620	0.30%
John Brady	54,395	0.10%
Stephen Weaver	—	—
Samuel Wauchope	77,767	0.15%
Dr. David Buckeridge	79,702	0.15%
Dr. Dominik Koechlin	126,605	0.24%
Jeremy Scudamore	52,201	0.10%

Directors' Option Holdings

As at the date of the Listing Document, the Directors held the following options over Ordinary Shares:

<i>Director</i>	<i>Converted Options</i>	<i>2004 Scheme</i>	<i>2007 LTIP</i>	<i>Percentage of issued ordinary share capital assuming exercise</i>
Dr. Albert Fischer	225,000	—	—	0.43%
John Brady	1,150,000	—	235,000	2.63%
Stephen Weaver	—	—	173,000	0.33%
Samuel Wauchope	—	—	—	—
Dr. David Buckeridge	—	—	—	—
Dr. Dominik Koechlin	—	—	—	—
Jeremy Scudamore	—	—	—	—

Director Remuneration

The Issuer estimates that the remuneration payable to directors for the financial year commencing 1 January 2010 will be as follows:

<i>Director</i>	<i>Base salary and fees '000</i>	<i>Performance-related bonus '000</i>	<i>Total 2010 '000</i>
Dr. Albert Fischer	£15 ¹	0	£15 ¹
John Brady	US\$340	US\$220 ²	US\$560
Stephen Weaver	US\$220	US\$99 ²	US\$319
Samuel Wauchope	£40 ¹	0	£40 ¹
Dr. David Buckeridge	£40 ¹	0	£40 ¹
Dr. Dominik Koechlin	£47 ¹	0	£47 ¹
Jeremy Scudamore	£40 ¹	0	£40 ¹

In addition to the remuneration set out above, the executive directors (being John Brady and Stephen Weaver) will also be entitled to performance-related share-based payments, the amount of which will be determined by the remuneration committee in due course, as well as certain other benefits.

1 Paid half in cash and half in Ordinary Shares in the Issuer

2 Maximum entitlement

The remuneration paid to the directors for the financial year commencing on 1 January 2009 was as follows:

<i>Director</i>	<i>Base salary and fees US\$ '000</i>	<i>Performance-related bonus US\$ '000</i>	<i>Share-based payments US\$ '000</i>	<i>Other benefits US\$ '000</i>	<i>Total 2009 US\$ '000</i>
Dr. Albert Fischer	78	0	0	0	78
John Brady	338	142	111	74	665
Stephen Weaver	218	84	140	37	479
Samuel Wauchope	62	0	0	0	62
Dr. David Buckeridge	62	0	0	0	62
Dr. Dominik Koechlin	58	0	0	0	58
Jeremy Scudamore	62	0	0	0	62
Thomas Isler*	30	0	0	0	30

* Retired 5 June 2009

Director Loans

No loans have been made by the Group to any Director or any guarantee been provided by the Group for the benefit of any Director.

13. Share Option Plans

PHC, Inc. Plans

Prior to the formation of the Issuer, the then directors participated in the following PHC, Inc. Incentive Stock Option plans:

- (a) the PHC, Inc. 1996 Stock Option Plan ('**1996 Plan**'); and
- (b) the PHC, Inc. 2001 Equity Incentive Plan ('**2001 Plan**').

Under these plans, options were periodically awarded at the discretion of the board of directors of PHC, Inc. These plans were frozen at the time of admission to AIM and outstanding options in PHC, Inc. were converted into Converted Options bearing the same rights *mutatis mutandis* as under the PHC, Inc. Plans. All converted options that relate to the 1996 Plan have now either expired or been exercised. The main features of the 2001 Plan, in so far as is relevant to the Converted Options are summarised below:

2001 Plan

(i) *Exercise of options*

The exercise of an option is at such times and subject to such terms and conditions as are specified in the option grant.

(ii) *Termination of employment*

On the disability, death, retirement or other termination of employment of an option holder, the Issuer's board of directors have complete discretion to accelerate the vesting of the holder's option, extend the period during which the option may be exercised and the period during which the holder's legal representative, guardian or designated beneficiary may exercise the option provided that an option may not be exercised after its stated expiration date.

(iii) *Amendment*

The Issuer's board may amend, modify or terminate any option, including the substitution of the option for another of the same or different type or changing the exercise date provided that the holder's consent is required therefore unless the board determines that the same would not materially and adversely affect the holder.

On a sub-division of the shares under option or a bonus issue of such shares the number of shares the subject of the option shall be adjusted proportionately and the exercise price adjusted to reflect the sub-division or bonus issue. On a recapitalisation or reorganisation of the Issuer and the Issuer's group or the Issuer, the board of directors shall equitably adjust the number and kind of shares subject to outstanding options.

(iv) *Transferability*

Options are not transferable other than on death.

(v) *Change of control*

In the event of a change of control the Issuer's board may:

- (a) provide for the acceleration of any time period relating to the exercise of any option;
- (b) provide for the purchase of the option for an amount that would have been received on exercise of the option;
- (c) adjust the terms of the option to reflect the change of control;
- (d) cause the option to be assumed or new rights substituted therefor by another entity; or
- (e) make any other provision the Issuer's board of directors consider equitable and in the best interests of the Issuer.

In the event of a sale of all or substantially all of the assets of the Issuer or otherwise the board of directors of any entity assuming the obligations of the Issuer shall:

- (a) upon notice to the option holder provide that the option must be exercised (to the extent then exercisable) within a specified number of days after which the option shall terminate; or
- (b) terminate the option in exchange for a cash payment equal to the economic value of the option.

2004 Scheme

The Issuer adopted the Plant Health Care plc Unapproved Share Option Scheme 2004 under which, on the recommendation of the Remuneration Committee of the Board, it may grant employees (including directors) options over Ordinary Shares of the Issuer. The main features of the 2004 Scheme (which is not approved by the UK Inland Revenue) are summarised below:

(i) *Formation*

The 2004 Scheme was adopted on 29 June 2004.

(ii) *Eligibility*

All employees (including directors) of the Issuer or any of its subsidiaries are eligible to be nominated for participation in the 2004 Scheme. To be eligible a director of the Issuer must at the date of grant spend substantially the whole of his working time in the service of the Issuer and its subsidiaries. The benefits under the 2004 Scheme are not pensionable. There is a limit on the aggregate value of options which may be granted to an individual in accordance with ABI guidelines from time to time.

(iii) *Grant of options*

Options may be granted during the 42 day period following the day on which the Issuer announces its results for the immediately preceding financial year or half year. Options may be granted outside these periods in exceptional circumstances.

On the grant of an option, the Board may impose objective conditions of exercise. Such conditions may relate to the achievement of targets by the Issuer or any subsidiary of the Issuer and/or may relate to the performance of a personal task by individuals.

(iv) *Exercise price*

The exercise price of an option shall be not less than the greater of the nominal value and the market value of an Ordinary Share.

(v) *Exercise of options*

Subject to satisfaction of the performance conditions, options will normally be exercisable only after the third anniversary and before the tenth anniversary of their date of grant.

Options will, however be exercisable early (without regard to performance conditions) in certain specified circumstances including: (1) the option holder's death; (2) if the option holder ceases to be employed by reason of injury, disability, redundancy or retirement; (3) the sale of the business or the subsidiary company by which he is employed; or (4) for any other reason at the discretion of the Issuer's Board. Options will also be exercisable within limited periods on a take-over, winding-up or the sanctioning by the court of a scheme of arrangement of the Issuer. Alternatively, following a take-over, options may, with the agreement of the acquiring company, be rolled over to become equivalent options over the acquiring company's shares.

If an option holder ceases employment with the Issuer other than in the specified circumstances, his option will lapse.

(vi) *Variation of share capital*

On a variation of the Issuer's share capital, the exercise price and/or the number of Ordinary Shares the subject of an option may be varied.

(vii) *Amendments*

Certain amendments to the 2004 Scheme which are to the advantage of eligible employees or option holders are subject to the prior approval of the Issuer in general meeting. The Board may amend the 2004 Scheme to take account of a change in legislation or to obtain favourable tax, exchange control or regulatory treatment or to benefit the administration of the 2004 Scheme.

No amendments can be made which would abrogate or adversely affect the subsisting rights of a participant unless it is made with the written consent of participants who have the right to acquire 75 per cent. of the Ordinary Shares under subsisting options granted under the 2004 Scheme or by a resolution passed by 75 per cent. of participants present at a meeting.

(viii) *2004 Scheme Limits*

The Issuer may in aggregate issue up to the greater of 3 per cent. or such number of options over its shares as, when aggregated with any outstanding Converted Options and other option grants, amounts to no more than 10 per cent. of the issued share capital of the Issuer.

(ix) *Expiry of 2004 Scheme*

The 2004 Scheme will expire on the tenth anniversary of its approval by the Issuer or such earlier time as determined by a resolution of the Board or an ordinary resolution of the Issuer in general meeting.

2007 LTIP

The 2007 LTIP was implemented to allow the Issuer to incentivise its senior management and align their interests with shareholders. The principal features of the plan are summarised below:

(i) *Formation*

The 2007 LTIP was approved at the annual general meeting of the Issuer held on 8 June 2007.

(ii) *Revenue approval*

The 2007 LTIP will not be and has not been submitted to UK HM Revenue and Customs for approval in accordance with the provisions of Schedule 3 to the Income Tax (Earnings and Pensions) Act of 2003.

(iii) *Eligibility*

All employees of the Issuer and its parents or subsidiaries are eligible to participate in the 2007 LTIP. The Remuneration Committee of the Issuer's Board shall select the employees to receive awards and shall determine the number of Ordinary Shares subject to a particular award.

(iv) *Type of award and price*

A grantee in the 2007 LTIP may be granted awards of Ordinary Shares for which the grantee must pay at least the nominal value per share to receive the award of Ordinary Shares (**'Stock Award'**).

(v) *Variation of share capital*

On a variation of the Issuer's share capital, the exercise price and/or number of Ordinary Shares the subject of a Stock Award may be varied.

(vi) *Cap on shares issued*

The maximum number of shares that may be issued under the Plan must be within the aggregate 10 per cent. of the issued share capital of the Issuer from time to time, as may be allotted under the existing share option plans.

(vii) *Vesting and performance conditions*

The Remuneration Committee will determine the length of vesting for any given Stock Award, being a period of not less than three years (any such period, the **'Restriction Period'**). The vesting of any Stock Award will be contingent on the fulfilment of certain performance criteria set by the Remuneration Committee of the Board. The Remuneration Committee may accelerate the vesting of any Stock Award at any time if events occur which cause the Remuneration Committee to

consider that any of the existing targets or conditions have become unfair or impractical. The Remuneration Committee may also amend or relax performance conditions, to the extent that conditions which are amended or relaxed will be no more and no less difficult to satisfy than when they were originally imposed. If a grantee terminates employment for any reason prior to the vesting of all or a portion of a Stock Award, the unvested portion must be returned to the Issuer and the price paid for such shares shall be refunded to the grantee.

(viii) *Restrictions on issuance and transfer of shares*

During the Restriction Period and for 12 months following the end of the Restriction Period, a grantee may not sell, assign, transfer, pledge, or otherwise dispose of the Ordinary Shares issued or transferred pursuant to a Stock Award except by will or the laws of intestate. In addition, the shares are subject to the satisfaction of all legal requirements that would otherwise prohibit the transfer of the shares. If the securities of the Issuer are the subject of an underwritten public offer, the shares may also be subject to a 'lock-up' period, and may not be transferred until the Issuer permits otherwise.

(ix) *Right to vote and receive dividends*

Except as otherwise determined by the Remuneration Committee, during the Restriction Period, the grantee has the right to vote Ordinary Shares subject to Stock Awards and to receive any dividends or other distributions paid on such shares.

(x) *Change of control*

A 'Change of Control' occurs when the Issuer: (i) merges, consolidates, or changes ownership with respect to 50 per cent. of the outstanding voting shares, (ii) sells substantially all of its assets or (iii) experiences a dissolution or liquidation. Upon a Change of Control, the Issuer must notify the grantees within seven days of becoming aware of the Change of Control, and the Remuneration Committee may deem performance conditions satisfied. If, upon a Change of Control, the Issuer is not the surviving corporation, Stock Awards which remain subject to performance criteria will be converted into Stock Awards in the surviving corporation, unless the Remuneration Committee determines otherwise.

(xi) *Amendment and termination of 2007 LTIP*

The 2007 LTIP may be amended at any time by the board, unless stockholder approval is required pursuant to the Internal Revenue Code of the United States of America of 1986, as amended, securities laws or stock exchange requirements. The 2007 LTIP automatically terminates 10 years from its effective date, unless the Issuer terminates the 2007 LTIP earlier or the stockholders extend the term of the 2007 LTIP. A termination or amendment of the 2007 LTIP that occurs after a Stock Award is made shall not materially impair the rights of a grantee unless the grantee consents or unless the Issuer is required to change or terminate the grant pursuant to applicable law.

Employee Share Purchase Plan ('ESPP')

The ESPP allows employees to purchase Ordinary Shares in the Issuer through a deduction from salary. The execution of the ESPP remains subject to the discretion of the Remuneration Committee. The principal features of this plan are summarised below:

(i) *Formation*

The ESPP was approved at the annual general meeting of the Issuer held on 8 June 2007.

(ii) *Revenue approval*

The ESPP will not and has not been submitted to UK HM Revenue and Customs for approval in accordance with the provisions of Schedule 3 to the Income Tax (Earnings and Pensions) Act of 2003.

(iii) *Eligibility*

All employees of the Issuer and its parents or subsidiaries designated eligible to participate by the Remuneration Committee of the Issuer's Board.

(iv) *Payroll deductions*

An employee participating in the ESPP will agree to have a certain portion of his or her compensation reduced and placed into an individual account. These reductions are accrued for a period consisting of approximately 12 months or more (**‘Purchase Period’**). Participants may select the amount he or she wants deducted from his or her compensation and set aside for the ESPP. A participant is restricted to contributions equal to 50 per cent. of their annual salary.

A participant’s payroll deduction remains in effect until the participant changes or revokes the election.

A participant may change his or her election provided the proper form is filed with the Issuer at least 10 days prior to the beginning of a new Purchase Period and may revoke his or her election to participate in the ESPP at any time.

(v) *Grant and exercise of option*

At the end of the Purchase Period, the employee is offered an option to purchase Ordinary Shares which he must exercise immediately. The shares are placed into an account in the employee’s name.

(vi) *Option price*

The exercise price of the option equals 95 per cent. of the fair market value of the Ordinary Shares, averaged over the five-day period immediately preceding the option grant and exercise date.

(vii) *Number of Shares purchased*

The number of shares that the employee purchases is the lesser of: (i) the option price divided into the amount accumulated in the participant’s account for the purchase of shares, or (ii) a proportionate amount of the shares remaining in the ESPP at the end of a Purchase Period.

(viii) *Shares subject to the ESPP*

The aggregate number of Ordinary Shares which may be sold under the ESPP is to be determined by the Remuneration Committee. The Issuer may make open-market purchases to provide Ordinary Shares for purchase under the ESPP or sell treasury shares or issue authorised but unissued Ordinary Shares.

(ix) *Restrictions of rights prior to issuance*

Prior to exercising the option, a participant has no shareholder rights.

(x) *Restrictions of rights after issuance*

Participants may not sell the Ordinary Shares acquired pursuant to the ESPP for a period of six months following his or her purchase of the shares. Unless otherwise determined by the Issuer, a participant may only sell Ordinary Shares after the restriction period lapses after receiving approval from the Issuer. The shares may be held on behalf of each participant in a brokerage account selected by the Issuer. The shares may also be subject to certain United States securities laws which may impose additional restrictions on a participant’s divestiture of the Ordinary Shares acquired pursuant to the ESPP.

(xi) *Amendment and termination of the ESPP*

The ESPP may be amended or terminated at any time by the Issuer, provided, however, the Issuer shall not amend the ESPP without shareholder approval if such approval is required in order to comply with applicable laws or applicable stock exchange requirements.

(xii) *Sale of the Issuer*

In the event the Issuer merges or consolidates with another company and is the surviving corporation, the then current offering of options shall continue to apply to the Issuer’s Ordinary Shares. However, if the Issuer is dissolved or liquidated, or the Issuer merges or consolidates with another company and is not the surviving corporation, the current offering of options terminates and the payroll deductions are refunded to participants.

At the date of the Listing Document, no shares have been purchased under this plan.

14. Commissions Paid on Issue of Shares

In May 2009, the Issuer successfully completed a placing of 7,000,000 Ordinary Shares raising £10.5 million (before expenses). Pursuant to the terms of a placing agreement entered into between Evolution Securities Limited ('**Evolution**'), the Directors, the Issuer and PHC, Inc. in respect of the placing, the Issuer paid Evolution a corporate finance fee of £45,000 plus a commission of £315,000, together with its reasonable expenses and applicable value added tax.

Other than as set out in the previous paragraph, the Issuer has not paid any commissions, discounts, brokerages or granted other special terms within the two years preceding the date of this Listing Document in connection with the issue or sale of any capital of the Issuer or any of its subsidiaries.

15. Working Capital Statement

The Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least twelve months from the date of this Listing Document.

16. Information on the Auditors

The Issuer's auditors for the financial years ended 31 December 2009, 2008 and 2007 were BDO LLP, details of whom are set out on page 3 of this listing document.

17. Documents on Display

The following documents will be available for inspection during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) until 16 March 2010 at the offices of the Sponsor, Ogier House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA:

- (i) the Memorandum and Articles of Association of the Issuer;
- (ii) the material contracts entered into by the Issuer as more particularly referred to in Paragraph 6 this Part II;
- (iii) the consolidated audited accounts for the years ended 31 December 2007, 2008 and 2009;
- (iv) this Listing Document; and
- (v) a letter from BDO LLP consenting to the inclusion of their name and the audited accounts of the Issuer for the three years ended 31 December 2009 in this document in the form and context in which it appears.

PART III
HISTORICAL FINANCIAL INFORMATION

Audited Consolidated Financial Information for the year ended 31 December 2009

Consolidated statement of comprehensive income for the year ended 31 December 2009

	<i>Note</i>	<i>2009</i> <i>\$'000</i>	<i>2008</i> <i>\$'000</i>
Revenue	4	23,214	19,851
Cost of sales		<u>10,573</u>	<u>(9,220)</u>
Gross profit		12,641	10,631
Distribution costs		(4,144)	(5,140)
Research and development expenses		(1,946)	(1,269)
Administrative expenses		<u>(8,957)</u>	<u>(8,319)</u>
Operating loss	5	(2,406)	(4,097)
Finance income	10	1,203	184
Finance expense	10	<u>(58)</u>	<u>(306)</u>
Loss before tax		(1,261)	(4,219)
Income tax expense	11	<u>(85)</u>	<u>(62)</u>
Net loss for the year		(1,346)	(4,281)
Other comprehensive income/(loss):			
Exchange difference on translation of foreign operations		<u>95</u>	<u>(657)</u>
Total comprehensive loss for the year		<u>(1,251)</u>	<u>(4,938)</u>
Net loss attributable to:			
Owners of the parent		(1,331)	(4,219)
Non-controlling interest		<u>(15)</u>	<u>(62)</u>
		<u>(1,346)</u>	<u>(4,281)</u>
Total comprehensive loss attributable to:			
Owners of the parent		(1,236)	(4,875)
Non-controlling interest		<u>(15)</u>	<u>(63)</u>
		<u>(1,251)</u>	<u>(4,938)</u>
Basic and diluted loss per share (\$)	12	<u>(0.03)</u>	<u>(0.09)</u>

Consolidated statement of financial position at 31 December 2009

	<i>Note</i>	<i>2009</i> \$'000	<i>2008</i> \$'000
Assets			
Non-current assets			
Intangible assets	13	4,045	4,086
Property, plant and equipment	14	688	708
Trade receivables	16	949	1,260
Total non-current assets		<u>5,682</u>	<u>6,054</u>
Current assets			
Inventories	15	1,599	2,499
Trade and other receivables	16	13,576	6,790
Investments	20	3,729	—
Cash and cash equivalents		12,171	7,252
Total current assets		<u>31,075</u>	<u>16,541</u>
Total assets		<u>36,757</u>	<u>22,595</u>
Liabilities			
Current liabilities			
Trade and other payables	17	4,493	5,347
Borrowings	18	62	218
Provisions	19	278	431
Total current liabilities		<u>4,833</u>	<u>5,996</u>
Non-current liabilities			
Borrowings	18	59	103
Provisions	19	117	70
Total non-current liabilities		<u>176</u>	<u>173</u>
Total liabilities		<u>5,009</u>	<u>6,169</u>
Total net assets		<u>31,748</u>	<u>16,426</u>
Capital and reserves attributable to owners of the Company			
Share capital	22	940	821
Share premium	23	49,934	34,102
Reverse acquisition reserve	23	10,548	10,548
Share-based payment reserve	23	1,842	1,220
Foreign exchange reserve	23	(441)	(536)
Retained earnings	23	(31,229)	(29,898)
		31,594	16,257
Non-controlling interests	23	154	169
Total equity		<u>31,748</u>	<u>16,426</u>

Consolidated statement of changes in equity at 31 December 2009

	Share capital \$'000	Share premium \$'000	Reverse acquisition reserve \$'000	Share-based payment reserve \$'000	Foreign exchange reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2008	809	33,451	11,016	580	121	(25,679)	20,298	231	20,529
Total comprehensive income	—	—	—	—	(657)	(4,219)	(4,876)	(62)	(4,938)
Shares issued	10	579	—	—	—	—	589	—	589
Repurchase of minority interest's shares by subsidiary	—	—	(468)	—	—	—	(468)	—	(468)
Share-based payments	—	—	—	640	—	—	640	—	640
Options exercised	2	72	—	—	—	—	74	—	74
Balance at 31 December 2008	821	34,102	10,548	1,220	(536)	(29,898)	16,257	169	16,426
Total comprehensive income	—	—	—	—	95	(1,331)	(1,236)	(15)	(1,251)
Shares issued	108	16,018	—	—	—	—	16,126	—	16,126
Share-based payments	—	—	—	622	—	—	622	—	622
Options and warrants exercised	11	510	—	—	—	—	521	—	521
Placement costs	—	(696)	—	—	—	—	(696)	—	(696)
Balance at 31 December 2009	940	49,934	10,548	1,842	(441)	(31,229)	31,594	154	31,748

Consolidated statement of cash flows for the year ended 31 December 2009

	<i>Note</i>	<i>2009</i> \$'000	<i>2008</i> \$'000
Cash flows from operating activities			
Loss before tax		(1,261)	(4,219)
Adjustments for:			
Depreciation	14	222	215
Amortisation of intangibles	13	510	251
Finance revenue	10	(1,203)	(184)
Finance costs	10	58	306
Share-based payment expense		622	640
Loss on sale of property, plant and equipment		66	75
Income taxes paid		(85)	(62)
Increase in trade and other receivables		(6,244)	(1,504)
Decrease in inventories		954	304
(Decrease)/Increase in trade and other payables		(927)	1,754
Decrease in provisions		(106)	(472)
Net cash flows used in operating activities		<u>(7,394)</u>	<u>(2,896)</u>
Investing activities			
Purchase of property, plant and equipment		(268)	(97)
Expenditure on internally-developed intangible assets	13	(469)	(55)
Proceeds on sale of property, plant and equipment		—	27
Finance revenue	10	1,203	184
Purchase of investments		(7,499)	—
Sale of investments		3,770	559
Net cash (used in)/provided by investing activities		<u>(3,263)</u>	<u>618</u>
Financing activities			
Interest paid	10	(58)	(306)
Issue of ordinary share capital		15,441	591
Exercise of options and warrants		510	72
Repayment of borrowings		(200)	(162)
Repurchase of minority interest's shares by subsidiary		—	(468)
Net cash provided by/(used in) financing activities		<u>15,693</u>	<u>(273)</u>
Net increase/(decrease) in cash and cash equivalents	26	5,036	(2,551)
Effects of exchange rate changes on cash and cash equivalents		(117)	(451)
Cash and cash equivalents at beginning of period	26	<u>7,252</u>	<u>10,254</u>
Cash and cash equivalents at end of period	26	<u><u>12,171</u></u>	<u><u>7,252</u></u>

Notes forming part of the Group financial statements for the year ended 31 December 2009

1. General information

Plant Health Care plc (“the Company”) is a public limited company incorporated in England. The address of its registered office is The Broadgate Tower, 20 Primrose Street, London EC2A 2RS. The principal markets of the Company and its subsidiaries are described in Note 9.

2. Accounting policies

Reporting currency

The financial statements are presented in US dollars. The directors believe that it is appropriate to use US dollars as the presentational currency for reporting, since the majority of the Group’s transactions are conducted in that currency.

Basis of preparation

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

The principal accounting policies are set out below. The policies have been applied consistently to all the years presented and on a going concern basis.

Standards, amendments and interpretations to published standards effective in 2009 adopted by the Group

Amendments to IAS 1: Presentation of Financial Statements: A Revised Presentation:

As a result of the application of this amendment the Group has elected to present a single statement of comprehensive income; previously it presented an income statement and the statement of recognised income and expense. In addition, a statement of changes in equity is now presented as a primary statement where previously the information was included in a note. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements.

Adoption of IFRS 8: Operating Segments:

The Group has adopted IFRS 8 as a mandatory requirement that requires the Group to adopt a ‘management approach’ in the identification of its operating segments and its reporting on their financial performance.

None of the other standards or amendments effective from periods beginning 1 January 2009 have a material impact on the financial statements.

Standards, amendments and interpretations to published standards not yet effective

There are a number of new standards and amendments to and interpretations of existing standards which have been published and are not yet mandatory and which the Company has decided not to adopt early.

A summary of these standards and their probable impact on the Company is given at Note 27 to the financial statements.

Basis of consolidation

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

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

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

Revenue

Revenue comprises sales of goods to external customers, performance against service contracts, which relate to land reclamation activities (service income), and revenues generated through the commercialisation of the Company's technology (fee income). Sales of goods to external customers are at invoiced amount less value added tax or local taxes on sales and are recognised at the point that the customer takes legal title to the goods sold. Service income is recognised as the services are performed 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.

Goodwill

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

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

Other intangible assets

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

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to contractual or other legal rights.

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

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

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

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

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

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

Foreign currency

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

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

Financial instruments

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

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

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

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

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

Employee benefits

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

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

Equity share-based payments

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

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 recognised in profit or loss.

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

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

Property, plant and equipment

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

Leasehold improvements	–	over the lesser of the asset's useful life or the length of the 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 and all other costs of conversion.

Deferred tax

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the end of the financial period and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Provisions

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

3. Critical accounting estimates and judgments

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

Impairment of intangible assets (excluding goodwill)

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

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

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

Impairment of goodwill

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

Useful lives of intangible assets

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

Receivables

The Company reviews the net recoverable value of its accounts receivable on a periodic basis to provide assurance that recorded accounts receivable are stated net of any required provision for impairment. Factors that could impact recoverability include the financial propriety of customers and related economic trends. Changes in these factors that differ from management's estimates can result in adjustment to the carrying value and amounts charged to income in specific periods. More details on gross balances and provisions made are included in Note 16.

Warranty claims

The Group offers a three-year warranty on certain of its products in the US. The Group estimates the amount and cost of future warranty claims for its current period sales. These estimates are used to record warranty provisions for current period product shipments. The Company uses historical warranty claim information, as well as any 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 on carrying values are disclosed in Note 19.

4. Revenue

	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>
Revenue arises from:		
Sale of goods	17,662	17,960
Service contracts and fee income	5,552	1,891
	<u>23,214</u>	<u>19,851</u>

5. Operating loss

	<i>Note</i>	<i>2009</i>	<i>2008</i>
		<i>\$'000</i>	<i>\$'000</i>
Operating loss is arrived at after charging:			
Share-based payment expense	6	622	640
Depreciation	14	222	215
Amortisation	13	510	251
Operating lease expense		520	535
Loss on disposal of property, plant and equipment		66	75
		<u>66</u>	<u>75</u>
Auditor's remuneration:			
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts		78	78
		<u>78</u>	<u>78</u>
Fees payable to the Company's auditor and its associates for other services:			
Audit of the Company's subsidiaries		94	113
Tax services		12	19
		<u>106</u>	<u>132</u>
Total fees for other services		106	132
Total auditor's remuneration		<u>184</u>	<u>210</u>

6. Staff costs

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

	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>
Wages and salaries	6,203	6,222
Social security and payroll taxes	579	651
Defined contribution pension costs	205	133
Medical and other benefits	499	479
	<u>7,486</u>	<u>7,485</u>
Share-based payments expense	622	640
	<u>8,108</u>	<u>8,125</u>

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

	<i>2009</i>	<i>2008</i>
Administration	32	32
Distribution	38	44
Research and development	6	5
	<u>76</u>	<u>81</u>

7. Directors' and key management personnel remuneration

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

	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>
Base salary, fees and bonuses	1,134	1,157
Other short-term employee benefits	50	60
Share-based payments	251	464
Pensions and other post-retirement benefits	61	65
	<u>1,496</u>	<u>1,746</u>

The two (2008: three) executive directors who served during the year were eligible to participate in the Group's 401(k) retirement plan.

8. 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.

Valuation of the share options granted during the year ended 31 December 2009 was as follows:

	<i>15 October</i>	<i>15 April</i>
Share options granted	19,500	28,000
Weighted average fair value	167p	98p
Assumptions used in measuring fair value:		
Weighted average share price	269p	157.5p
Exercise price	254p	154p
Expected volatility	65%	65%
Option life (years)	10	10
Expected vesting period (years)	4.5	4.5
Expected dividend yield	Nil	Nil
Risk-free interest rate	2.65%	2.56%

Valuation of the share options granted during the year ended 31 December 2008 was as follows:

	<i>15 October</i>	<i>29 September</i>	<i>15 April</i>	<i>1 April</i>	<i>31 March</i>
Share options granted	17,500	50,000	123,000	52,000	105,000
Weighted average fair value	171p	205p	160p	133p	128p
Assumptions used in measuring fair value:					
Weighted average share price	258p	315p	320.5p	265.5p	259.5p
Exercise price	250p	317.25p	325p	267.5p	267.5p
Expected volatility	70%	70%	45%	45%	45%
Option life (years)	10	10	10	10	10
Expected vesting period (years)	4.5	4.5	4.5	4.5	4.5
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate	4.44%	4.17%	4.08%	4.07%	3.95%

Valuation of the long-term incentive awards granted during the year ended 31 December 2009 was as follows:

	<i>5 June</i>
Shares awarded	518,333
Weighted average fair value	114p
Assumptions used in measuring fair value:	
Expected volatility	49%
Expected vesting period (years)	3
Expected dividend yield	Nil
Risk-free interest rate	2.95%

Valuation of the long-term incentive awards granted during the year ended 31 December 2008 was as follows:

	<i>16 June</i>	<i>1 April</i>
Shares awarded	50,000	83,333
Weighted average fair value	253p	113p
Assumptions used in measuring fair value:		
Expected volatility	49%	45%
Expected vesting period (years)	3	3.24
Expected dividend yield	Nil	Nil
Risk-free interest rate	5.38%	4.44%

For valuation of both the share options granted and LTIP shares awarded, in 2009 and 2008:

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

9. Segment information

The Group views, manages, and operates its business according to geographical segments. This allows for a focused approach regarding local regulations and the requirements of the customer base for each segment. Revenue is generated from the sale of agricultural products across all geographic segments. Horticulture and turf and fee and service income is only generated in the USA segment.

Details of customers who account for greater than 10 per cent. of the Group's total revenues are provided in Note 20.

2009

	<i>USA</i> <i>\$'000</i>	<i>Mexico</i> <i>\$'000</i>	<i>Europe</i> <i>\$'000</i>	<i>Elimination</i> <i>\$'000</i>	<i>Total</i> <i>\$'000</i>
Revenue					
External sales	16,848	2,640	3,726	—	23,214
Inter-segment sales	1,074	—	—	(1,074)	—
Total revenue	<u>17,922</u>	<u>2,640</u>	<u>3,726</u>	<u>(1,074)</u>	<u>23,214</u>
Segment operating (loss)/profit	<u>1,083</u>	<u>(132)</u>	<u>(234)</u>	<u>103</u>	<u>820</u>
Unallocated corporate expenses*					<u>(3,226)</u>
Operating loss					<u>(2,406)</u>
Finance income					1,203
Finance expense					(58)
Tax expense					<u>(85)</u>
Loss for the year					<u><u>(1,346)</u></u>

* These expenses relate to public company expenses such as director fees, legal fees, share-based payment expense and other corporate expenses. Any expenses, such as depreciation, specifically attributable to a segment are included in the segment operating (loss)/profit.

Other segment information:

	<i>USA</i> <i>\$'000</i>	<i>Mexico</i> <i>\$'000</i>	<i>Europe</i> <i>\$'000</i>	<i>Unallocated/ Eliminations*</i> <i>\$'000</i>	<i>Total</i> <i>\$'000</i>
Segment assets	30,050	1,428	5,279	—	36,757
Segment liabilities	3,367	400	1,242	—	5,009
Capital expenditure	176	28	64	—	268
Non-cash expenses:					
Depreciation	134	42	46	—	222
Amortisation	494	3	13	—	510
Share-based payment	263	34	21	304	622

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

2008

	<i>USA</i> \$'000	<i>Mexico</i> \$'000	<i>Europe</i> \$'000	<i>Elimination</i> \$'000	<i>Total</i> \$'000
Revenue					
External sales	12,892	3,241	3,718	—	19,851
Inter-segment sales	<u>1,226</u>	<u>37</u>	<u>453</u>	<u>(1,716)</u>	<u>—</u>
Total revenue	<u>14,118</u>	<u>3,278</u>	<u>4,171</u>	<u>(1,716)</u>	<u>19,851</u>
Segment operating (loss)/profit	<u>(1,229)</u>	<u>(189)</u>	<u>166</u>	<u>342</u>	<u>(910)</u>
Unallocated corporate expenses*					<u>(3,187)</u>
Operating loss					<u>(4,097)</u>
Finance income					184
Finance expense					(306)
Tax expense					<u>(62)</u>
Loss for the year					<u>(4,281)</u>

* These expenses relate to public company expenses such as director fees, legal fees, share-based payment expense and other corporate expenses.

Other segment information:

	<i>USA</i> \$'000	<i>Mexico</i> \$'000	<i>Europe</i> \$'000	<i>Unallocated/ Eliminations*</i> \$'000	<i>Total</i> \$'000
Segment assets	16,208	1,625	4,760	2	22,595
Segment liabilities	3,982	473	738	976	6,169
Capital expenditure	16	—	154	(73)	97
Non-cash expenses:					
Depreciation	150	17	26	22	215
Amortisation	251	—	—	—	251
Share-based payment	122	32	22	464	640

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

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

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

10. Finance income and expense

	2009 \$'000	2008 \$'000
<i>Finance income</i>		
Interest on deposits and investments	249	184
Exchange rate gains	954	—
	<u>1,203</u>	<u>184</u>
<i>Finance expense</i>		
Finance leases	17	25
Revolving credit agreement	—	39
Notes payable	12	21
Unwinding of discount on provisions	29	63
Total interest expense	58	148
Exchange rate losses	—	158
	<u>58</u>	<u>306</u>

11. Tax expense

The tax expense is comprised of corporation tax and income tax on profits and was \$85,000 (2008: \$62,000).

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:

	2009 \$000	2008 \$000
Loss before tax	<u>(1,261)</u>	<u>(4,219)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 28% (2008: 28.5%)	(353)	(1,203)
Disallowable expenses/(income)	63	(61)
Utilisation of previously-unrecognised tax losses	(327)	(49)
Financial statement share-based payment expense	177	182
Tax returns share-based payment expense	(184)	(214)
Losses in year not relieved against current tax	461	960
Amortisation of intangibles	(6)	(2)
Other temporary differences	254	450
Different tax rates applied in overseas jurisdictions	—	(1)
	<u>85</u>	<u>62</u>

At 31 December 2009, the Group had a potential deferred tax asset of \$13,707,000 which includes tax losses available to carry forward of \$11,917,000 (being actual losses of \$42,562,000 at a blended global tax rate of 28 per cent.) arising from historic losses incurred, anticipated tax relief on share-based payments of \$1,630,000 and other timing differences of \$160,000.

12. 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 \$1,331,000 (2008: loss of \$4,219,000) and the weighted average number of shares in issue during the periods of 49,731,214 (2008: 44,748,407). Equity instruments of 3,613,749 (2008: 3,865,202), which includes share options, warrants and share awards as shown within Note 22, that could potentially dilute basic earnings per share in the future have been considered but not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

13. Intangible assets

	<i>Goodwill</i> \$'000	<i>Licenses and registrations</i> \$'000	<i>Developed technology</i> \$'000	<i>Trade name and customer relationships</i> \$'000	<i>Total</i> \$'000
Cost					
Balance at 1 January 2008	1,620	2,639	143	159	4,561
Additions – internally developed	—	—	55	—	55
Balance at 31 December 2008	1,620	2,639	198	159	4,616
Additions – internally developed	—	469	—	—	469
Balance at 31 December 2009	1,620	3,108	198	159	5,085
Accumulated amortisation					
Balance at 1 January 2008	—	254	12	13	279
Amortisation charge for the year	—	228	12	11	251
Balance at 31 December 2008	—	482	24	24	530
Amortisation charge for the year	—	497	9	4	510
Balance at 31 December 2009	—	979	33	28	1,040
Net book value					
At 31 December 2008	1,620	2,157	174	135	4,086
At 31 December 2009	1,620	2,129	165	131	4,045

Goodwill has been tested for impairment using discounted budgeted cash flows, using a pre-tax discount rate of 15 per cent. and performance projections over five years with residual growth assumed at 2 per cent. and has been determined not to be impaired at 31 December 2009. The entire value of the goodwill has been allocated to the Group's USA segment.

14. Property, plant and equipment

	<i>Leasehold improvements</i> \$'000	<i>Production machinery</i> \$'000	<i>Office equipment</i> \$'000	<i>Vehicles</i> \$'000	<i>Total</i> \$'000
Cost					
Balance at 1 January 2008	188	861	1,078	473	2,600
Additions	—	7	48	42	97
Disposals	(151)	(241)	(537)	(73)	(1,002)
Balance at 31 December 2008	37	627	589	442	1,695
Additions	1	—	94	173	268
Transfer of assets	—	(71)	71	—	—
Disposals	—	—	—	(146)	(146)
Balance at 31 December 2009	38	556	754	469	1,817
Accumulated depreciation					
Balance at 1 January 2008	146	614	692	220	1,672
Depreciation charge for the year	5	54	96	60	215
Disposals	(138)	(230)	(482)	(50)	(900)
Balance at 31 December 2008	13	438	306	230	987
Depreciation charge for the year	4	36	96	86	222
Transfer of assets	—	(43)	43	—	—
Disposals	—	—	—	(80)	(80)
Balance at 31 December 2009	17	431	445	236	1,129
Net book value					
At 31 December 2008	24	189	283	212	708
At 31 December 2009	21	125	309	233	688

The net book value of property, plant and equipment includes an amount of \$172,000 (2008 – \$173,000) in respect of assets held under finance leases. Depreciation expense includes an amount of \$39,000 (2008 – \$60,000) in respect of assets held under finance leases.

15. Inventories

	2009 \$'000	2008 \$'000
Raw materials	317	1,151
Finished goods and goods for resale	1,282	1,348
	<u>1,599</u>	<u>2,499</u>

The inventory values included a write-down of inventory to net realisable value of \$46,000 (2008 – \$1,000).

16. Trade and other receivables

	2009 \$'000	2008 \$'000
<i>Current:</i>		
Trade receivables	14,493	6,891
Less: provision for impairment	(1,578)	(446)
Trade receivables, net	12,915	6,445
Other receivables and prepayments	661	345
Current trade and other receivables	<u>13,576</u>	<u>6,790</u>
<i>Non-current:</i>		
Trade receivables	949	1,619
Less: provision for impairment	—	(359)
Non-current trade and other receivables	<u>949</u>	<u>1,260</u>
	<u>14,525</u>	<u>8,050</u>

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

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

	2009 \$'000	2008 \$'000
Balance at the beginning of the year	805	775
Provided	799	306
Receivables written off as uncollectible	(26)	(282)
Unused amounts reversed	—	6
Balance at the end of the year	<u>1,578</u>	<u>805</u>

The gross value of trade receivables for which a provision for impairment has been made is \$4,314,000 (2008: \$1,620,000).

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

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

	2009 \$'000	2008 \$'000
Current	13,424	7,350
Past due:		
Up to 30 days	279	313
31 to 60 days	348	57
61 to 90 days	—	92
Greater than 90 days	474	238
Total	<u>14,525</u>	<u>8,050</u>

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

17. Trade and other payables

	2009 \$'000	2008 \$'000
Trade payables	1,368	1,792
Accruals	2,428	2,770
Deferred income	526	571
Taxation and social security	171	214
	<u>4,493</u>	<u>5,347</u>

18. Borrowings

(a) Current borrowings

	2009 \$'000	2008 \$'000
Notes payable	24	166
Finance leases	38	52
	<u>62</u>	<u>218</u>

(b) Non-current borrowings

	2009 \$'000	2008 \$'000
Notes payable	27	51
Finance leases	32	52
	<u>59</u>	<u>103</u>

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

	<i>Trade and other payables</i>		<i>Notes payable</i>		<i>Finance leases</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
In less than one year	4,551	5,347	28	181	38	69
In more than one year, but less than two years	—	—	28	28	22	46
In more than two years, but less than five years	—	—	—	28	10	21
	<u>4,551</u>	<u>5,347</u>	<u>56</u>	<u>237</u>	<u>70</u>	<u>136</u>

19. Provisions

	<i>Onerous contracts</i>	<i>Warranty</i>	<i>Post-employment insurance benefits</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance at 1 January 2009	162	269	70	501
Provided	—	279	47	326
Utilised in year	(162)	(270)	—	(432)
Balance at 31 December 2009	<u>—</u>	<u>278</u>	<u>117</u>	<u>395</u>
Due within one year or less	—	278	—	278
Due after more than one year	—	—	117	117
	<u>—</u>	<u>278</u>	<u>117</u>	<u>395</u>

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

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

20. Financial Instruments

(a) **Capital risk management**

The Group manages its capital to ensure that all entities in the Group will be able to continue as going concerns, while maximising shareholder value through the optimisation of its debt and equity structure. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 22 and 23.

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

	<i>Fair Value through profit or loss</i>		<i>Loans and receivables</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Financial assets				
Trade and other receivables	—	—	14,525	8,050
Investments	3,729	—	—	—
Cash and cash equivalents	—	—	12,171	7,252
	<u>3,729</u>	<u>—</u>	<u>26,696</u>	<u>15,302</u>

	<i>Financial liabilities measured at amortised cost</i>	
	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>
Financial liabilities		
Trade and other payables	4,493	5,347
Borrowings due within one year	62	218
Borrowings due after one year	59	103
	<u>4,614</u>	<u>5,668</u>

The amounts disclosed for all of the above financial assets and financial liabilities, with the exception of investments, are at book value, which approximates fair value in all material respects. Investments are carried at fair value as determined by quoted prices in active markets.

(c) **Investments**

<i>Security Type</i>	<i>Moody's Rating</i>	<i>Face Value (\$'000)</i>	<i>Coupon Rate</i>	<i>Maturity Date</i>	<i>2009 Value (\$'000)</i>
Government	AAA	911	0.8% – 3.3%	30/9/10 – 29/9/14	913
Corporate*	>Aa3	1,242	1.3% – 5.5%	5/5/11 – 19/9/14	1,244
Corporate*	A1 – A3	798	2.0% – 7.3%	2/8/10 – 20/5/14	798
Corporate*	Baa1 – Baa3	249	4.5% – 6.8%	15/1/10 – 31/1/13	249
Corporate*	Unrated	275	1.1% – 2.9%	15/4/11 – 17/12/12	275
Other	AA1	50	1.9%	19/11/12	50
Other**	Unrated	200	0.2% – 0.3%	6/4/10 – 5/11/10	200
		<u>3,725</u>			<u>3,729</u>

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

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

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

(d) **Liquidity risk**

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by reference to continuously monitored forecast and actual cash flows. As part of its monitoring, the Group ensures that the financial liabilities due to be paid can be met by existing cash and cash equivalents. As the Group does not currently generate sufficient cash from its operations to meet its annual funding needs, it may be required to seek additional cash from its shareholders or lenders to fund its operations. Further, while the Group does not expect to need to raise capital in the foreseeable future, the current economic environment may result in an increased challenge related to the raising of additional capital.

(e) **Financial risk management objectives**

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

(f) **Market Risk**

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

The Group is exposed to foreign currency risk from transactions and from translating the monetary net assets of overseas entities denominated in currencies other than US dollars. Transaction exposure arises because affiliated companies undertake transactions in foreign currencies. The Group does not use forward foreign exchange rate contracts to hedge exchange rate risk.

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

	<i>Assets</i>		<i>Liabilities</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Euro	1,298	1,434	242	316
Pound	3,092	912	958	422
Peso	1,028	1,128	400	493

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

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

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

The Group does not utilise any hedging instruments to address interest rate risk. The Group believes that the discount rate utilised to determine the present value of the notes materially represents the market interest rate.

(g) **Price risk**

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

(h) **Credit Risk Management**

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

The Group sells to a large number of customers across each of its geographic segments in the US, Europe and Mexico. The Group has one customer, Monsanto, within its US segment, which is responsible for approximately 40 per cent. of the Group's 2009 total sales. The trade receivable for Monsanto was current at year end and represented approximately 49 per cent. of the Group's total gross trade receivable balance. No one other customer represents more than 10 per cent. of the Group's total sales.

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

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

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

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

21. Subsidiary undertakings

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

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

* Held indirectly

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

22. Share capital

(a) *Authorised and issued share capital*

	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>
Authorised share capital:		
500,000,000 ordinary shares at £0.01 each	8,984	8,984
Allotted, called up and fully-paid share capital:		
52,648,993 (2008 – 44,858,991) ordinary shares at £0.01 each	940	821

(b) *Movement in share capital*

The movements on issued share capital are as follows:

	<i>Ordinary shares of Plant Health Care plc</i>	
	<i>Number</i>	<i>\$'000</i>
In issue at 1 January 2008	44,214,229	809
Shares exchanged for minority interest in subsidiary	510,000	10
Shares issued for services received	13,262	—
Share options exercised	101,500	2
LTIP awards vested	20,000	—
In issue at 31 December 2008	44,858,991	821
Placement of shares	7,000,000	106
Shares issued for services received	51,048	1
Share options exercised	507,250	8
LTIP awards vested	40,000	1
Signing bonus	15,000	—
Warrants exercised	176,704	3
In issue at 31 December 2009	52,648,993	940
Share options exercised	37,500	1
In issue at the date of this report	52,686,493	941

During the year ended 31 December 2008, the following fully-paid 1p ordinary shares in the Company were issued:

- i. 510,000 new ordinary shares with an aggregate value of \$518,000 were issued pursuant to the acceptance of an exchange offer for minority shares in Plant Health Care, Inc.
- ii. 13,262 shares with an aggregate value of \$71,000 were issued to certain non-executive directors in payment of fees.
- iii. 101,500 shares with an aggregate value of \$74,000 were issued for the exercise of share options at exercise prices ranging from 37 pence per share to 62 pence per share.
- iv. 20,000 shares with an aggregate value of \$397 were issued for the vesting of LTIPs.

During the year ended 31 December 2009, the following fully-paid 1p ordinary shares in the Company were issued:

- i. 7,000,000 new ordinary shares with an aggregate value of \$15,214 were issued pursuant to an equity placing at £1.50 per share.
- ii. 176,704 shares with an aggregate value of \$151,000 were issued for the exercise of share warrants at an exercise price of 52 pence per share.
- iii. 51,048 shares with an aggregate value of \$157,000 were issued to certain non-executive directors in payment of fees.
- iv. 507,250 shares with an aggregate value of \$370,000 were issued for the exercise of share options at exercise prices ranging from 37 pence per share to 127.5 pence per share.
- v. 40,000 shares with an aggregate value of \$574 were issued for the vesting of LTIPs.
- vi. 15,000 shares with an aggregate value of \$248 were issued as a signing bonus.

During the period from 1 January 2010 to the date of this report, the following additional shares of 1p each were issued:

- i. 37,500 shares with an aggregate value of \$23,000 were issued for the exercise of share options post year end, at an exercise price of 37 pence per share.

(c) **Other equity instruments**

The Company had the following other equity instruments in issue at 31 December 2009:

	2009 <i>No</i>	2008 <i>No</i>
Warrants	—	176,704
Share options	2,780,748	3,263,498
Share awards under the Long Term Incentive Plan	833,000	425,000
	<u>3,613,748</u>	<u>3,865,202</u>

(d) **Warrants**

The Company had no warrants outstanding at 31 December 2009. The warrants outstanding at 31 December 2008 were exercised on 4 November 2009.

(e) **Share options**

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

The movements on share options are as follows:

	<i>Options over ordinary shares</i>			<i>Weighted average exercise price</i>
	<i>Directors</i>	<i>Other</i>	<i>Total</i>	
Outstanding at 1 January 2008	1,837,500	1,179,998	3,017,498	57p
Awarded	—	347,500	347,500	294p
Exercised	(50,000)	(51,500)	(101,500)	37p
Retirement of Director	(210,000)	210,000	—	48p
Outstanding at 31 December 2008	1,577,500	1,685,998	3,263,498	83p
Awarded	—	47,500	47,500	195p
Exercised	—	(507,250)	(507,250)	46p
Forfeited	—	(23,000)	(23,000)	314p
Retirement of Director	(202,500)	202,500	—	47p
Outstanding at 31 December 2009	1,375,000	1,405,748	2,780,748	90p

Of the total number of options outstanding at 31 December 2009, 2,217,248 (2008: 2,643,498) had vested and were exercisable. The weighted average exercise price was 46p (2008: 44p).

The weighted average share price at the dates of exercise for the share options exercised during 2009 was 186p (2008: 373p).

The options outstanding at 31 December 2009 have a weighted average remaining life of 4.8 years (2007: 5.3 years) and the range of exercise prices is 37p to 325p (2008: 37p to 325p).

From 1 January 2010 to the date of this report 37,500 share options have been exercised.

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

The Company awards shares to certain employees under the Plant Health Care plc 2007 Long Term Incentive Plan.

The movements on LTIP share awards are as follows:

	<i>Share awards</i>		
	<i>Directors</i>	<i>Other</i>	<i>Total</i>
Outstanding at 1 January 2008	300,000	100,000	400,000
Awarded	83,333	50,000	133,333
Vested	(20,000)	—	(20,000)
Forfeited	(88,333)	—	(88,333)
Appointment of Stephen Weaver as Finance Director	100,000	(100,000)	—
Outstanding at 31 December 2008	375,000	50,000	425,000
Awarded	143,333	375,000	518,333
Vested	(40,000)	—	(40,000)
Forfeited	(70,333)	—	(70,333)
Outstanding at 31 December 2009	408,000	425,000	833,000

The share awards granted vest, subject to certain performance and service conditions, over the period from 31 March 2010 to 30 June 2012.

23. Reserves

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

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

24. Pensions

The Group does not maintain any defined benefit pension plans. The Group does maintain a retirement plan qualified under Section 401(k) of the United States Internal Revenue Code. This plan covers substantially all US employees. In 2009, the Company's pension expense under the scheme was \$132,000 (2008:\$116,000).

25. Leases

Finance leases

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

Future lease payments are due as follows:

2009:

	<i>Minimum lease payments \$'000</i>	<i>Interest \$'000</i>	<i>Present value \$'000</i>
Not later than one year	44	6	38
Later than one year and not later than five years	36	4	32
	<u>80</u>	<u>10</u>	<u>70</u>

2008:

	<i>Minimum lease payments \$'000</i>	<i>Interest \$'000</i>	<i>Present value \$'000</i>
Not later than one year	69	17	52
Later than one year and not later than five years	67	15	52
	<u>136</u>	<u>32</u>	<u>104</u>

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 values of minimum lease payments are due as follows:

	2009 \$'000	2008 \$'000
Not later than one year	400	234
Later than one year and not later than five years	1,088	197
	<u>1,488</u>	<u>431</u>

26. Notes supporting cash flow statement

Significant non-cash transactions are as follows:

	2009 \$'000	2008 \$'000
<i>Operating activities</i>		
Equity consideration for services rendered	<u>157</u>	<u>71</u>
<i>Financing activities</i>		
Assets acquired under finance leases	<u>—</u>	<u>52</u>

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 2 January 2009 and which the Group has decided not to adopt early.

Those likely to affect the Group include:

- Revised IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2009). This standard has been endorsed by the EU. This Amendment affects in particular the acquisition of subsidiaries achieved in stages and disposals of interests, with significant differences in the accounting depending on whether or not control is obtained as a result of the transaction, or where a transaction results only in a change in the percentage of a controlling interest. This could be applicable if the Company made piecemeal acquisitions or disposals in the future, which is not anticipated.
- Amendment to IAS 27 Consolidated and Separate Financial Statements (effective for periods beginning on or after 1 July 2009). This amendment has been endorsed by the EU. This amendment requires prospective application and could result in a change in differences where acquisitions or disposals of subsidiaries are made in stages. This could be applicable if the Company made piecemeal acquisitions or disposals in the future, which is not anticipated.
- Improvements to IFRSs (generally effective for accounting periods beginning on or after 1 January 2010). These improvements have been endorsed by the EU. These improvements will result in clarification of the requirements of IFRSs and elimination of inconsistencies between Standards. Management is still assessing the impact of these improvements.
- Revised IAS 24 Related Party Disclosures (Revision to IAS 24) (Effective for periods beginning on or after 1 January 2011). This revision is yet to be endorsed by the EU. The revision concerns the previous disclosure and the definition of a related party. Management are still assessing the impact of this revision.
- IFRS 9 Financial Instruments (Replacement of IAS 39) (Effective for periods beginning on or after 1 January 2013). This revision is yet to be endorsed by the EU. This standard will eventually replace IAS 39 in its entirety. Management are still assessing the impact of this revision.
- Classification of Rights Issues (Amendment to IAS 32) (Effective for periods beginning on or after 1 February 2010). This amendment is yet to be endorsed by the EU. The amendment addresses accounting for rights issues that are denominated in a currency other than the functional

currency of the issuer. The amendment requires that, provided the entity offers the rights to all of its existing owners of the same class of its own non-derivative equity instruments, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. Management are still assessing the impact of these amendments.

Those not likely to have a material affect on the Group's financial statements:

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009). This amendment has been endorsed by the EU.
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning 1 July 2009). This IFRIC has yet to be endorsed by the EU.
- IFRIC 18 Transfer of Assets from Customers (effective for transfers from customers on or after 1 July 2009). This IFRIC has yet to be endorsed by the EU.
- Amendment to IFRS 2 Share-based Payment Transactions (effective for periods beginning on or after 1 January 2010). This amendment has yet to be endorsed by the EU.
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective for periods beginning on or after 1 January 2010). This amendment has yet to be endorsed by the EU.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for periods on or after 1 April 2010). This IFRIC has yet to be endorsed by the EU.

Company balance sheet at 31 December 2009

	<i>Note</i>	<i>2009</i> <i>\$'000</i>	<i>2008</i> <i>\$'000</i>
Fixed assets			
Fixed asset investments	32	<u>55,199</u>	<u>37,139</u>
Current assets			
Debtors	34	78	41
Cash at bank and in hand		<u>2,057</u>	<u>5,128</u>
		<u>2,135</u>	<u>5,169</u>
Creditors: amounts falling due within one year	35	<u>(665)</u>	<u>(506)</u>
Net current assets		<u>1,470</u>	<u>4,663</u>
Net assets		<u><u>56,669</u></u>	<u><u>41,802</u></u>
Capital and reserves			
Called-up share capital	22	940	821
Share premium	37	49,934	34,102
Reverse acquisition reserve	37	14,455	14,455
Share-based payment reserve	37	1,542	920
Retained earnings	37	<u>(10,202)</u>	<u>(8,496)</u>
Shareholders' funds		<u><u>56,669</u></u>	<u><u>41,802</u></u>

28. Accounting policies

Basis of preparation

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

Investments

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

Share-based payments

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

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

Deferred taxation

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

29. Loss for the financial year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group loss for the year includes a loss after tax of \$1,706,000 (2008 – loss of \$2,706,000), which is dealt with in the financial statements of the parent company.

30. Share-based payment

See Note 22 of the consolidated financial statements.

31. Directors' remuneration

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

32. Fixed asset investments

	<i>Shares in Group undertakings \$'000</i>	<i>Loans to Group undertakings \$'000</i>	<i>Total \$'000</i>
Cost			
At 1 January 2008	15,307	19,532	34,839
Additions	518	1,782	2,300
At 31 December 2008	15,825	21,314	37,139
Additions	371	17,689	18,060
At 31 December 2009	16,196	39,003	55,199

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

33. Subsidiary undertakings

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

34. Debtors

	<i>2009 \$'000</i>	<i>2008 \$'000</i>
Prepayments	78	41

All amounts fall due within one year.

35. Creditors

	<i>2009 \$'000</i>	<i>2008 \$'000</i>
Trade creditors	16	112
Accruals	649	394
	665	506

All amounts other than the post-employment insurance benefit amounts shown in Note 19 fall due for payment within one year.

36. Share capital

The share capital of the Company is disclosed in Note 22.

37. Reserves

	<i>Share premium \$'000</i>	<i>Reverse acquisition reserve \$'000</i>	<i>Share-based payment reserve \$'000</i>	<i>Retained earnings \$'000</i>
Balance at 1 January 2008	33,451	14,455	456	(5,790)
Shares issued or exchanged	579	—	—	—
Share-based payments	—	—	464	—
Options exercised	72	—	—	—
Loss in the year	—	—	—	(2,706)
Balance at 31 December 2008	34,102	14,455	920	(8,496)
Shares issued or exchanged	16,018	—	—	—
Share-based payments	—	—	622	—
Options and warrants exercised	510	—	—	—
Placement costs	(696)	—	—	—
Loss in the year	—	—	—	(1,706)
Balance at 31 December 2009	49,934	14,455	1,542	(10,202)

38. Company reconciliation of movements in shareholders' funds

	<i>2009 \$'000</i>	<i>2008 \$'000</i>
Total recognised loss relating to the year	(1,706)	(2,706)
Shares issued or exchanged	16,127	591
Exercise of share options	520	72
Share-based payment charge	622	464
Placement costs	(696)	—
Net increase/(decrease) in shareholders' funds	14,867	(1,579)
Opening shareholders' funds	41,802	43,381
Closing shareholders' funds	56,669	41,802

Audited Consolidated Financial Information for the year ended 31 December 2008**Consolidated Income Statement**

	<i>Note</i>	<i>2008</i> <i>\$'000s</i>	<i>2007</i> <i>\$'000s</i>
Revenue	4	19,851	18,295
Cost of sales		<u>(9,220)</u>	<u>(9,944)</u>
Gross profit		10,631	8,351
Distribution costs		(5,140)	(4,660)
Research and development expenses		(1,269)	(771)
Administrative expenses		<u>(8,319)</u>	<u>(8,161)</u>
Operating loss		(4,097)	(5,241)
Finance income	10	184	177
Finance expense	10	<u>(306)</u>	<u>(302)</u>
Loss before tax		(4,219)	(5,366)
Tax expense	11	<u>(62)</u>	<u>(47)</u>
Loss for the year		<u>(4,281)</u>	<u>(5,413)</u>
Attributable to:			
Equity holders of the parent		(4,219)	(5,424)
Minority interest		<u>(62)</u>	<u>11</u>
		<u>(4,281)</u>	<u>(5,413)</u>
Basic and diluted loss per share	12	(9.6¢)	(12.8¢)

Consolidated Statement of Recognised Income and Expense

	<i>2008</i>	<i>2007</i>
	<i>\$'000s</i>	<i>\$'000s</i>
Exchange differences on translation of foreign operations	(657)	130
Loss for the year	<u>(4,281)</u>	<u>(5,413)</u>
Total recognised income and expense for the year	<u>(4,938)</u>	<u>(5,283)</u>
Attributable to: Equity holders of the parent	(4,875)	(5,294)
Minority interest	<u>(63)</u>	<u>11</u>
	<u>(4,938)</u>	<u>(5,283)</u>

Consolidated Balance Sheet

	<i>Note</i>	<i>2008</i> \$'000s	<i>2007</i> \$'000s
Assets			
Non-current assets			
Intangible assets	13	4,086	4,282
Property, plant and equipment	14	708	928
Trade receivables	16	1,260	—
Total non-current assets		<u>6,054</u>	<u>5,210</u>
Current assets			
Inventories	15	2,499	2,872
Trade and other receivables	16	6,790	6,751
Investments	20	—	559
Cash and cash equivalents		7,252	10,254
Total current assets		<u>16,541</u>	<u>20,436</u>
Total assets		<u>22,595</u>	<u>25,646</u>
Liabilities			
Current liabilities			
Trade and other payables	17	5,347	3,648
Borrowings	18	218	205
Provisions	19	431	546
Total current liabilities		<u>5,996</u>	<u>4,399</u>
Non-current liabilities			
Borrowings	18	103	278
Provisions	19	70	440
Total non-current liabilities		<u>173</u>	<u>718</u>
Total liabilities		<u>6,169</u>	<u>5,117</u>
Total net assets		<u>16,426</u>	<u>20,529</u>
Capital and reserves attributable to equity holders of the Company			
Share capital	22	821	809
Share premium	23	34,102	33,451
Reverse acquisition reserve	23	10,548	11,016
Share-based payment reserve	23	1,220	580
Foreign exchange reserve	23	(536)	121
Retained earnings	23	(29,898)	(25,679)
		<u>16,257</u>	<u>20,298</u>
Minority interests	23	169	231
Total equity		<u>16,426</u>	<u>20,529</u>

Consolidated Cash Flow Statement

	<i>Note</i>	<i>2008</i> \$'000s	<i>2007</i> \$'000s
Cash flows from operating activities			
Loss before tax		(4,219)	(5,366)
Adjustments for:			
Depreciation	14	215	262
Amortisation of intangibles	13	251	242
Finance revenue	10	(184)	(177)
Finance costs	10	306	302
Share-based payment expense		640	462
Loss/(gain) on sale of property, plant and equipment		75	(5)
Cash used in operating activities before changes in working capital and provisions		<u>(2,916)</u>	<u>(4,280)</u>
(Increase)/Decrease in trade and other receivables		(1,504)	208
Decrease in inventories		304	436
Increase in trade and other payables		1,754	836
(Decrease) in provisions		(472)	(121)
Cash used in operations		<u>(2,834)</u>	<u>(2,921)</u>
Interest paid		(306)	(287)
Income taxes paid		(62)	(74)
Net cash flows used in operating activities		<u>(3,202)</u>	<u>(3,282)</u>
Investing activities			
Purchase of business net assets	25	—	(2,446)
Purchase of property, plant and equipment		(97)	(136)
Expenditure on internally-developed intangible assets	13	(55)	(53)
Proceeds on sale of property, plant and equipment		27	21
Interest received	10	184	177
Purchase of short-term investments		—	(123)
Sale of short-term investments		559	675
Net cash provided by/(used in) investing activities		<u>618</u>	<u>(1,885)</u>
Financing activities			
Issue of ordinary share capital		591	10,182
Exercise of options and warrants		72	1,365
Repayment of borrowings		(162)	(367)
Repurchase of minority interest's shares by subsidiary		(468)	(160)
Net cash generated from financing activities		<u>33</u>	<u>11,020</u>
Effects of exchange rate changes on cash and cash equivalents		<u>(451)</u>	<u>(45)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(3,002)</u>	<u>5,808</u>
Cash and cash equivalents at beginning of period		<u>10,254</u>	<u>4,446</u>
Cash and cash equivalents at end of period		<u><u>7,252</u></u>	<u><u>10,254</u></u>

Notes forming part of the Group financial statements

1. General Information

Plant Health Care plc (“the Company”) is a public limited company incorporated in England. The address of its registered office is The Broadgate Tower, 20 Primrose Street, London EC2A 2RS. The principal markets of the Company and its subsidiaries are described in Note 9.

2. 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, since the majority of the Group’s operations are denominated in that currency.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and those parts of the Companies Act 1985 which apply to companies preparing their financial statements under IFRS.

The principal accounting policies are set out below. The policies have been applied consistently to all the years presented and on a going concern basis.

New standards adopted

First-time adoption of International Financial Reporting Standards

When the Group first applied IFRSs in the financial year ended 31 December 2007, it applied the following:

- 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.

IFRIC 11 – Group and Treasury Share Transactions

The Group has adopted IFRIC 11, which interprets previously issued IFRS2 – Group and Treasury Share Transactions. 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. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. It also applies regardless of whether: (a) the employee’s rights to the entity’s equity instruments were granted by the entity itself or by its shareholder(s); or (b) the share-based payment arrangement was settled by the entity itself or by its shareholder(s).

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

Although there is no impact on the Group’s consolidated financial statements, the adoption of IFRIC 11 affects the segment operating profit and loss reported for the Group’s segments. The impact of the change on the comparative numbers is shown in Note 9 to the financial statements.

Forthcoming standards

There are a number of new standards and amendments to and interpretations of existing standards which have been published and are not yet mandatory and which the Company has decided not to adopt early.

A summary of these standards and their probable impact on the Company is given at Note 28 to the financial statements.

Basis of consolidation

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

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

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.

Revenue

Revenue is comprised of sales of goods to external customers, performance against service contracts, which relate to land reclamation activities (service income) and revenues generated through the commercialisation of the Company's technology (fee income). Sales of goods to external customers are at invoiced amount less value added tax or local taxes on sales and are recognised at the point that the customer takes legal title to the goods sold. Service income is recognised as the services are performed 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.

Goodwill

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

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

Other intangible assets

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

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

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

Foreign currency

Foreign currency transactions of individual companies are translated into the individual company's functional currency. Any differences are taken to the 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').

Financial instruments

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

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.

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 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 longterm 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.

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 income statement.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the 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 income statement on a straight-line basis over the lease term.

Property, plant and equipment

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

Leasehold improvements	over the lesser of the assets useful life or the length of the lease
Production machinery	10-20 per cent. per annum
Office equipment	20-33 per cent. per annum
Vehicles	20 per cent. per annum

Inventories

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

Deferred tax

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and

- investments in subsidiaries and jointly-controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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

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

Provisions

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

3. Critical Accounting Estimates and Judgments

In preparing its financial statements, the Group makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from estimates and assumptions. The estimates and 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 on carrying values is included in Note 13.

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 on carrying values are included in Notes 13 and 14.

Inventory

The Company reviews the net realisable value of, and demand for, its inventory on a periodic basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include timing and success of future technological innovations, competitor actions, supplier prices and economic trends. Changes in these factors that differ from management's estimates can result in adjustment to the carrying value and amounts charged to 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 15.

Warranty claims

The Group offers a three-year warranty on certain of its products in the US. 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 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 on carrying values are disclosed in Note 19.

Receivables

The Company reviews the net recoverable value of its accounts receivable on a periodic basis to provide assurance that recorded accounts receivable is stated net of any provision for impairment. Factors that could impact recoverability include the financial propriety of customers and related economic trends. Changes in these factors that differ from management's estimates can result in adjustment to the carrying value and amounts charged to the consolidated income statement in specific periods. More details on net balance and provisions made are included in Note 16.

4. Revenue

	<i>2008</i> <i>\$'000s</i>	<i>2007</i> <i>\$'000s</i>
Revenue arises from:		
Sale of goods	17,960	15,523
Service contracts and fee income	1,891	2,772
	<u>19,851</u>	<u>18,295</u>

5. Operating Loss

	<i>2008</i> <i>\$'000s</i>	<i>2007</i> <i>\$'000s</i>
Operating loss is arrived at after charging/(crediting):		
Staff costs, excluding share-based payments (Note 6)	7,485	7,369
Share-based payment expense (Note 6)	640	462
Research and development costs	1,269	771
Depreciation (Note 14)	215	262
Amortisation (Note 13)	251	242
Write-down of inventory to net realisable value	41	114
Operating lease expense	535	543
Loss/(gain) on disposal of property, plant and equipment	75	(5)
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	78	127
Fees payable to the Company's auditor for other services:		
Audit of the		
Company's subsidiaries	113	143
Tax services	19	5
Other services	—	18
Total fees for other services	<u>132</u>	<u>166</u>
Total auditor's remuneration	<u>210</u>	<u>293</u>

6. Staff costs

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

	2008 \$'000s	2007 \$'000s
Wages and salaries	6,222	5,984
Social security and payroll taxes	651	750
Defined contribution pension costs	133	64
Medical and other benefits	479	426
Compensation for loss of office	—	145
	<u>7,485</u>	<u>7,369</u>
Share-based payments expense	640	462
	<u>8,125</u>	<u>7,831</u>

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

	2008	2007
Administration	67	66
Distribution	9	11
Research and development	5	5
	<u>81</u>	<u>82</u>

7. Directors' and key management personnel remuneration

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

	2008 \$'000s	2007 \$'000s
Base salary, fees and bonuses	1,157	1,131
Other short-term employee benefits	60	62
Share-based payments	464	380
Pensions and other post-retirement benefits	65	31
Compensation for loss of office	—	145
	<u>1,746</u>	<u>1,749</u>

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

8. 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.

Valuation of the share options granted during the year ended 31 December 2008 was as follows:

	<i>15 October</i>	<i>29 September</i>	<i>15 April</i>	<i>1 April</i>	<i>31 March</i>
Share options granted	17,500	50,000	123,000	52,000	105,000
Weighted average fair value	171p	205p	160p	133p	128p
Assumptions used in measuring fair value:					
Weighted average share price	258p	315p	320.5p	265.5p	259.5p
Exercise price	250p	317.25p	325p	267.5p	267.5p
Expected volatility	70%	70%	45%	45%	45%
Option life (years)	10	10	10	10	10
Expected vesting period (years)	4.5	4.5	4.5	4.5	4.5
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate	4.44%	4.17%	4.08%	4.07%	3.95%

Valuation of the share options granted during the year ended 31 December 2007 was as follows:

	<i>26 September</i>	<i>17 January</i>
Share options granted	16,500	175,000
Weighted average fair value	134p	90p
Assumptions used in measuring fair value:		
Weighted average share price	240p	165p
Exercise price	245p	224p
Expected volatility	53%	60%
Option life (years)	10	10
Expected vesting period (years)	4.5	4.5
Expected dividend yield	Nil	Nil
Risk-free interest rate	5.04%	5.09%

Valuation of the long-term incentive awards granted during the year ended 31 December 2008 was as follows:

	<i>16 June</i>	<i>1 April</i>
Shares awarded	50,000	83,333
Weighted average fair value	253p	113p
Assumptions used in measuring fair value:		
Expected volatility	49%	45%
Expected vesting period (years)	3	3.24
Expected dividend yield	Nil	Nil
Risk-free interest rate	5.38%	4.44%

Valuation of the long-term incentive awards granted during the year ended 31 December 2007 was as follows:

	<i>4 October</i>	<i>1 July</i>
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 (years)	3	2.5
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 and 2008:

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

9. Segment information

The Group's primary reporting format for reporting segment information is geographical segments, based on where the Group's operations are located (USA, Mexico and Europe). The secondary segment format represents customer markets (Agriculture, Horticulture and Turf, and other).

Primary reporting format

The following table analyses the Group's revenue and operating profit by geographical segment. Unallocated central costs include finance, human resources, legal and employee costs that are not directly allocated to the geographical operating units.

Primary segment information 2008

	<i>USA</i> \$'000s	<i>Mexico</i> \$'000s	<i>Europe</i> \$'000s	<i>Elimination</i> \$'000s	<i>Total</i> \$'000s
Revenue					
External sales	12,892	3,241	3,718	—	19,851
Inter-segment sales	1,226	37	453	(1,716)	—
Total revenue	<u>14,118</u>	<u>3,278</u>	<u>4,171</u>	<u>(1,716)</u>	<u>19,851</u>
Segment operating (loss)/profit	<u>(1,229)</u>	<u>(189)</u>	<u>166</u>	<u>342</u>	<u>(910)</u>
Unallocated corporate expenses					(3,187)
Operating loss					(4,097)
Finance income					184
Finance expense					(306)
Tax expense					(62)
Loss for the year					(4,281)

Other segment information

	<i>USA</i> \$'000s	<i>Mexico</i> \$'000s	<i>Europe</i> \$'000s	<i>Unallocated/ Elimination</i> \$'000s	<i>Total</i> \$'000s
Segment assets	16,208	1,625	4,760	2	22,595
Segment liabilities	3,982	473	738	976	6,169
Capital expenditure	16	—	154	(73)	97
Depreciation	150	17	26	22	215
Amortisation	251	—	—	—	251
Other non-cash expenses:					
Share-based payment	122	32	22	464	640

Primary segment information 2007

	<i>USA</i> \$'000s	<i>Mexico</i> \$'000s	<i>Europe</i> \$'000s	<i>Elimination</i> \$'000s	<i>Total</i> \$'000s
Revenue					
External sales	12,996	3,295	2,004	—	18,295
Inter-segment sales	543	—	878	(1,421)	—
Total revenue	<u>13,539</u>	<u>3,295</u>	<u>2,882</u>	<u>(1,421)</u>	<u>18,295</u>
Segment operating (loss)/profit	<u>(1,996)</u>	<u>256</u>	<u>(380)</u>	<u>—</u>	<u>(2,120)</u>
Unallocated corporate expenses					(3,121)
Operating loss					(5,241)
Finance income					177
Finance expense					(302)
Tax expense					(47)
Loss for the year					<u>(5,413)</u>

Other segment information

	<i>USA</i> \$'000s	<i>Mexico</i> \$'000s	<i>Europe</i> \$'000s	<i>Unallocated/ Elimination</i> \$'000s	<i>Total</i> \$'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	93	17	14	338	462

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.

Secondary reporting format

The Group's secondary reporting format for reporting segment information is by product market.

External revenue by product market

	<i>2008</i> \$'000s	<i>2007</i> \$'000s
Agriculture	9,016	8,025
Horticulture and Turf	9,064	7,898
Other	1,771	2,372
	<u>19,851</u>	<u>18,295</u>

There is a high proportion of operating costs, which are unable to be allocated between these segments, and assets, liabilities and capital expenditures are common across all secondary segments and therefore cannot be allocated on a reasonable basis. This segmental information has therefore not been disclosed.

Adoption of new accounting standard: operating profit/(loss) by segment

As disclosed in Note 2, in 2008 the Company adopted for the first time the provisions of IFRIC 11. The adoption of IFRIC 11 affects the segment operating profit and loss reported for the Group's segments. The comparative numbers shown above reflect the provisions of the revised standard. The impact of the change on the comparative numbers is:

	<i>As previously reported year ended 31 December 2007 \$'000s</i>	<i>Adjustment to share-based payment expense \$'000s</i>	<i>As restated year ended 31 December 2007 \$'000s</i>
Segment operating (loss)/profit:			
USA	(1,903)	(93)	(1,996)
Mexico	273	(17)	256
Europe	(366)	(14)	(380)
	(1,996)	(124)	(2,120)
Unallocated corporate expenses	(3,245)	124	(3,121)
Consolidated operating loss	<u>(5,241)</u>	<u>—</u>	<u>(5,241)</u>

10. Finance income and expense

	<i>2008 \$'000s</i>	<i>2007 \$'000s</i>
<i>Finance income</i>		
Bank deposits	<u>184</u>	<u>177</u>
<i>Finance expense</i>		
Finance leases	25	43
Revolving credit agreement	39	139
Notes payable	21	53
Unwinding of discount on provisions	<u>63</u>	<u>22</u>
Total interest expense	148	257
Exchange rate losses	<u>158</u>	<u>45</u>
	<u>306</u>	<u>302</u>

11. Tax expense

The tax charge for the year comprises:

	<i>2008 \$'000s</i>	<i>2007 \$'000s</i>
<i>Current tax expense</i>		
Corporation tax and income tax on profits for the year	62	77
Utilisation of previously-unrecognised tax losses	<u>—</u>	<u>(30)</u>
	62	47
<i>Deferred tax expense:</i>		
Origination and reversal of temporary differences	<u>—</u>	<u>—</u>
	<u>62</u>	<u>47</u>

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:

	2008 \$'000s	2007 \$'000s
Loss for the period	(4,219)	(5,366)
Expected tax charge based on the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(1,203)	(1,610)
Expenses not deductible for tax purposes	—	40
Income not assessable to tax	(61)	—
Utilisation of previously-unrecognised tax losses	(49)	(30)
Financial statement share-based payment expense	182	139
Tax returns share-based payment expense	(214)	(2,089)
Losses in year not relieved against current tax	960	3,398
Amortisation of intangibles	(2)	3
Short-term timing differences	450	437
Different tax rates applied in overseas jurisdictions	(1)	(241)
	<u>62</u>	<u>47</u>

At 31 December 2008, the Group had a potential deferred tax asset of \$9,520,000, which includes tax losses available to carry forward of \$6,951,000 (being actual losses of \$24,940,259 at a blended global tax rate of 27.8 per cent.) arising from historic losses incurred, anticipated tax relief on share-based payments of \$1,683,000 and other timing differences of \$886,000.

12. 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 \$4,306,000 (2007: loss of \$5,424,000) and the weighted average number of shares in issue during the relevant financial periods. For 2008, the weighted average number of equity shares in issue is 44,748,407 (2007: 42,408,798). Equity instruments equal to 3,865,202 (2007: 3,594,202), which includes share options, warrants and share awards as shown within Note 22, 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.

13. Intangible assets

	<i>Goodwil \$'000s</i>	<i>Licenses and registrations \$'000s</i>	<i>Developed technology \$'000s</i>	<i>Trade name and customer relationships \$'000s</i>	<i>Total \$'000s</i>
Cost					
Balance at 1 January 2007	188	2,586	—	—	2,774
Additions – internally developed	—	53	—	—	53
Acquired through business combinations	1,432	—	143	159	1,734
Balance at 31 December 2007	1,620	2,639	143	159	4,561
Additions – internally developed	—	—	55	—	55
Balance at 31 December 2008	1,620	2,639	198	159	4,616
Accumulated amortisation					
Balance at 1 January 2007	—	37	—	—	37
Amortisation charge for the year	—	217	12	13	242
Balance at 31 December 2007	—	254	12	13	279
Amortisation charge for the year	—	228	12	11	251
Balance at 31 December 2008	—	482	24	24	530
Net book value					
At 31 December 2007	1,620	2,385	131	146	4,282
At 31 December 2008	1,620	2,157	174	135	4,086

Included in the balance sheet at 31 December 2008 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 26. The goodwill has been tested for impairment using budgeted discounted cash flows, using a pre-tax discount rate of 15 per cent. and performance projections over five years with residual growth assumed at 2 per cent. and has been determined not to be impaired at 31 December 2008. The entire value of the goodwill has been allocated to the Group's USA segments.

14. Property, plant and equipment

	<i>Leasehold improvements \$'000s</i>	<i>Production machinery \$'000s</i>	<i>Office equipment \$'000s</i>	<i>Vehicles \$'000s</i>	<i>Total \$'000s</i>
Cost					
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
Additions	—	7	48	42	97
Disposals	(151)	(241)	(537)	(73)	(1,002)
Balance at					
31 December 2008	37	627	589	442	1,695
Accumulated depreciation					
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
Depreciation charge for the year	5	54	96	60	215
Disposals	(138)	(230)	(482)	(50)	(900)
Balance at					
31 December 2008	13	438	306	230	987
At 31 December 2007	42	247	386	253	928
At 31 December 2008	24	189	283	212	708

The net book value of property, plant and equipment includes an amount of \$173,000 (2007: \$207,000) in respect of assets held under finance leases. Depreciation expense includes an amount of \$60,000 (2007: \$62,000) in respect of assets held under finance leases.

15. Inventories

	<i>2008 \$'000s</i>	<i>2007 \$'000s</i>
Raw materials	1,150	1,407
Work in progress	1	24
Finished goods and goods for resale	1,348	1,441
	<u>2,499</u>	<u>2,872</u>

16. Trade and other receivables

	2008 \$'000s	2007 \$'000s
Current:		
Trade receivables	6,891	6,914
Less: provision for impairment	(446)	(775)
Trade receivables, net	<u>6,445</u>	<u>6,139</u>
Other receivables and prepayments	345	586
Prepaid corporation tax	—	26
Current trade and other receivables	<u><u>6,790</u></u>	<u><u>6,751</u></u>
Long-term:		
Trade receivables	1,619	—
Less: provision for impairment	(359)	—
Long-term trade and other receivables	<u>1,260</u>	<u>—</u>
	<u><u>8,050</u></u>	<u><u>6,751</u></u>

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

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

	2008 \$'000s	2007 \$'000s
Balance at the beginning of the year	775	312
Provided	306	516
Receivables written off as uncollectible	(282)	(45)
Unused amounts reversed	6	(8)
Balance at the end of the year	<u><u>805</u></u>	<u><u>775</u></u>

The gross value of trade receivables for which a provision for impairment has been made is \$1,620,000 (2007: \$1,216,000).

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables set out above. The following is an analysis of the Company's trade and other receivables, both current and long term, identifying the totals of trade and other receivables which are current and those which are past due but not impaired.

	2008 \$'000s	2007 \$'000s
Current	7,350	5,827
Past due: Up to 3 months	462	457
3 to 6 months	66	79
6 to 12 months	172	388
Total	<u><u>8,050</u></u>	<u><u>6,751</u></u>

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

17. Trade and other payables

	2008 \$'000s	2007 \$'000s
Trade payables	1,792	1,276
Accruals	2,770	2,185
Deferred income	571	—
Taxation and social security	214	187
	<u>5,347</u>	<u>3,648</u>

18. Borrowings

(a) Current borrowings

	2008 \$'000s	2007 \$'000s
Notes payable	166	139
Finance leases	52	66
	<u>218</u>	<u>205</u>

(b) Non-current borrowings

	2008 \$'000s	2007 \$'000s
Notes payable	51	218
Finance leases	52	60
	<u>103</u>	<u>278</u>

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

	<i>Trade and other payables</i>		<i>Notes payable</i>		<i>Finance leases</i>	
	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s	2008 \$'000s	2007 \$'000s
In less than one year	5,347	3,648	181	155	69	87
In more than one year, but less than two years	—	—	28	185	46	47
In more than two years, but less than five years	—	—	28	60	21	37
	<u>5,347</u>	<u>3,648</u>	<u>237</u>	<u>400</u>	<u>136</u>	<u>171</u>

19. Provisions

	<i>Onerous contracts \$'000s</i>	<i>Warranty \$'000s</i>	<i>Post- employment insurance benefits \$'000s</i>	<i>Total \$'000s</i>
Balance at 1 January 2008	717	246	23	986
Provided	—	583	47	630
Surplus released	(151)			
Utilised in year	(404)	(560)		(1,115)
Balance at 31 December 2008	<u>162</u>	<u>269</u>	<u>70</u>	<u>501</u>
Due within one year or less	162	269		431
Due after more than one year	—	—	70	70
	<u>162</u>	<u>269</u>	<u>70</u>	<u>501</u>

Onerous contracts relate to the excess of rents payable over rents receivable on one idle leased facility. The lease term on this facility 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.

20. Financial instruments

(a) *Capital risk management*

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 22 and 23.

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

Loans and receivables

	<i>2008 \$'000s</i>	<i>2007 \$'000s</i>
Financial assets		
Trade and other receivables	8,050	6,751
Short-term investments	—	559
Cash and cash equivalents	7,252	10,254
	<u>15,302</u>	<u>17,564</u>

The Group does not have any financial assets in the categories of financial assets held for trade or financial assets available for sale.

Financial liabilities measured at amortised cost

	<i>2008 \$'000s</i>	<i>2007 \$'000s</i>
Financial liabilities		
Trade and other payables	5,347	3,648
Borrowings due within one year	218	205
Borrowings due after one year	103	278
	<u>5,668</u>	<u>4,131</u>

The Group does not have any financial liabilities in the category of financial liabilities held for trading.

The amounts disclosed for all of the above financial assets and financial liabilities are at book value, which approximates fair value in all material respects.

(c) **Liquidity risk**

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching profiles of financial assets and liabilities. As part of its monitoring, the Group ensures that the financial liabilities due to be paid can be met by existing cash and cash equivalents. As the Group does not currently generate sufficient cash from its operations to meet its annual funding needs, it may be required to seek additional cash from its shareholders or lenders to fund its operations. Further, the current economic environment may result in an increased challenge related to the raising of additional capital.

(d) **Financial risk management objectives**

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

By virtue of the nature of the Group's operations, it is generally not exposed to price risk.

It is the Group's policy not to trade in financial instruments.

(e) **Market risk**

The primary elements of market risk faced by the Group relate to foreign currency risk and to interest rate.

The Group's activities involve entering into transactions denominated in foreign currency which expose it to financial risks related to changes in foreign currency exchange rates. The Group does not use forward foreign exchange rate contracts to hedge exchange rate risk.

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

	<i>Assets</i>		<i>Liabilities</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>\$'000s</i>	<i>\$'000s</i>	<i>\$'000s</i>	<i>\$'000s</i>
Euro	1,434	1,060	316	304
Pound	912	2,117	422	210
Peso	1,128	999	493	364

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

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

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

The Group does not utilise any hedging instruments to address interest rate risk. The Group believes that the discount rate utilised to determine the present value of the note materially represents the market interest rate.

(f) ***Fair values of financial instruments***

At 31 December 2008 and 2007, the book values of all of the Group's financial instruments were materially consistent with their fair values.

(g) ***Credit risk management***

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

The Group sells to a large number of customers across each of its geographical segments in the US, Europe and Mexico. There is no dependence on any one customer or any customer representing more than 10 per cent. of the Group's total sales.

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

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

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

21. Subsidiary undertakings

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

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

* 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 2008, PHC Royalty Corporation was dissolved and the value of the ordinary share capital maintained by the Company was recorded as a loss.

22. Share capital

(a) *Authorised and issued share capital*

	2008 \$'000s	2007 \$'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:		
44,858,991 (2007: 44,214,229) ordinary shares at £0.01 each	821	809

(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 2007	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 for minority interest in subsidiary	510,000	10
Shares issued for services received	13,262	—
Share options exercised	101,500	2
LTIP awards vested	20,000	—
In issue at 31 December 2008	44,858,991	821
Share options exercised	5,000	—
In issue at the date of this report	44,863,991	821

During the year ended 31 December 2007, the following fully-paid 1 p 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 238p per share on 26 September 2007.
- (ii) 33,789 shares with an aggregate value of \$156,000 were issued to certain non-executive directors 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 year ended 31 December 2008, the following fully-paid 1p ordinary shares in the Company were issued:

- (i) 510,000 new ordinary shares with an aggregate value of \$518,000 were issued pursuant to the acceptance of an exchange offer for minority shares in Plant Health Care, Inc.
- (ii) 13,262 shares with an aggregate value of \$71,000 were issued to certain non-executive directors in payment of fees.
- (iii) 101,500 shares with an aggregate value of \$74,000 were issued for the exercise of share options at exercise prices ranging from 37 pence per share to 62 pence per share.
- (iv) 20,000 shares with an aggregate value of \$397 were issued for the vesting of LTIPs.

During the period from 1 January 2009 to the date of this report, the following additional shares of 1p each were issued:

- (i) 5,000 shares with an aggregate value of \$5,000 were issued for the exercise of share options post year end, at an exercise price of 62 pence per share.

(c) **Other equity instruments**

The Company had the following other equity instruments in issue at 31 December 2008:

	2008 \$'000s	2007 \$'000s
Warrants	176,704	176,704
Share options	3,263,498	3,017,498
Share awards under the Long Term Incentive Plan	425,000	400,000
	<u>3,865,202</u>	<u>3,594,202</u>

(d) **Warrants**

The Company had 176,704 warrants outstanding at 31 December 2008. There were no movements in warrants during the years ended 31 December 2007 and 2008 and to the date of this report.

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

(e) **Share options**

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

The movements on share options are as follows:

	<i>Options over ordinary shares</i>			<i>Weighted average exercise price</i>
	<i>Directors</i>	<i>Other</i>	<i>Total</i>	
Outstanding at 1 January 2007	3,090,968	1,709,998	4,800,966	45p
Awarded	—	191,500	191,500	226p
Exercised	(1,053,468)	(695,000)	(1,748,468)	40p
Forfeited	(200,000)	(26,500)	(226,500)	67p
Outstanding at 31 December 2007	<u>1,837,500</u>	<u>1,179,998</u>	<u>3,017,498</u>	57p
Awarded		347,500	347,500	294p
Exercised	(50,000)	(51,500)	(101,500)	37p
Retirement of director	(210,000)	210,000	—	48p
Outstanding at 31 December 2008	<u>1,577,500</u>	<u>1,685,998</u>	<u>3,263,498</u>	83p

Of the total number of options outstanding at 31 December 2008, 2,643,498 (2007: 2,471,248) had vested and were exercisable. The weighted average exercise price was 44p (2007: 42p). The weighted average share price at the dates of exercise for the share options exercised during 2008 was 373p (2007: 235p). The options outstanding at 31 December 2008 have a weighted average remaining life of 5.3 years (2007: 5.7 years) and the range of the exercise prices is 37p to 325p (2007: 37p to 245p). From 1 January 2009 to the date of this report 5,000 share options have been exercised.

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

The Company awards shares to certain employees under the Plant Health Care plc 2007 Long Term Incentive Plan. The movements on LTIP share awards are as follows:

Share awards

	<i>Directors</i>	<i>Other</i>	<i>Total</i>
Outstanding at 1 January 2007	—	—	—
Awarded	300,000	100,000	400,000
Outstanding at 31 December 2007	300,000	100,000	400,000
Awarded	83,333	50,000	133,333
Vested	(20,000)	—	(20,000)
Forfeited	(88,333)	—	(88,333)
Appointment of Stephen Weaver as Finance Director	100,000	(100,000)	—
Outstanding at 31 December 2008	<u>375,000</u>	<u>50,000</u>	<u>425,000</u>

The share awards granted vest, subject to certain performance and service conditions, over the period from the announcement of the Company's financial results for the year ended 31 December 2008 to 30 June 2011.

23. Reserves

	<i>Share premium</i>	<i>Reverse acquisition reserve</i>	<i>Share-based payment reserve</i>	<i>Foreign exchange reserve</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Minority interest</i>	<i>Total equity</i>
	<i>\$'000s</i>	<i>\$'000s</i>	<i>\$'000s</i>	<i>\$'000s</i>	<i>\$'000s</i>	<i>\$'000s</i>	<i>\$'000s</i>	<i>\$'000s</i>
Balance at 1 January 2007	21,826	11,174	118	(9)	(20,255)	12,854	220	13,074
Shares issued or exchanged	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
Shares issued or exchanged	579	—	—	—	—	579	—	579
Repurchase of minority interest's shares by subsidiary	—	(468)	—	—	—	(468)	—	(468)
Share-based payments	—	—	640	—	—	640	—	640
Options exercised	72	—	—	—	—	72	—	72
Movement in exchange rates	—	—	—	(657)	—	(657)	—	(657)
Loss in the year	—	—	—	—	(4,219)	(4,219)	(62)	(4,281)
Balance at 31 December 2008	34,102	10,548	1,220	(536)	(29,898)	15,436	169	15,605

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

<i>Reserve</i>	<i>Description and purpose</i>
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.

24. Pensions

The Group does not maintain any defined benefit pension plans. The Group does maintain a retirement plan qualified under Section 401(k) of the United States Internal Revenue Code. This plan covers substantially all US employees. In 2008, the Company's pension expense under the scheme was \$116,000 (2007: \$64,000).

25. Leases

Finance leases

The Group leases vehicles, production equipment and office equipment on leases classified as finance leases. Future lease payments are due as follows:

	<i>Minimum lease payments \$'000s</i>	<i>Interest \$'000s</i>	<i>Present value \$'000s</i>
2008			
Not later than one year	69	17	52
Later than one year and not later than five years	67	15	52
	<u>136</u>	<u>32</u>	<u>104</u>
	<i>Minimum lease payments \$'000s</i>	<i>Interest \$'000s</i>	<i>Present value \$'000s</i>
2007			
Not later than one year	87	21	66
Later than one year and not later than five years	84	24	60
	<u>171</u>	<u>45</u>	<u>126</u>

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 values of minimum lease payments are due as follows:

	2008 \$'000s	2007 \$'000s
Not later than one year	234	326
Later than one year and not later than five years	197	327
	<u>431</u>	<u>653</u>

26. Trade and 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. 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)
	<u>1,014</u>
Goodwill	1,432
Cost of acquisition	<u>2,446</u>

The main factors leading to the recognition of goodwill were:

- the presence of certain intangible assets, which did not qualify for separate recognition; and
- synergistic cost savings which resulted 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 per cent. 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.

27. Notes supporting cash flow statement

Significant non-cash transactions are as follows:

	2008 \$'000s	2007 \$'000s
<i>Operating activities</i>		
Equity consideration for services rendered	<u>71</u>	<u>156</u>
<i>Financing activities</i>		
Assets acquired under finance leases	52	52
Notes issued for the repurchase of minority interest's shares by subsidiary	<u>—</u>	<u>68</u>
	<u>52</u>	<u>120</u>

28. Forthcoming accounting standards not yet adopted

The following new standards and interpretations, which have been issued by the IASB and IFRIC, are effective for future periods and have not been adopted early in these financial statements. The directors do not anticipate that the adoption of these standards and interpretations will have a material accounting impact on the Group's financial statements in the period of initial application.

<i>Standard or Interpretation</i>	<i>Effective for periods beginning</i>
IFRS 8 Operating Segments (revised)	1 January 2009
Amendment to IAS 23 Borrowing costs	1 January 2009
Amendment to IFRS 2 Share-based payment: vesting conditions and cancellations	1 January 2009
Amendments to IAS 1 Presentation of financial statements: A revised presentation	1 January 2009
Amendments to IAS 32 and IAS 1 Puttable financial instruments and obligations arising on liquidation	1 January 2009
Amendments to IAS 39 and IFRS 7: Reclassification of financial instruments	1 July 2008
Amendments to IFRS 1 and IAS 27 Cost of an investment in a subsidiary, jointly controlled entity or associate	1 January 2009
IFRIC 13 Customer loyalty programmes	1 July 2008
IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2009

Company Balance Sheet

	<i>Note</i>	<i>2008</i> <i>\$'000s</i>	<i>2007</i> <i>\$'000s</i>
Fixed assets			
Fixed asset investments	33	<u>37,139</u>	<u>34,839</u>
Current assets			
Debtors	35	41	29
Cash at bank and in hand		<u>5,128</u>	<u>8,995</u>
		<u>5,169</u>	<u>9,024</u>
Creditors: amounts falling due within one year	36	<u>(506)</u>	<u>(482)</u>
Net current assets		<u>4,663</u>	<u>8,542</u>
Net assets		<u>41,802</u>	<u>43,381</u>
Capital and reserves			
Called-up share capital	22	821	809
Share premium	38	34,102	33,451
Reverse acquisition reserve	38	14,455	14,455
Share-based payment reserve	38	920	456
Retained earnings	38	<u>(8,496)</u>	<u>(5,790)</u>
Shareholders' funds		<u>41,802</u>	<u>43,381</u>

Notes Forming Part of the Company Financial Statements

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 impairment.

Share-based payments

Share options, share awards under the long-term incentive plan and warrants are classified as equity-settled share-based payments and as such are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the date of grant is recognised as an expense with a corresponding increase in equity on a straightline 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.

The Company has adopted UITF 44, which interprets previously issued IFRS2 – Group and Treasury Share Transactions. UITF 44 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. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. It also applies regardless of whether: (a) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholder(s); or (b) the share-based payment arrangement was settled by the entity itself or by its shareholder(s).

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

Although there is no impact on the Group's consolidated financial statements, the adoption of UITF 44 affects the segment operating profit and loss reported for the Group's segments. The impact of the change on the comparative numbers is shown in Note 9 to the financial statements.

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 \$2,706,000 (2007: loss of \$2,583,000), which is dealt with in the financial statements of the parent company.

31. Employees

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

	2008 \$'000s	2007 \$'000s
Wages and salaries	671	694
Social security and payroll taxes	76	137
Defined contribution pension costs	6	5
Medical and other benefit plans	36	32
Other long-term employee benefits	47	23
Compensation for loss of office	—	145
	<u>836</u>	<u>1,036</u>

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

	2008 No.	2007 No.
Management	<u>4</u>	<u>4</u>

32. Directors' remuneration

	2008 \$'000s	2007 \$'000s
Directors' emoluments	1,026	988
Other benefits	573	424
Compensation for loss of office	—	145
	<u>1,599</u>	<u>1,557</u>

Total emoluments paid to the highest paid director were \$885,000 (2007: \$876,000).

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 \$7,000 (2007: \$3,000).

33. Fixed asset investments

	<i>Shares in Group undertakings \$'000s</i>	<i>Loans to Group undertakings \$'000s</i>	<i>Total \$'000s</i>
Cost			
At 1 January 2007	15,307	15,329	30,636
Additions	<u>—</u>	<u>4,203</u>	<u>4,203</u>
At 31 December 2007	15,307	19,532	34,839
Additions	<u>518</u>	<u>1,782</u>	<u>2,300</u>
At 31 December 2008	<u>15,825</u>	<u>21,314</u>	<u>37,139</u>

The directors do not consider that any provision is required against the cost of these investments. Loans are recorded at cost, less any provisions recorded against future recoverability.

34. Subsidiary undertakings

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

35. Debtors

	2008 \$'000s	2007 \$'000s
Prepayments	41	29

All amounts fall due within one year.

36. Creditors

	2008 \$'000s	2007 \$'000s
Trade creditors	112	40
Accruals	394	442
	<u>506</u>	<u>482</u>

All amounts other than the post-employment insurance benefit amounts shown in Note 19 fall due for payment within one year.

37. Share capital

The share capital of the Company is disclosed in Note 22.

38. Reserves

	<i>Share premium \$'000s</i>	<i>Reverse acquisition reserve \$'000s</i>	<i>Share-based payment reserve \$'000s</i>	<i>Retained earnings \$'000s</i>
Balance at 1 January 2007	21,826	14,455	118	(3,207)
Shares issued or exchanged	10,627	—	—	—
Share-based payments	—	—	338	—
Options exercised	1,331	—	—	—
Placement costs	(333)	—	—	—
Loss in the year	—	—	—	(2,583)
Balance at 31 December 2007	<u>33,451</u>	<u>14,455</u>	<u>456</u>	<u>(5,790)</u>
Shares issued or exchanged	579	—	—	—
Share-based payments	—	—	464	—
Options exercised	72	—	—	—
Loss in the year	—	—	—	(2,706)
Balance at 31 December 2008	<u>34,102</u>	<u>14,455</u>	<u>920</u>	<u>(8,496)</u>

39. Company reconciliation of movements in shareholders' funds

	2008 \$'000s	2007 \$'000s
Total recognised loss relating to the year	(2,706)	(2,583)
Shares issued or exchanged	591	10,705
Exercise of share options	72	1,331
Share-based payment charge	464	338
Placement costs	—	(333)
Net (decrease)/increase in equity	<u>(1,579)</u>	<u>9,458</u>
Opening shareholders' funds	43,381	33,923
Closing shareholders' funds	<u>41,802</u>	<u>43,381</u>

Audited Consolidated Financial Information for the year ended 31 December 2007
Consolidated Income Statement

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

In 2007 and 2006 all results derived from continuing operations.

Consolidated Statement of Recognised Income and Expense

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

Consolidated Balance Sheet

	<i>Note</i>	<i>2007</i> \$'000s	<i>2006</i> \$'000s
Assets			
Non-current assets			
Intangible assets	12	4,282	2,737
Property, plant and equipment	13	928	1,008
Total non-current assets		<u>5,210</u>	<u>3,745</u>
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		<u>20,436</u>	<u>14,292</u>
Total assets		<u>25,646</u>	<u>18,037</u>
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		<u>4,399</u>	<u>3,818</u>
Non-current liabilities			
Long-term borrowings	17	278	414
Provisions	18	440	—
Total non-current liabilities		<u>718</u>	<u>414</u>
Total liabilities		<u>5,117</u>	<u>4,232</u>
Total net assets		<u>20,529</u>	<u>13,805</u>
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)
		<u>20,298</u>	<u>13,585</u>
Minority interests	22	231	220
Total equity		<u>20,529</u>	<u>13,805</u>

Consolidated Cash Flow Statement

	<i>Note</i>	<i>2007</i> \$'000s	<i>2006</i> \$'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
		<u> </u>	<u> </u>
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
		<u> </u>	<u> </u>
Cash used in operations		(2,921)	(6,564)
Interest paid		(287)	(322)
Income taxes paid		(74)	(79)
		<u> </u>	<u> </u>
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)
		<u> </u>	<u> </u>
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)
		<u> </u>	<u> </u>
Net cash generated from financing activities		11,020	10,818
Effects of exchange rate changes on cash and cash equivalents		(45)	(16)
		<u> </u>	<u> </u>
Net increase in cash and cash equivalents		5,808	3,552
Cash and cash equivalents at beginning of period		4,446	894
		<u> </u>	<u> </u>
Cash and cash equivalents at end of period		10,254	4,446

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.

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:

- 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').

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.

Lease payments are analysed between capital and interest components. The interest continued 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 cent. per annum
Office equipment	– 20-33 per cent. per annum
Vehicles	– 20 per cent. 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.

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

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

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 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 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 note 18.

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

	<i>2007</i>	<i>2006</i>
	<i>\$'000s</i>	<i>\$'000s</i>
Revenue arises from:		
Sale of goods	15,523	12,359
Service contracts and fee income	<u>2,772</u>	<u>1,320</u>
	<u>18,295</u>	<u>13,679</u>

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.

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
	<u>82</u>	<u>69</u>

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	—
	<u>1,840</u>	<u>767</u>

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

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.

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:

	<i>4 October 2007</i>	<i>1 July 2007</i>
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.

The Company pays a portion of non-executive directors' fees 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

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

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

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.

Secondary segment information

By customer market

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

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

10. Tax expense

The tax charge for the year comprises:

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

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	2006
	\$'000s	\$'000s
Loss for the period	<u>(5,366)</u>	<u>(2,926)</u>
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	<u>(241)</u>	<u>—</u>
	<u>47</u>	<u>72</u>

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.

12. Intangible assets

	<i>Goodwill</i> \$'000s	<i>Licenses and</i> <i>registrations</i> \$'000s	<i>Developed</i> <i>technology</i> \$'000s	<i>Trade name</i> <i>and customer</i> <i>relationships</i> \$'000s	<i>Total</i> \$'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 per cent.; and
- the cash flows have been discounted using a pre-tax discount rate of 15 per cent., based on the Group's estimated incremental borrowing rate adjusted for risks associated with the estimated cash flows.

13. Property, plant and equipment

	<i>Leasehold improvements \$'000s</i>	<i>Production machinery \$'000s</i>	<i>Office equipment \$'000s</i>	<i>Vehicles \$'000s</i>	<i>Total \$'000s</i>
<i>Cost</i>					
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
<i>Accumulated depreciation</i>					
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
<i>Net book value</i>					
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

	<i>2007 \$'000s</i>	<i>2006 \$'000s</i>
Raw materials	1,407	1,089
Work in progress	24	53
Finished goods and goods for resale	1,441	1,326
	<u>2,872</u>	<u>2,468</u>

15. Trade and other receivables

	<i>2007 \$'000s</i>	<i>2006 \$'000s</i>
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
	<u>6,751</u>	<u>6,942</u>

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	<u>775</u>	<u>312</u>

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	<u>6,139</u>	<u>5,882</u>

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.

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
	<u>3,648</u>	<u>3,108</u>

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
	<u>205</u>	<u>314</u>

(b) *Amounts falling due after more than one year*

	2007 \$'000s	2006 \$'000s
Notes payable	218	286
Finance leases	60	128
	<u>278</u>	<u>414</u>

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:

	<i>Notes payable</i>		<i>Finance leases</i>		<i>Revolving credit facility</i>	
	2007 \$'000s	2006 \$'000s	2007 \$'000s	2006 \$'000s	2007 \$'000s	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	—	—
	<u>400</u>	<u>465</u>	<u>171</u>	<u>240</u>	<u>—</u>	<u>114</u>

(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.

18. Provisions

	<i>Onerous contracts</i> \$'000s	<i>Warranty</i> \$'000s	<i>Post-employment insurance</i> \$'000s	<i>Total</i> \$'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	<u>717</u>	<u>246</u>	<u>23</u>	<u>986</u>
Due within one year or less	344	202	—	546
Due after more than one year	373	44	23	440
	<u>717</u>	<u>246</u>	<u>23</u>	<u>986</u>

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 per cent. to 10 per cent. 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 per cent. 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 per cent., 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.

(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 per cent. 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.

	<i>(Increase)/decrease in loss after tax</i>		<i>Effect of exchange rates on translation of assets and liabilities of foreign entities</i>	
	<i>2007 \$'000s</i>	<i>2006 \$'000s</i>	<i>2007 \$'000s</i>	<i>2006 \$'000s</i>
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 per cent. An undrawn facility fee is charged at 2.5 per cent. per annum on the undrawn loan balance, calculated monthly. A facility fee of 4 per cent. 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***

	<i>Loans and receivables</i>	
	<i>2007</i>	<i>2006</i>
	<i>\$'000s</i>	<i>\$'000s</i>
Current financial assets		
Trade and other receivables	6,751	6,942
Short-term investments	559	436
Cash and cash equivalents	10,254	4,446
	<u>17,564</u>	<u>11,824</u>
	<i>Financial liabilities</i>	
	<i>measured at</i>	
	<i>amortised cost</i>	
	<i>2007</i>	<i>2006</i>
	<i>\$'000s</i>	<i>\$'000s</i>
Current financial liabilities		
Trade and other payables	3,648	3,108
Loans and borrowings	205	314
Total current financial liabilities	<u>3,853</u>	<u>3,422</u>
Non-current financial liabilities		
Loans and borrowings	278	414
Total non-current financial liabilities	<u>278</u>	<u>414</u>
	<u>4,131</u>	<u>3,836</u>

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 per cent. of the Group's total sales.

(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.

<i>Name</i>	<i>Country of incorporation or registration</i>	<i>Proportion of voting rights and ordinary share capital held</i>	<i>Nature of business</i>
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 Españã	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 per cent. at 31 December 2007 (2006: 96.9 per cent.).

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 per cent. to 99.4 per cent. as of the date of this report.

21. Share capital

(a) **Authorised and issued share capital**

	<i>2007</i>	<i>2006</i>
	<i>\$'000s</i>	<i>\$'000s</i>
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:

	<i>Ordinary shares of Plant Health Care plc</i>	
	<i>Number</i>	<i>\$'000s</i>
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.

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**

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

The movements on share options are as follows:

	<i>Options over ordinary shares</i>			<i>Weighted average exercise price (pence)</i>
	<i>Directors</i>	<i>Other</i>	<i>Total</i>	
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**

The Company awards shares to certain employees under the Plant Health Care plc 2007 Long Term Incentive Plan.

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

	<i>Share awards</i>			
	<i>Directors</i>	<i>Other</i>	<i>Total</i>	
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

	<i>Share premium \$'000s</i>	<i>Reverse acquisition reserve \$'000s</i>	<i>Share-based payment reserve \$'000s</i>	<i>Foreign exchange reserve \$'000s</i>	<i>Retained earnings \$'000s</i>	<i>Total \$'000s</i>	<i>Minority interest \$'000s</i>	<i>Total equity \$'000s</i>
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

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

<i>Reserve</i>	<i>Description and purpose</i>
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:

	<i>Minimum lease payments \$'000s</i>	<i>Interest \$'000s</i>	<i>Present value \$'000s</i>
Not later than one year	87	21	66
Later than one year and not later than five years	84	24	60
	<u>171</u>	<u>45</u>	<u>126</u>

2006:

	<i>Minimum lease payments \$'000s</i>	<i>Interest \$'000s</i>	<i>Present value \$'000s</i>
Not later than one year	88	19	69
Later than one year and not later than five years	152	24	128
	<u>240</u>	<u>43</u>	<u>197</u>

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:

	<i>2007 \$'000s</i>	<i>2006 \$'000s</i>
Not later than one year	326	407
Later than one year and not later than five years	327	554
	<u>653</u>	<u>961</u>

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 cent. 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:

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

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 per cent. 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.

26. Notes supporting cash flow statement

Significant non-cash transactions are as follows:

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

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.

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

	<i>Note</i>	<i>UK GAAP</i> <i>\$'000s</i>	<i>Adjustments</i> <i>\$'000s</i>	<i>IFRS</i> <i>\$'000s</i>
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
		<u>(3,030)</u>	<u>32</u>	<u>(2,998)</u>

All amounts relate to continuing operations.

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

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

Balance sheet reconciliation at 31 December 2006

	<i>Note</i>	<i>UK GAAP</i> \$'000s	<i>Adjustments</i> \$'000s	<i>IFRS</i> \$'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		<u>3,709</u>	<u>36</u>	<u>3,745</u>
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		<u>14,292</u>	<u>—</u>	<u>14,292</u>
Total assets		<u>18,001</u>	<u>36</u>	<u>18,037</u>
Liabilities				
Current liabilities				
Trade and other payables	(ii)	3,052	56	3,108
Short-term borrowings		314	—	314
Provisions		396	—	396
Total current liabilities		<u>3,762</u>	<u>56</u>	<u>3,818</u>
Non-current liabilities				
Long-term borrowings		414	—	414
Provisions		—	—	—
Total non-current liabilities		<u>414</u>	<u>—</u>	<u>414</u>
Total liabilities		<u>4,176</u>	<u>56</u>	<u>4,232</u>
Total net assets		<u>13,825</u>	<u>(20)</u>	<u>13,805</u>
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)
		<u>13,605</u>	<u>(20)</u>	<u>13,585</u>
Minority interest		220	—	220
Total equity		<u>13,825</u>	<u>(20)</u>	<u>13,805</u>

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

	<i>Note</i>	<i>2007</i> <i>\$'000s</i>	<i>2006</i> <i>\$'000s</i>
Fixed assets			
Fixed asset investments	33	<u>34,839</u>	<u>30,636</u>
Current assets			
Debtors	35	29	21
Cash at bank and in hand		<u>8,995</u>	<u>3,599</u>
		<u>9,024</u>	<u>3,620</u>
Creditors: amounts falling due within one year	36	<u>(482)</u>	<u>(333)</u>
Net current assets		<u>8,542</u>	<u>3,287</u>
Net assets		<u>43,381</u>	<u>33,923</u>
Capital			
Called-up and reserves 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	<u>(5,914)</u>	<u>(3,207)</u>
Shareholders' funds		<u>43,381</u>	<u>33,923</u>

Notes forming part of the Company Financial Statements

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 \$'000s	2006 \$'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	—
	<u>1,036</u>	<u>287</u>

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

	2007	2006
Management	4	4

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	—
	<u>1,185</u>	<u>767</u>

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

	<i>Shares in Group undertakings \$'000s</i>	<i>Loans to Group undertakings \$'000s</i>	<i>Total \$'000s</i>
<i>Cost</i>			
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	<u>15,307</u>	<u>19,532</u>	<u>34,839</u>

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	<u>29</u>	<u>21</u>

36. Creditors

All amounts fall due within one year.

	2007 \$'000s	2006 \$'000s
Trade creditors	40	107
Accruals	442	226
	<u>482</u>	<u>333</u>

All amounts fall due for payment within one year.

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

	<i>Share premium \$'000s</i>	<i>Reverse acquisition reserve \$'000s</i>	<i>Share-based payment reserve \$'000s</i>	<i>Retained \$'000s</i>
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	<u>21,826</u>	<u>14,455</u>	<u>118</u>	<u>(3,207)</u>
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	<u><u>33,451</u></u>	<u><u>14,455</u></u>	<u><u>580</u></u>	<u><u>(5,914)</u></u>

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.

