

PLANT HEATH CARE PLC
("Plant Heath Care" or "the Company")

Results for the year ended 31 December 2007

Plant Heath Care, (AIM: PHC.L), a leading provider of natural products for plants and soil, announces its results for the year ended 31 December 2007.

Financial highlights:

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

Operational highlights:

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

Commenting on the results, Chief Executive John Brady said: "Last year was another important one for Plant Health Care. We signed our first two major partnership deals with Bayer CropScience and Monsanto for Myconate and Harpin respectively. These agreements have taken us further towards

achieving our goal of becoming the world's leading supplier of natural products for the promotion of plant health and growth.

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

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

For further information:

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Notes to editors

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

PLANT HEALTH CARE PLC
("Plant Health Care" or "the Company")

Results for the Year Ended 31 December 2007

Chairman's Statement

Introduction

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

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

An overview of 2007

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

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

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

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

Financial Results

Revenue for the year was \$18.3 million, an increase of 34% over 2006 (\$13.7 million). The gross margin was 45.6% (2006: 44.7%), although increased expenses associated with the development and testing of our Myconate and Harpin technologies, together with the costs of our first full year of operation in the US Agriculture market, led to an operating loss, before exceptional costs and the costs of equity share-based payments, of \$4.4 million (2006: loss of \$2.5 million). After exceptional costs, the costs of equity share-based payments, interest and a small taxation charge on certain overseas operations, the net loss for the year was \$5.4 million (2006: loss of \$3.0 million).

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

Board changes

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

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

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

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

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

Outlook

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

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

Dr Albert Fischer
Non-executive Chairman
28 March 2008

Chief Executive's Review

Introduction & Summary of Operating Results

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

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

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

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

Our Natural Technologies Partnerships

Myconate

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

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

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

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

For example:

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

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

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

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

Harpin

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

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

Amongst the proven applications of this technology to date are:

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

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

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

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

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

Product Sales

Agriculture

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

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

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

Horticulture & Turf

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

Outlook

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

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

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

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

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

John Brady
Chief Executive
28 March 2008

Consolidated income statement
for the year ended 31 December 2007

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

In 2007 and 2006 all results derived from continuing operations.

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

	2007	2006
	\$'000	\$'000
Net income recognised directly in equity:		
Exchange differences on translation of foreign operations	130	219
Loss for the year	(5,413)	(2,998)
	<hr/>	<hr/>
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	11	30
	<hr/>	<hr/>
	<u>(5,283)</u>	<u>(2,779)</u>

Consolidated balance sheet at 31 December 2007

	2007 \$'000	2006 \$'000
Assets		
Non-current assets		
Intangible assets	4,282	2,737
Property, plant and equipment	928	1,008
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Total non-current assets	5,210	3,745
Current assets		
Inventories	2,872	2,468
Trade and other receivables	6,751	6,942
Short-term investments	559	436
Cash and cash equivalents	10,254	4,446
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Total current assets	20,436	14,292
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Total assets	25,646	18,037
Liabilities		
Current liabilities		
Trade and other payables	3,648	3,108
Short-term borrowings	205	314
Provisions	546	396
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Total current liabilities	4,399	3,818
Non-current liabilities		
Long-term borrowings	278	414
Provisions	440	-
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Total non-current liabilities	718	414
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Total liabilities	5,117	4,232
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Total net assets	20,529	13,805
Capital and reserves attributable to equity holders of the company		
Share capital	809	731
Share premium	33,451	21,826
Reverse acquisition reserve	11,016	11,174
Share-based payment reserve	580	118
Foreign exchange reserve	121	(9)
Retained earnings	(25,679)	(20,255)
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	20,298	13,585
Minority interests	231	220
	<hr/>	
Total equity	20,529	13,805
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The financial statements were approved and authorised for issue by the Board on 28 March 2008.

J Brady
Director

Consolidated cash flow statement

for the year ended 31 December 2007

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

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

1. Annual Report

The abridged financial information set out herein has been extracted from financial statements approved by the directors on 28 March 2008, and which will be delivered to the Registrar of Companies following the Company's annual general meeting. The auditors have reported on these accounts and their report was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under the Companies Act 1985, s 237(2) or (3).

This financial information does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 and has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 December 2007. The Annual Report and Financial Statements will be posted to shareholders shortly and thereafter will be available from the Company's registered office at Minerva House, 5 Montague Close, London SE1 9BB, and from the Company's website www.planthealthcare.com.

2. Accounting policies

Basis of preparation

This is the first time the Company 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 12.

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.

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.
- 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.

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.

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 exceed 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;
- 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

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

The expected cost 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 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.

3. Revenue

	2007	2006
Revenue arises from:		
Sale of goods	15,523	12,359
Service contracts and fee income	2,772	1,320
	<hr/>	<hr/>
	18,295	13,679
	<hr/>	<hr/>

4. Operating loss

	2007 \$'000s	2006 \$'000s
Operating loss is arrived at after charging:		
Staff costs	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		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	127	97
Fees payable to the Company's auditor 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
Exceptional costs - Plant relocation		
Staff reorganisation	175	250
Placement costs	171	-
	-	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. 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
Share options granted	16,500	175,000	3,000	50,000
Weighted average fair value	134p	90p	39p	47p
Assumptions used in measuring fair value:				
Weighted average share price	240p	165p	128p	106p
Exercise price	245p	224p	128p	123p

Expected volatility	53%	60%	57%	57%
Option life	10 years	10 years	10 years	10 years
Expected vesting period	4.5 years	4.5 years	4.5 years	4.5 years
Expected dividend yield	Nil	Nil	Nil	Nil
Risk free interest rate	5.04%	5.09%	4.77%	4.77%

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

	4 October 2007	1 July 2007
Shares awarded	100,000	300,000
Weighted average fair value	216p	237p

Assumptions used in measuring fair value:

Expected volatility	58%	58%
Expected vesting period	3 years	2.5 years
Expected dividend yield	Nil	Nil
Risk free interest rate	4.93%	5.59%

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

In 2007, the expected volatility was determined by reference to the historical share price of Plant Health Care plc for a three-year period. In 2006, the expected volatility was determined by reference to the historic share price of three comparable companies for a three-year period.

The expected vesting period reflects market-based performance conditions for these options and share awards

Fair values were calculated using the binomial option pricing model.

The Company pays a portion of non-executive director'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 payment of fees to non-executive directors.

6. Tax expense

The tax charge for the year comprises:

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

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

At December 31, 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.

7. 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) 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.

8. Intangible assets

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

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%. The cash flows have been discounted using a pre-tax discount rate of 15% based on the Group's estimated incremental borrowing rate adjusted for risks associated with the estimated cash flows.

9. Trade and other receivables

	2007	2006
	<i>\$'000s</i>	<i>\$'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 Corporate Tax	26	7
	6,751	6,942

All amounts fall due for payment within one year.

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

	2007	2006
	<i>\$'000s</i>	<i>\$'000s</i>
Balance at the beginning of the year	312	218
Provided	516	113
Receivables written off as uncollectible	(45)	(19)
Unused amounts reversed	(8)	-
Balance at the end of the year	775	312

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

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

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

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

	2007	2006
	<i>\$'000s</i>	<i>\$'000s</i>
Current	5,215	4,944
Past due:		
Up to 3 months	457	755
3 to 6 months	79	160

6 to 12 months	<u>388</u>	<u>23</u>
Total	<u><u>6,139</u></u>	<u><u>5,882</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. 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.

10. 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>

11. Asset Purchase

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

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

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

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

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

Income statement reconciliation for the year ended 31 December 2006

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

All amounts relate to continuing operations

Balance sheet reconciliation at 1 January 2006

	Note	UK GAAP	Adjustments	IFRS
		\$,000	\$,000	\$,000
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

	Note	UK GAAP	Adjustments	IFRS
		\$,000	\$,000	\$,000
Assets				
Non-current assets				
Intangible assets	(i)	2,701	36	2,737
Property, plant and equipment		1,008		1,008
Total non-current assets		3,709	36	3,745
Current assets				
Inventories		2,468		2,468
Trade and other receivables		6,942		6,942
Short term investments		436		436
Cash and cash equivalents		4,446		4,446
Total current assets		14,292	-	14,292
Total assets		18,001	36	18,037

Liabilities				
Current liabilities				
Trade and other payables	(ii)	3,166	56	3,222
Short-term borrowings		314		314
Provisions		282		282
Total current liabilities		3,762	56	3,818
Non-current liabilities				
Long-term borrowings		414		414
Provisions		-		-
Total non-current liabilities		414		414
Total liabilities		4,176	56	4,232
Total net assets		13,825	(20)	13,805
Capital and reserves attributable to equity holders of the company				
Share capital		731		731
Share premium		21,826		21,826
Reverse acquisition reserve		11,174		11,174
Share-based payment reserve		118		118
Foreign exchange reserve	(iii)	-	(9)	(9)
Retained earnings		(20,244)	(11)	(20,255)
		13,605	(20)	13,585
Minority interest		220		220
Total equity		13,825	(20)	13,805

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.

13. Cautionary Statement

Plant Health Care has made forward-looking statements in this press release, including: statements about the market for and benefits of its products and services; financial results; product development plans; the potential benefits of business relationships with third parties; and business strategies. These statements about future events are subject to risks and uncertainties that could cause Plant

Health Care's actual results to differ materially from those that might be inferred from the forward-looking statements. Plant Health Care can make no assurance that any forward-looking statements will prove correct.