PLANT HEALTH CARE plc

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2008

Contents

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

Directors and advisors

Directors	Dr. Albert Fischer	*Non-executive Chairman*
	John Brady	*Chief Executive*
	Stephen Weaver	*Finance Director*
	Dr. David Buckeridge	*Non-executive Director*
	Dr. Dominik Koechlin	*Non-executive Director*
	Thomas Isler	*Senior Independent Director*
	Jeremy Scudamore	*Non-executive Director*
	Samuel Wauchope	*Non-executive Director*
Secretary	Andrew C. Wood FCIS	
Registered Office	The Broadgate Tower 20 Primrose Street London EC2A 2RS	
Company number	05116780	
Auditors	BDO Stoy Hayward LLP 55 Baker Street London W1U 7EU	
Company Solicitors	Reed Smith LLP The Broadgate Tower 20 Primrose Street London EC2A 2RS	
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0GA	
Brokers and Nominated Advisor	Evolution Securities Limited 100 Wood Street London EC2V 7AN	

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Chairman's statement

Introduction

I am pleased to report on another eventful and successful year for Plant Health Care. Your Company has continued to develop and expand both its product offering and trading base and to progress the commercialisation of its key intellectual property (IP).

Despite the sobering economic situation and the general decline in business conditions around the world, our key market, agriculture, continues to flourish as it benefits from strong macro drivers. There is a growing awareness of and need for effective, natural yield-enhancing products. The world's swelling middle class is consuming more animal-based protein in its diet, which in turn increases the pressure for more agriculturally-grown animal feed. Additionally, with the cost and security of traditional fuel sources causing concern, there is growing demand for sustainable, cleaner energy, which will be met, at least in part, by biofuels. There is also a strong trend in the developed world towards minimising residual chemicals on food and in ground water, which positions our suite of products squarely in this growth area of the market.

Your Board believes strongly that our cadre of natural-based products, in particular those based upon our Myconate and harpin technologies, represent an important part of the long-term solution to these challenges.

Strategy

Our goal is to become the leading supplier of natural-based products to targeted agricultural and horticultural markets.

Our development programmes continue to find new applications of our IP-protected natural technologies, harpin and Myconate. Through extensive testing we extend their proven capabilities to new crops and to new modes of application. Commercial exploitation is through two sales channels: major partnerships with significant organisations, which have the distribution and resources to achieve wide penetration for our technologies in high-volume row crops; and product sales through national distributors for other product markets, such as vegetables and fruits, where we can be cost effective in reaching customers.

We also continue to seek further innovative natural technologies and products with a high level of intellectual property protection for plant growth, health and yield, in order to fulfil market demand.

An overview of 2008

In December 2008, Plant Health Care entered into a transformational agreement with Monsanto, the world's leading seed company, to commercialise our harpin-based technology as a component in their new Acceleron™ seed treatment package for major row crops and vegetables, beginning in the 2010 planting season in the US. Monsanto's Acceleron™ brand will represent a wide range of evolving seed-performance technologies dedicated to improving plant health.

This agreement validates Plant Health Care's strategy to bring our products into large row crop acreage through partner-type agreements, while also lending credibility to our products in the markets we service ourselves. Under the agreement, Monsanto has exclusivity for the use of harpin as a seed coating and Plant Health Care will, therefore, cease direct sales of this product.

Chairman's statement *continued*

Earlier in the year, we worked with the American Soybean Association to run a Satisfaction Guarantee Programme, which achieved significant sales and raised awareness amongst the 20,000 soybean farms community. Your Board is confident that the income from sales and royalties under the Monsanto agreement will exceed the direct sales achieved in 2008.

In September, we signed a long-term license agreement with Bayer Cropscience AG for the use of Plant Health Care's harpin genes in brassica oilseeds. The naturally-occurring harpin genes encode proteins, which support growth and quality and increase the defence mechanisms of the plants against a broad spectrum of pests and diseases.

In December, we announced the termination of our agreement with Bayer CropScience for the commercialisation of Myconate. Although this was disappointing after many months of hard work, I am pleased to report that we are already in discussions with a number of international agrichemical companies, which have expressed interest in further developing and commercialising this product. We will continue to invest and develop new markets for this important technology.

In August, The Scotts Company placed its first significant order for the supply of our Natural Plant Food. Plant Health Care will supply Scotts with natural products for inclusion in their line of lawn and garden products for the retail market.

Summary of financial results

Revenue for the year was $19.9 million, an increase of 9% over 2007 ($18.3 million) and comprised $0.6 million of fee income from partners and $19.3 million from sales of goods and services. The gross margin was 54% (2007: 46%) due to an improved mix of higher margin harpin products. Operating expenses increased by 8.3%, to $14.3 million (2007: $13.6 million), as a result of increased product development and field testing expenses. The administrative cost component of operating expenses increased by 1.9% to $8.3 million and included non-cash share-based payment expenses of $640k (2007: $462k). The operating loss was $4.1 million (2007: loss of $5.2 million) and the net loss was $4.3 million (2007: loss of $5.4 million).

It is expected that, in future years, the Monsanto revenue will mainly fall into the second half of the year and this will accentuate the current trading pattern, which already sees stronger revenues and cash flow in the second half, reflecting the timing of orders to suit the growing seasons.

The cash balance at 31 December 2008 was $7.3 million, largely as a result of efficient cash management. At 28 February 2009, the cash balance had reduced to $4.5 million, and this will fall further as we await the cash from sales booked late in the year.

Board and management appointments

As our business has developed, it has been important to add strength and depth to both our Board and our senior management team. During the period, Steve Weaver, our Chief Financial Officer, was promoted to the Board as Finance Director and we welcomed Dr. David Buckeridge and Jeremy Scudamore as non-executive directors. Since the year end, Dr. Dominik Koechlin has also joined as a non-executive director.

Chairman's statement *continued*

In addition to Board appointments, Plant Health Care has recruited Greg Warren as its Chief Operating Officer, Cheryl Eberle as Managing Director of its US Horticulture and Turf Division and Daryl Nelson as Corporate Controller.

Thomas Isler will be standing down from his position as a non-executive director at the AGM. I would like to take this opportunity to thank Thomas, who is the Senior Independent Director, for his commitment and wise counsel over the eight years that he has been on the Board. Furthermore, he has fostered invaluable relationships with our Swiss shareholders, a role that will be taken forward by Dr. Koechlin. Sam Wauchope has been appointed by the Board to succeed Mr. Isler as Senior Independent Director.

At Plant Health Care we now have a team of more than 80. The commitment and dedication of colleagues throughout the Company continues to be a key factor in our success. I thank them for their dedication and support.

Current trading and outlook

Whilst only in the early months of the year, I am pleased to report that, notwithstanding the difficult economic climate, all signs indicate another excellent year for the Company. The commercialisation agreement with Monsanto for our harpin-based technology provides Plant Health Care with improved revenue visibility and the opportunity for further collaboration to develop this exciting product.

Your Board believes that the worldwide need for agricultural efficiency and the strong science behind our natural-based products positions the Company for continued and sustained growth.

Plant Health Care has acquired, developed and is now commercialising its suite of natural products and has assembled a Board and management team with the right experience to execute the Company's strategy. The Company is ideally positioned to benefit from consolidation opportunities. Notwithstanding the tougher conditions that businesses across the globe face, your Board remains steadfastly committed to delivering value to shareholders and looks to the coming financial year with significant optimism.

I would like to thank all shareholders for their continued and valued support.

Dr. Albert Fischer
Chairman

23 March 2009

Chief Executive's report

Introduction

Solid performance was achieved within each business segment and against our key performance indicators during 2008. This performance can be reviewed within the key performance indicator section beginning on page 24 and the segment information note beginning on page 45.

Operational review of 2008

Natural technologies

2008 was another excellent year for Plant Health Care. In addition to signing a commercialisation agreement with Monsanto, the Company's own sales into its traditional channels made significant strides. We were especially pleased with the progress in our European operations, which grew approximately 85% on the back of strong results from prior years' field trials. We continue to invest in trials, both on an independent basis and in conjunction with global agricultural crop protection, seed companies and industry bodies. To our development and trials efforts we add our commercial focus on securing the most lucrative long-term partnership agreements and routes to market.

Harpin

Commercial exploitation

The period under review was very significant for the development of our harpin technology. At the end of 2007, an agreement was reached with Monsanto for the testing and potential development of harpin technology as a seed treatment on the major row crops. Subsequently, in February 2008, Monsanto announced that it had established a Global Seed Treatment Platform to invest in growth areas for agriculture to complement its seed strategy and yield-enhancing technologies. This activity culminated when, in December 2008, Monsanto signed a contract to commercialise harpin as a seed treatment in corn, soybeans, cotton, canola and selected vegetables.

Under the long-term agreement, Plant Health Care licenses to Monsanto the exclusive rights to commercialise harpin seed treatment technology in corn, soybeans, cotton, canola and selected vegetables and also serves as product supplier in the near term. In return, Plant Health Care received the milestone payment agreed under the Evaluation and Development Agreement announced in December 2007 and will receive ongoing fee income based on the total volume of seeds treated with harpin. Monsanto's initial order has now been successfully fulfilled. We believe this agreement will make a material contribution to the Company's future revenue and profits.

In September, it was announced that a long-term license agreement had been signed with Bayer CropScience for the use of Plant Health Care's harpin genes in brassica oilseeds. The arrangement covers all geographic areas, except Canada, the USA and Mexico, and an agreed structured schedule of payments will be made to Plant Health Care.

Further developments

In 2008, harpin-based products delivered good test results in fruit and potato trials in Europe and South Africa, respectively.

Chief Executive's report *continued*

In the UK, trials of PreTect on cherries, strawberries and raspberries were undertaken by the Farm Advisory Services Team (FAST). Results of the cherry trials demonstrated that treated cherries experienced 2.5% cracking when subject to 110 mm of rainfall, whilst untreated cherries suffered 55% cracking on the first day and were written off on the second.

PreTect trials in Spain were undertaken by SICOP, a Spanish government agency, and tested the efficacy of our product's application as a foliar fertiliser on olives, tomatoes, strawberries and lettuce. When a small amount of PreTect was applied to tomatoes, it led to an increase in flowering and fruiting maturity, and increases of 2.6% in yield and over 20% in the key category of firmness. The increase in firmness is the parameter that dictates the shelf-life of tomatoes and, therefore, helps reduce wastage and increases farmers' profits. There were over 3.6 million tonnes of tomatoes produced in Spain in 2007. Tests on olives showed an increase of 3.3% in yield, 5.4% in fruit size and, most importantly, a significant increase in oil content. There are currently around six million acres of olives harvested in Spain each year. Results on lettuce indicated increases in yield of 4.3% per lettuce head and strawberries showed an average increase of 5.8%.

In potato trials in South Africa, testing established that incorporating a combination of Myconate at planting followed by several foliar applications of harpin added significant yield gains of 8.1% against the industry standard.

One of the most exciting projects we are currently evaluating is the effects of harpin when combining it as a foliar application with glyphosate or fungicides. Both glyphosate, a herbicide and the world's most widely-used crop protection material, and fungicides are regularly sprayed on many hundreds of millions of acres. The significant results we have achieved over the past five years of testing underline our confidence in the efficacy of harpin when used in conjunction with other yield protection products. Based on this success, we will continue to develop the potential applications of harpin in combination both with Myconate and other established industry solutions.

Myconate

Commercial exploitation

In January 2008, non-exclusive agreements were signed with several large, multinational agrochemical/seed companies to test and potentially commercialise Myconate in cereal grain crops, such as wheat, barley, sorghum and oats. These agreements underline the interest from major industry players in the commercial applications for Myconate and the opportunities available to us remain potentially very lucrative.

In December 2008, it was announced that, following a meeting with Bayer CropScience to discuss the next stage of the collaboration agreement to develop Myconate, a notice of termination was received. Whilst this was disappointing, we are pleased to report that we are in discussions with a number of parties, including other major agrichem companies, regarding collaborations to further develop and commercialise Myconate. These discussions encompass a wide range of crops and applications, and the Board remains confident that, as a product of these discussions, the Company will conclude another significant development agreement in the next 12 to 15 months.

Chief Executive's report *continued*

Further developments

Further Myconate tests have been undertaken throughout the year. Independent grower field trials of Myconate with wheat in Mexico provided further compelling evidence of yield stimulation. These large scale trials conducted by local growers on areas varying from 3.4 to 6.25 hectares showed an average yield increase, over the control, of 20% with a range of 8% to 31%. Importantly, the largest yield increases recorded were on fields that were treated with Myconate in trials conducted over the prior year, providing further evidence that the effect of Myconate is repeatable and enhanced when used annually.

The United States Department of Agriculture, Agricultural Research Service (USDA-ARS) said in July that it had found that a soil constituent known as glomalin, which is produced by beneficial vesicular arbuscular mycorrhizal fungi (VAM), aids the capture of carbon in soil. VAM development and colonisation of plant roots is known to be stimulated by Plant Health Care's Myconate. These findings further validate our belief in the efficacy of and potential multitude of applications for Myconate, and we will continue to work closely with government agencies, industry bodies and commercial partners to continue to realise the value of our Myconate technology.

Product sales and developments

Sales grew by 9% in 2008, primarily as a result of global harpin sales of $4.4 million, a 69% increase over the $2.6 million sold the prior year. Two factors helped drive harpin sales in 2008. These included the N-Hibit programme with the American Soybean Association, which was enhanced with a "Satisfaction Guarantee" programme in 2008. The new programme provided ASA members and other qualified growers with a risk-free means to evaluate N-Hibit Seed Treatment as a tool to lower Soybean Cyst Nematode (SCN) pressure and improve soybean plant health and yield. I am delighted to report that the N-Hibit Seed Treatment Satisfaction Guarantee programme was an unqualified success, with only 2.5% of the growers requesting reimbursement. Additionally, global harpin sales increased on the back of successful test results in a variety of crops.

Geographically, USA sales were relatively unchanged at $12.9 million, as stronger harpin sales were offset by the discontinuation of organic plant food sales into the US agricultural market during 2007. USA Horticultural and Turf sales of biological and other natural products were $6.6 million in 2008, compared to $6.3 million in 2007, and maintained its historical single digit growth rate. In Europe, sales increased 85% to $3.7 million, despite the significant strengthening of the dollar versus sterling and the euro throughout 2008. European harpin sales were strong, as was our traditional portfolio of biological, mycorrhizal and organic products. Mexican sales were relatively unchanged in 2008 due to the drop in the value of the Mexican peso by over 20% in 2008. As we look forward into 2009, we are encouraged by our strong product portfolio, as well as our new commercialisation agreement with Monsanto and the potential for additional growth in our existing IP-protected products.

John Brady
Chief Executive

23 March 2009

Directors

Dr. Albert Fischer (Non-executive Chairman) (51)
Dr. Fischer is a Dutch citizen and joined the Group as non-executive Chairman in 2001. In 2008, Dr. Fischer was appointed to lead Yellow & Blue Clean Energy Investments, a Netherlands-based venture capital fund active in the clean energy world, founded by Dutch energy provider Nuon. 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 Green Partners and PYMWYMIC, an investment firm focused on businesses that integrate the values of a socially and environmentally sustainable society into their day-to-day business practices. Prior to that, Dr. Fischer served in various senior functions at Reed Elsevier Science plc, one of the world's largest providers of scientific and technical information products. His final role with Reed Elsevier Science was as Head of Development.

Dr. Fischer, who holds a PhD in physics from Leyden University, is currently managing director of Yellow & Blue Investment Management BV.

John Brady (Chief Executive) (54)
Mr. Brady is a US national and joined the Group as Chief Executive in 2001. He is responsible for implementing the Group's strategy and for management of the Group's operations.

Prior to joining the Group, Mr. Brady was President and CEO of Alaska Seafood International, a seafood product manufacturing company. Prior to that, he 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) (55)
Mr. Weaver is a US national and joined the Group as Chief Financial Officer in 2007. He was appointed to the Board in March 2008. He is responsible for managing the accounting, finance, human resource and information technology functions for the Group.

Prior to joining the Group, Mr. Weaver was Chief Financial Officer of Xaloy, Inc., an international manufacturing business serving the global plastics industry. Prior to that, Mr. Weaver served consecutively as Vice President and Chief Financial Officer and Senior Vice President and General Manager of Carbide/Graphite Group, Inc., a 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.

Thomas Isler (Senior Independent Director) (64)
Mr. Isler is a Swiss national and joined the Board of the Group in 2001. Mr. Isler has extensive experience in industry, international marketing and private and international banking. He is currently CEO of a privately-owned Swiss textile company, and is a director of several other Swiss companies, including Desco von Schulthess AG, an international trading house. From 1987 to 2005, Mr. Isler served as a Member of Parliament of the Canton of Zurich.

PLANT HEALTH CARE plc

Directors *continued*

Dr. David Buckeridge (Non-executive Director) (49)
Dr. Buckeridge is a UK citizen and joined the Group 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 a non-executive director of Archimica BV (Netherlands), Oxitec Limited and NLA FP Limited.

Dr. Dominik Koechlin (Non-executive Director) (50)
Dr. Koechlin is a Swiss citizen and joined the Board as a non-executive director in January 2009. After starting his career in banking, Dr. Koechlin founded Epsillon 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.

Jeremy Scudamore (Non-executive Director) (61)
Mr. Scudamore is a UK citizen and joined the Group as a non-executive director in October 2008. Mr. Scudamore worked for 35 years in the life science, agrochemical 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 non-executive chairman of SkyePharma PLC, Oxford Advanced Surfaces PLC and Boardlink Group Limited. He is also a non-executive director of ARM Holdings plc and Oxford Catalysts Group PLC.

Samuel Wauchope (Non-executive Director) (57)
Mr. Wauchope is a UK citizen and joined the Group as a non-executive director in 2004. A chartered accountant, Mr. Wauchope's executive career has involved CEO and executive chairman positions in a number of UK-listed companies, including Acorn Computer Group plc, Oceonics Group plc and Ultrasis plc. Mr. Wauchope now acts as a strategic advisor to companies in the technology and cleantech sectors.

Mr. Wauchope is non-executive chairman of Evergreen Securities plc and a non-executive director of Property Recycling Group plc.

Board committees

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

Audit Committee

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

Following Thomas Isler's retirement from the Board at the annual general meeting, Dominik Koechlin will replace Mr. Isler as a member of the Audit Committee.

Remuneration Committee

The Remuneration Committee is chaired by Thomas Isler and includes Albert Fischer and Sam Wauchope as members. The Committee is responsible for determining the contract terms, remuneration and other benefits for executive directors and senior management. Its policy is to ensure that, through a process of regular review, the Group's remuneration arrangements attract and incentivise the quality of executive management that the Company needs to achieve its goals and grow shareholder value, and are in line with best practice. The Committee may take independent specialist advice to assist it in its work. When required, the Committee is also involved in the selection process for executive directors and approves remuneration before a final offer is made. The Remuneration Committee report is set out on pages 16 to 22.

Following Thomas Isler's retirement from the Board at the annual general meeting, Dr. Dominik Koechlin will assume the chair of the Remuneration Committee and the members will include Albert Fischer and Jeremy Scudamore.

Corporate governance statement

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

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

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

Board composition
The Board currently comprises a non-executive chairman, two executive directors and five other non-executive directors.

The Board considers all of the non-executives to be independent in judgment and character, while acknowledging the following departure from the Combined Code's anticipated criteria for independence: while serving as non-executive directors of Plant Health Care, Inc., Albert Fischer and Thomas Isler were granted options for their services to that company. At flotation, these options were exchanged for options in Plant Health Care plc. The Company will not make any further awards of options to non-executive directors.

Robert Chanson and Dr. Donald Marx did not seek re-election to the Board at the annual general meeting on 6 June 2008 and consequently stood down from the Board at that time.

Dr. David Buckeridge and Jeremy Scudamore were appointed to the Board in October 2008, and Dr. Dominik Koechlin in January 2009, all as non-executive directors.

Thomas Isler has informed the Board that he will not be seeking re-election at the forthcoming annual general meeting, and consequently he will stand down from the Board at that meeting.

Biographies of the Board members appear on pages 9 and 10. These indicate the high levels and range of business experience which is essential to oversee effectively a business of the size, complexity and geographical spread of the Group. Concerns relating to the executive management of the Company or the performance of the directors can be raised in confidence by contacting the Senior Independent Director, Thomas Isler, through the Company Secretary.

Following Thomas Isler's retirement from the Board at the forthcoming annual general meeting, Sam Wauchope has been appointed by the Board to succeed Mr. Isler as Senior Independent Director.

Board committees
The Board has established audit and remuneration committees, as described on page 11. No separate nominations committee has been established. A Nominations Working Group comprised of non-executive directors provides advice and guidance on the selection of candidates; the full Board acts as a nominations committee when changes to the Board of directors are proposed.

Corporate governance statement *continued*

Workings of the Board

The Board meets on a pre-scheduled basis at least eight times each year and more frequently when required. The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the Group. The schedule includes matters such as: approval of the Group's strategic plan; extension of the Group's activities into new business or geographical areas; any decision to cease to operate all or any material part of the Group's business; changes relating to the Group's capital structure; major (over $1 million) bids by PHC Reclamation; contracts that are material strategically or by reason of size; investments including the acquisition or disposal of interests in the voting shares of any company or the making of any takeover offer; and the prosecution, defence, or settlement of litigation material to the Group.

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

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

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

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

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

Re-election of directors

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

Corporate governance statement *continued*

Remuneration of directors

A statement of the Company's remuneration policy and full details of directors' remuneration are set out in the Remuneration Committee report on pages 16 to 22. Executive directors abstain from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package.

Communication

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

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

Risk management and internal controls

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

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

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

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

The Company established an internal audit function during 2008. The Audit Committee of the Board is involved with the establishment of the scope and focus of the audit function and receives a report as to its findings as warranted and at each Audit Committee meeting.

Corporate governance statement *continued*

Auditor independence

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

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

Remuneration Committee report

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

Remuneration policy

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

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

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

Elements of remuneration – executive directors

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

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

Basic salary and benefits

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

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

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

Remuneration Committee report *continued*

Annual bonus

Annual bonuses are payable to each executive director based on achievement of financial, strategic and sustainability objectives, both corporate and personal. For 2008, the directors had bonus potential of between 40% and 62% of their basic salaries: for 2009, the figures are between 45% and 68%. This ensures that there is a significant element of "at risk" pay, which is only available when good results are achieved.

Long-term share-based incentives

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

(a) *Share option schemes*

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

In July 2004, the Board of directors adopted the Plant Health Care plc Unapproved Share Option Scheme 2004. Under this scheme, the Board may grant options at an exercise price of not less than the market value of a share on the date of award. Options may normally be exercised between three and 10 years from grant. In most cases, vesting is also dependent upon the Company's total shareholder return exceeding that of the AIM All-Share Index for the period from grant to vesting.

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

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

- all employees of the Company and its subsidiaries are eligible to participate in the LTIP. The Remuneration Committee of the Company's Board of directors shall select the employees to receive awards and shall determine the number of ordinary shares subject to a particular award;
- the grantee must pay at least the nominal value per share to receive the stock award;
- the Remuneration Committee will determine the period of vesting for any given stock award. Vesting of any stock award will be contingent on the fulfilment of challenging performance criteria set by the Committee. The Committee may accelerate the vesting or amend or relax performance conditions, to the extent that conditions which are amended or relaxed will be no more or less difficult to satisfy than when they were originally imposed;

PLANT HEALTH CARE plc

Remuneration Committee report *continued*

- if a grantee terminates employment for any reason prior to vesting of all or a portion of a stock award, the unvested portion must be returned to the Company; and
- the LTIP automatically terminates 10 years from its effective date of 8 June 2007, unless terminated earlier by the Company or extended by the Company with the approval of the shareholders.

Pension contributions

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

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

Post-employment health benefits

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

Elements of remuneration – non-executive directors

The remuneration for non-executive directors consists solely of fees for their services in connection with the Board and Board committees. With the exception of Sam Wauchope, who received 100% of his fees in cash, the other non-executive directors, including the Chairman, have to 31 December 2008 received 50% of their fees in cash and 50% in the form of the Company's ordinary shares.

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

Remuneration Committee report *continued*

Service contracts

The Company has service contracts with all executive and non-executive directors. Certain of the non-executive directors contract via their personal service companies. Provisions included in the service contracts include:

For executive directors:

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

For non-executive directors:

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

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

Outside appointments

The committee believes that there are significant benefits, to both the Company and the individual, from executive directors accepting non-executive directorships of outside companies. The committee will consider up to one external appointment, for which a director may retain some or the entire fee. Neither executive director currently serves as a non-executive director of any outside companies.

Remuneration Committee report *continued*

Directors' remuneration

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

	Base salary and fees $'000s	Performance-related bonus $'000s	Share-based payments $'000s	Other benefits $'000s	Total 2008 $'000s	Total 2007 $'000s
Executive:						
J Brady	318	160	336	71	885	876
S Weaver*	154	80	128	28	390	—
D Marx**	77	—	—	10	87	185
W Bratkowski****	—	—	—	—	—	240
Non-executive:						
A Fischer	75	—	—	—	75	76
D Buckeridge***	8	—	—	—	8	—
R Chanson**	28	—	—	—	28	55
T Isler	54	—	—	—	54	55
J Scudamore***	8	—	—	—	8	—
S Wauchope	64	—	—	—	64	70
	786	240	464	109	1,599	1,557

* Appointed 28 March 2008
** Retired 6 June 2008
*** Appointed 30 October 2008
**** Resigned 16 May 2007

Salaries

Stephen Weaver joined the Board as Finance Director on 28 March 2008, at which date he had a base salary of $200,000 and annual bonus potential of 40% of base salary.

With effect from 1 April 2008, the Committee recommended and the Board approved an increase in the base salary of John Brady from $300,000 to $325,000 and an increase in the base salary of Don Marx from $142,000 to $170,000, to reflect in each case the exceptional contributions each was making to the development of the Company.

With effect from 1 January 2009, the Committee recommended and the Board approved an increase in the base salary of Stephen Weaver to $210,000, and an increase in his bonus potential from 40% to 45% of base salary to recognise the contribution he has made to the Company's financial management and reporting. From the same date, the Committee recommended and the Board approved an increase in John Brady's bonus potential from $200,000 to $220,000.

Share-based payments and other benefits

In 2008, the Company accrued a contribution to the 401(k) Plan of 3% (2007: 1.5%) of eligible compensation. In 2008, pension expense for the executive directors was $14,000 (2007: $8,000).

In 2008, post-employment health benefits for John Brady were $47,000 (2007: $23,000).

Remuneration Committee report *continued*

In 2008, the Company incurred $464,000 (2007: $380,000) of share-based payment expense.

In 2008, the Company incurred $18,000 (2007: $18,000) of car allowance expense.

In 2008, the Company incurred $30,000 (2007: $17,000) of medical, dental and life insurance expense.

Directors' share-based incentives

Movements in 2007

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

On 1 July 2007, John Brady was awarded 300,000 ordinary shares under the LTIP. One third of the stock award was due to vest, subject to certain performance and service conditions, following the announcement of the Company's final results for the year ended 31 December 2007. The balance of the stock award will vest, subject to certain performance and service conditions, in two equal tranches between the announcement of the Company's final results for the years ended 31 December 2008 and 2009 and 31 March 2009 and 2010, respectively, if later.

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

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

Movements in 2008

On 1 April 2008, with regard to 100,000 shares previously awarded to John Brady under the LTIP, the vesting of which was dependent upon the achievement of 2007 performance targets, 20,000 of such shares vested, the balance being forfeited. The share price at the close of the day on which the shares vested was 275p.

On 1 April 2008, Stephen Weaver was awarded 33,333 ordinary shares under the LTIP. The stock award will vest, subject to certain performance and service conditions, between the announcement of the Company's final results for the year ended 2010 and 30 June 2011.

On 12 May 2008, John Brady exercised 50,000 options at 37p. The share price at the close of the day on which the options were exercised was 341p.

On 16 June 2008, John Brady was awarded 50,000 ordinary shares under the LTIP. The stock award will vest, subject to certain performance and service conditions, between the announcement of the Company's final results for the year ended 2010 and 30 June 2011.

Further information related to shares issued to directors during the year is detailed in Note 8 to the financial statements.

Remuneration Committee report *continued*

Interests in share-based incentives

(a) *Options*

The interests of the directors in share options over the ordinary shares of the Company at 31 December 2008 are set out in the following table:

	No of options	Exercise price £	Expiry date
A Fischer	**37,500**	**0.37**	18 November 2011
	37,500	**0.37**	18 November 2012
	37,500	**0.37**	1 March 2014
	75,000	**0.74**	23 March 2014
	37,500	**0.37**	15 June 2014
J Brady	**175,000**	**0.37**	20 August 2011
	918,975	**0.37**	4 March 2014
	56,025	**0.71**	4 March 2014
T Isler	**37,500**	**0.37**	18 November 2011
	37,500	**0.37**	18 November 2012
	37,500	**0.37**	1 March 2014
	52,500	**0.74**	23 March 2014
	37,500	**0.37**	15 June 2014
	1,577,500		

There were no movements in the above holdings from 1 January 2009 to the date of this report.

(b) *Awards under the Long Term Incentive Plan*

The interests of the directors in share awards under the Long Term Incentive Plan at 31 December 2008 are set out below:

	No of shares	Vesting dates
J Brady	100,000	From announcement of 2008 results to 31 March 2009
	100,000	From announcement of 2009 results to 31 March 2010
	50,000	From announcement of 2010 results to 30 June 2011
S Weaver	100,000	31 May 2010
	33,000	From announcement of 2010 results to 30 June 2011

Other information

During the year, the Company's share price on AIM ranged between 145p and 410p. At 31 December 2008, the share price was 170.5p, and at 20 March 2009, the last working day prior to the approval of this Annual Report, the share price was 167p.

Report of the directors

FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

Results and dividends

The results of the Group for the year are set out on page 31 and show a loss for the year of $4,281,000 (2007: loss of $5,413,000).

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

Principal activities, review of business and future developments

Details of the Group's principal activities and a review of business and future developments are included in the Chairman's statement and Chief Executive's report on pages 3 to 8.

Directors

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

	At 31 December 2008			*At 1 January 2008*		
	Shares	***Options***	***LTIP***	*Shares*	*Options*	*LTIP*
A Fischer	**133,036**	**225,000**	—	151,092	225,000	—
J Brady	**14,395**	**1,150,000**	**250,000**	—	1,200,000	300,000
S Weaver*	—	—	**125,000**	n/a	n/a	n/a
D Buckeridge**	—	—	—	n/a	n/a	n/a
T Isler	**411,687**	**202,500**	—	406,654	202,500	—
J Scudamore**	—	—	—	n/a	n/a	n/a
S Wauchope	**52,232**	—	—	52,232	—	—

n/a = not applicable
* Appointed 28 March 2008
** Appointed 30 October 2008

Stephen Weaver was appointed to the Board of directors as Finance Director on 28 March 2008. Dr. David Buckeridge and Jeremy Scudamore were appointed to the Board as non-executive directors on 30 October 2008.

Dr. Donald Marx and Dr. Robert Chanson served on the Board until their respective resignations on 6 June 2008.

Post the year-end, on 30 January 2009, Dr. Dominik Koechlin was appointed to the Board of directors as a non-executive director.

Further details of the directors' share options are shown in the Remuneration Committee report beginning on page 21.

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

Report of the directors *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

Substantial shareholders

On 20 March 2009, the Company had been notified of the following holdings representing in excess of 3% of the Company's ordinary shares:

Name	*Shares held*	*Percent of issued share capital**
Pictet Asset Management S.A	4,535,900	9.70
Universities Superannuation Scheme Limited	2,552,500	6.08
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
Boulder River Capital Corporation	2,250,000	5.02
Gartmore Investment Limited	2,119,234	4.73
Credit Suisse	1,807,432	4.03
Funds managed by AXA SA for Framlington	1,804,463	4.02

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

Research and development

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

Business review

For a discussion of the Group's 2008 performance see the Chairman's statement and Chief Executive's report on pages 3 to 8.

Key performance indicators ("KPIs")

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

The KPI's for financial performance include revenue, gross profit and margin, and earnings before interest and tax (EBIT). These KPI's indicate the volume of work the Group has undertaken, as well as the efficiency and profitability with which this work has been delivered.

The KPI's for financial performance for the year ended 31 December 2008, with comparatives for the year ended 31 December 2007, are set out below:

	2008	*2007*
Revenue ($'000s)	**$19,851**	$18,295
Gross profit ($'000s)	**$10,631**	$8,351
Gross profit margin (%)	**54**	46
EBIT ($'000s)	**($4,097)**	($5,241)

Report of the directors *continued*

Each of the KPI's above shows improvement as a result of the continued commercialisation of the Group's harpin and Myconate technologies and progress made related to partnership deals.

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

Principal risks and uncertainties

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

Liquidity risk

The Group does not currently generate sufficient cash from operations to meet its annual funding needs. The Group monitors its cash position and cash forecasts on a regular basis. The Group constantly monitors its needs for additional funding and evaluates the best sources for such funding as an element of its strategic planning.

Technology and commercialisation risk

There are technology and commercialisation risks associated with the Group's proprietary products and its technology partners. The Group has prioritised its strategic focus on partnerships and has worked closely with key partners and potential partners to continue to review, evaluate, and develop its key technologies.

Credit risk

Due to the difficult global economic conditions, the level of credit risk related to the Group's unsecured trade receivables has increased. The Group has addressed this risk by utilising a credit policy and monthly credit review meetings.

Group oversight

The Group is dependent on a small management team. The Group retained a Chief Operating Officer, a Managing Director for its Horticulture and Turf business and a Corporate Controller during the second half of 2008. Further, the Group has an active Board of directors, which meets a minimum of eight times each year.

Financial instruments

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

Information on the risks associated with the Company's involvement in financial instruments is given at Note 20 to the financial statements.

Report of the directors *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

Charitable and political contributions

During the year, the Group made the following contributions:

	2008	*2007*
Charitable	**$9,000**	$1,000

Board meetings and attendance

The following table shows the attendance of directors at meetings of the Board and Audit and Remuneration Committees held during the 2008 financial year.

	Board	*Audit Committee*	*Remuneration Committee*
Number of meetings held	**13**	**4**	**5**
A Fischer	13	—	5
J Brady	13	—	—
D Marx*	5	—	—
R Chanson*	5	—	3
T Isler	13	4	5
S Wauchope	12	4	5
S Weaver**	12	—	—
D Buckeridge***	2	—	—
J Scudamore***	3	—	—

* Resigned 6 June 2008
** Appointed 28 March 2008
*** Appointed 30 October 2008

Auditors

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

Annual general meeting

At the forthcoming annual general meeting of the Company, resolutions will be put forward to elect Dr. David Buckeridge, Dr. Dominik Koechlin and Jeremy Scudamore, who were all appointed to the Board since the last annual general meeting, to re-elect Samuel Wauchope, who retires by rotation, and to re-appoint BDO Stoy Hayward LLP as auditors to the Company.

By Order of the Board

Andrew C. Wood FCIS
Company Secretary

23 March 2009

Statement of directors' responsibilities

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

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation. The directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

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

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

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

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Statement of directors' responsibilities *continued*

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

Directors' responsibility statement

The directors confirm to the best of their knowledge:

➢ the Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and

➢ the annual report includes a fair review of the development and performance of the business and the financial position of the Group and the parent company, together with a description of the principal risks and uncertainties that they face.

Independent auditors' report

We have audited the Group and parent company financial statements (the "financial statements") of Plant Health Care plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated and parent company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

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

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

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

Independent auditor's report *continued*

Basis of audit opinion

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

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

Opinion

In our opinion:

- ➢ the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- ➢ the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- ➢ the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- ➢ the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors

London

23 March 2009

Consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2008

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

The notes on pages 35 to 67 form part of these financial statements.

Consolidated statement of recognised income and expense

FOR THE YEAR ENDED 31 DECEMBER 2008

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

The notes on pages 35 to 67 form part of these financial statements.

Consolidated balance sheet

AT 31 DECEMBER 2008

	Note	**2008 $'000s**	2007 $'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		**6,054**	5,210
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		**16,541**	20,436
Total assets		**22,595**	25,646
Liabilities			
Current liabilities			
Trade and other payables	17	**5,347**	3,648
Borrowings	18	**218**	205
Provisions	19	**431**	546
Total current liabilities		**5,996**	4,399
Non-current liabilities			
Borrowings	18	**103**	278
Provisions	19	**70**	440
Total non-current liabilities		**173**	718
Total liabilities		**6,169**	5,117
Total net assets		**16,426**	20,529
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)
		16,257	20,298
Minority interests	23	**169**	231
Total equity		**16,426**	20,529

The financial statements were approved and authorised for issue by the Board on 23 March 2009.

J Brady
Director

The notes on pages 35 to 67 form part of these financial statements.

Consolidated cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 $'000s	2007 $'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		**(2,916)**	(4,280)
(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		**(2,834)**	(2,921)
Interest paid		**(306)**	(287)
Income taxes paid		**(62)**	(74)
Net cash flows used in operating activities		**(3,202)**	(3,282)
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		**618**	(1,885)
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		**33**	11,020
Effects of exchange rate changes on cash and cash equivalents		**(451)**	(45)
Net (decrease)/increase in cash and cash equivalents		**(3,002)**	5,808
Cash and cash equivalents at beginning of period		**10,254**	4,446
Cash and cash equivalents at end of period		**7,252**	10,254

The notes on pages 35 to 67 form part of these financial statements.

Notes forming part of the Group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2008

1. General information

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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

2. Accounting policies *continued*

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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

2. Accounting policies *continued*

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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

2. Accounting policies *continued*

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 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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

2. Accounting policies *continued*

Employee benefits

The Group maintains a number of defined contribution pension schemes for certain of its employees; the Group does not contribute to any defined benefit pension schemes. The amount charged to 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 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 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 annum
Office equipment	–	20 – 33% per annum
Vehicles	–	20% per annum

2. Accounting policies *continued*

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost 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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

3. Critical accounting estimates and judgments *continued*

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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

4. Revenue

Revenue arises from:

	2008 $'000s	2007 $'000s
Sale of goods	17,960	15,523
Service contracts and fee income	1,891	2,772
	19,851	18,295

5. Operating loss

	2008 $'000s	2007 $'000s
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	132	166
Total auditor's remuneration	210	293

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

6. Staff costs

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

	2008	2007
	$'000s	$'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
	7,485	7,369
Share-based payments expense	**640**	462
	8,125	7,831

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
	81	82

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. Further disclosures on the remuneration of each individual director are included in the directors' remuneration section of the Remuneration Committee report on page 20.

	2008	2007
	$'000s	$'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
	1,746	1,749

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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

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, as described in the elements of remuneration section for executive directors within the Remuneration Committee report on page 16.

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

	15 October	*29 September*	*15 April*	*1 April*	*31 March*
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:

	26 September	*17 January*
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:

	16 June	*1 April*
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%

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

8. Share-based payment *continued*

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

	4 October	*1 July*
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.

PLANT HEALTH CARE plc

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

9. Segment information *continued*

Primary segment information

2008

	USA $'000s	Mexico $'000s	Europe $'000s	Elimination $'000s	Total $'000s
Revenue					
External sales	12,892	3,241	3,718	—	19,851
Inter-segment sales	1,226	37	453	(1,716)	—
Total revenue	14,118	3,278	4,171	(1,716)	19,851
Segment operating (loss)/profit	(1,229)	(189)	166	342	(910)
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

	USA $'000s	Mexico $'000s	Europe $'000s	Unallocated/ Elimination $'000s	Total $'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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

9. Segment information *continued*

Primary segment information

2007

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

Other segment information

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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

9. Segment information *continued*

Secondary reporting format

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

	External revenue by product market	
	2008	2007
	$'000s	$'000s
Agriculture	**9,016**	8,025
Horticulture and Turf	**9,064**	7,898
Other	**1,771**	2,372
	19,851	18,295

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:

	As previously reported year ended 31 December 2007 $'000s	Adjustment to share-based payment expense $'000s	As restated year ended 31 December 2007 $'000s
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	(5,241)	—	(5,241)

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

10. Finance income and expense

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

11. Tax expense

The tax charge for the year comprises:

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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

11. Tax expense *continued*

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	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)
	62	47

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%) 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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

13. Intangible assets

	Goodwill $'000s	Licenses and registrations $'000s	Developed technology $'000s	Trade name and customer relationships $'000s	Total $'000s
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% and performance projections over five years with residual growth assumed at 2% 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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

14. Property, plant and equipment

	Leasehold improvements $'000s	*Production machinery $'000s*	*Office equipment $'000s*	*Vehicles $'000s*	*Total $'000s*
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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

15. Inventories

	2008 $'000s	2007 $'000s
Raw materials	**1,150**	1,407
Work in progress	**1**	24
Finished goods and goods for resale	**1,348**	1,441
	2,499	2,872

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	**6,445**	6,139
Other receivables and prepayments	**345**	586
Prepaid corporation tax	**—**	26
Current trade and other receivables	**6,790**	6,751
Long-term:		
Trade receivables	**1,619**	—
Less: provision for impairment	**(359)**	—
Long-term trade and other receivables	**1,260**	—
	8,050	6,751

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	**805**	775

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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

16. Trade and other receivables *continued*

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	**8,050**	6,751

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
	5,347	3,648

18. Borrowings

(a) *Current borrowings*

	2008 $'000s	2007 $'000s
Notes payable	**166**	139
Finance leases	**52**	66
	218	205

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

18. Borrowings *continued*

(b) *Non-current borrowings*

	2008 $'000s	2007 $'000s
Notes payable	**51**	218
Finance leases	**52**	60
	103	278

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:

	Trade and other payables		*Notes payable*		*Finance leases*	
	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
	5,347	3,648	**237**	400	**136**	171

19. Provisions

	Onerous contracts $'000s	*Warranty $'000s*	*Post-employment insurance benefits $'000s*	*Total $'000s*
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	162	269	70	501
Due within one year or less	162	269	—	431
Due after more than one year	—	—	70	70
	162	269	70	501

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

19. Provisions *continued*

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

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

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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

20. Financial instruments *continued*

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:

	Assets		*Liabilities*	
	2008	*2007*	***2008***	*2007*
	$'000s	*$'000s*	***$'000s***	*$'000s*
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.

20. Financial instruments *continued*

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% 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% 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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

21. Subsidiary undertakings

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

Name	*Country of incorporation or registration*	*Proportion of voting rights and ordinary share capital held*	*Nature of business*
Plant Health Care, Inc.	USA (Nevada)	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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

22. Share capital *continued*

(b) *Movement in share capital*

The movements on issued share capital are as follows:

	Ordinary shares of Plant Health Care plc	
	Number	*$'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 1p 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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

22. Share capital *continued*

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

> 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
	3,865,202	3,594,202

(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*

As described in the directors' share-based incentives section of the Remuneration Committee report on page 21, 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:

	Options over ordinary shares			*Weighted average exercise*
	Directors	*Other*	*Total*	*price*
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	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

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

22. Share capital *continued*

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*

As described in the elements of remuneration section for executive directors within the Remuneration Committee report beginning on page 16, 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	
	Directors	*Other*	*Total*
Outstanding at 1 January 2007	—	—	—
Awarded	300,000	100,000	400,000
Outstanding at 31 December 2007	300,000	100,000	400,000
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

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.

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

23. Reserves

	Share premium $'000s	*Reverse acquisition reserve $'000s*	*Share-based payment reserve $'000s*	*Foreign exchange reserve $'000s*	*Retained earnings $'000s*	*Total $'000s*	*Minority interest $'000s*	*Total equity $'000s*
Balance at 1 January 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**

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

23. Reserves *continued*

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

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

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:

2008	*Minimum lease payments $'000s*	*Interest $'000s*	*Present value $'000s*
Not later than one year	69	17	52
Later than one year and not later than five years	67	15	52
	136	32	104

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

25. Leases *continued*

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

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
	431	653

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)
	1,014
Goodwill	1,432
Cost of acquisition	2,446

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

26. Trade and asset purchase *continued*

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% 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*
Operating activities		
Equity consideration for services rendered	**71**	156
Financing activities		
Assets acquired under finance leases	**52**	52
Notes issued for the repurchase of minority interest's shares by subsidiary	**—**	68
	52	120

Notes forming part of the Group financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

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.

Standard or Interpretation	*Effective for periods beginning*
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

AT 31 DECEMBER 2008

	Note	2008 $'000s	2007 $'000s
Fixed assets			
Fixed asset investments	33	**37,139**	34,839
Current assets			
Debtors	35	**41**	29
Cash at bank and in hand		**5,128**	8,995
		5,169	9,024
Creditors: amounts falling due within one year	36	**(506)**	(482)
Net current assets		**4,663**	8,542
Net assets		**41,802**	43,381
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	**(8,496)**	(5,790)
Shareholders' funds		**41,802**	43,381

The financial statements were approved and authorised for issue by the Board on 23 March 2009.

J Brady
Director

The notes on pages 69 to 72 form part of these financial statements.

Notes forming part of the Company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2008

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 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 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.

Notes forming part of the Company financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

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
	836	1,036

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

	2008 No.	*2007 No.*
Management	**4**	4

32. Directors' remuneration

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

Further disclosures on the remuneration of each individual director are included in the directors' remuneration section of the Remuneration Committee report on page 20.

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).

Notes forming part of the Company financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

33. Fixed asset investments

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

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
	506	482

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.

Notes forming part of the Company financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2008

38. Reserves

	Share premium $'000s	*Reverse acquisition reserve $'000s*	*Share-based payment reserve $'000s*	*Retained earnings $'000s*
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	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)

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	**(1,579)**	9,458
Opening shareholders' funds	**43,381**	33,923
Closing shareholders' funds	**41,802**	43,381

Produced by Portman Lodge Limited

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