THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document has been drawn up in accordance with the rules of the AIM market operated by the London Stock Exchange ("AIM"). Whilst it has also been drawn up in accordance with the Public Offers of Securities Regulations 1995 (the "POS Regulations"), it does not comprise a prospectus for the purposes of the POS Regulations. This document is not an offering prospectus pursuant to Art. 652a or Art. 1156 of the Swiss Federal Code of Obligations or a listing prospectus pursuant to the listing rules of the SWX Swiss Exchange.

To the best of the knowledge and belief of the Directors of Plant Health Care plc (whose names appear on page 3 of this document) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors have taken all reasonable care to ensure that such is the case and all the Directors accept responsibility for the information contained in this document accordingly.

Application will be made to the London Stock Exchange for the Ordinary Shares, both issued and to be issued (other than the initial issued 5 million Ordinary Shares which are to be bought back by the Company and cancelled), to be admitted to trading on AIM. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. Prospective investors should read the whole text of this document and should be aware that investment in Plant Health Care plc is speculative and involves a degree of risk. In particular, prospective investors should consider the section entitled "Risk Factors" set out in Part II of this document. All statements regarding the Company's business should be viewed in the light of these risk factors. It is expected that the Ordinary Shares will be admitted to trading on AIM on 6 July 2004.

Plant Health Care plc

(Incorporated in England and Wales under the Companies Act 1985 with registered no. 05116780)

Placing by

Evolution Beeson Gregory Limited

Nominated Adviser and Broker

of 13,461,538 Ordinary Shares at 52 pence per Ordinary Share
and
Admission of the whole of the ordinary share capital to trading on AIM

Share capital immediately following Admission assuming full implementation of the Capital Reorganisation

Issued and fully paid	
Amount	*Number*
£307,956	30,795,603

Ordinary Shares of 1p each

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Neither the Ordinary Shares nor this document have been, nor will be, registered under the US Securities Act or under the securities laws of any state of the US or under any of the relevant securities laws of the other Prohibited Territories. The Placing Shares have not been and will not be, directly or indirectly, offered, taken up, sold, delivered or transferred in or into the Prohibited Territories or in any jurisdiction where it would be unlawful to do so or to any US Person.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission of the US or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this document. Any representations to the contrary is a criminal offence in the US.

Evolution Beeson Gregory, which is regulated by the Financial Services Authority, is acting as the Company's nominated adviser in connection with the proposed Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Evolution Beeson Gregory as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Evolution Beeson Gregory will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of any acquisition of Ordinary Shares in the Company.

The Placing is underwritten and is conditional, *inter alia*, on Admission taking place on or before 6 July 2004 (or such later date as the Company and Evolution Beeson Gregory may agree being not later than 21 July 2004). The Placing Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Evolution Beeson Gregory, 9th floor, 100 Wood Street, London EC2V 7AN from the date of this document and for a period of one month from Admission.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Dr Albert Edward Maria Joseph Fischer, *Non-Executive Chairman* John Arthur Brady, *Chief Executive Officer* Steven Michael Whitcomb, *Chief Financial Officer* Dr Donald Henry Marx, *Executive Director and Chief Scientist* Dr Robert Henri Chanson, *Non-Executive Director* Thomas Peter Isler, *Non-Executive Director* Samuel Alan Wauchope, *Non-Executive Director*
Company Secretary	Christina Kennedy
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DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

"Act"	the Companies Act 1985, as amended
"Admission"	admission of the entire ordinary share capital of the Company, issued and to be issued, (other than the Initial Shares) to trading on AIM becoming effective pursuant to paragraph 6 of the AIM Rules
"AIM"	a market operated by the London Stock Exchange
"AIM Rules"	the rules for AIM companies and their nominated advisers published by the London Stock Exchange governing admission to and the operation of AIM
"Board"	the board of directors of the Company for the time being including a duly constituted committee of the directors
"Capital Reorganisation"	the Exchange Offers (assuming accceptance in full), the proposals made to the holders of the Convertible Loan Notes described in paragraph 7(b) of Part V of this document (assuming full conversion and acceptance of the resulting PHC Inc Shares to the Exchange Offers) and the exercise in full of all warrants over PHC Inc Shares other than those Warrants the holders of which are to be offered Replacement Warrants as described in paragraph 7(d) of Part V of this document and the cancellation of the Initial Shares
"Company"	Plant Health Care plc
"Converted Options"	Existing PHC Options converted, conditional upon Admission, into options over Ordinary Shares
"Convertible Loan Notes"	those convertible promissory notes issued by PHC Inc convertible into shares in the common stock of PHC Inc and which, on Admission, will be deemed automatically converted into such shares in accordance with the terms of such notes
"CREST"	the electronic, paperless transfer and settlement system to facilitate the transfer of title to shares in uncertificated form, operated by CRESTCo Limited
"Directors"	the directors of the Company, whose names are set out on page 3 of this document and "Director" means any one of them
"Enlarged Issued Share Capital"	the issued ordinary share capital of the Company immediately following Admission assuming the implementation in full of the Capital Reorganisation
"Evolution Beeson Gregory"	Evolution Beeson Gregory Limited, the Company's nominated adviser and broker for the purposes of the AIM Rules, a member of the London Stock Exchange and regulated by the Financial Services Authority
"Exchange Offers"	the exhange offer made by the Company to the non-US shareholders of PHC Inc on 14 May 2004 a summary of which is set out in paragraph 6(f) of Part V of this document and the exchange offer made by the Company to certain US shareholders of PHC Inc on 27 May 2004 a summary of which is set out in paragraph 6(g) of Part V of this document

"Existing PHC Options"	options granted to officers and employees of the Group under the PHC Inc Share Option Plans
"Group", "Plant Health Care Group" or "PHC"	prior to Admission, PHC Inc and its subsidiaries and following Admission, the Company and the companies which will be its subsidiaries being PHC Inc and its subsidiaries
"Initial Shares"	the initial 5,000,000 Ordinary Shares issued by the Company
"London Stock Exchange"	London Stock Exchange plc
"Official List"	The Official List of the UK Listing Authority
"Ordinary Shares"	ordinary shares of 1p each in the capital of the Company
"PHC Inc"	Plant Health Care, Inc., a company incorporated in the state of Nevada in the US
"PHC Inc Share Option Plans"	the Plant Health Care, Inc. 1996 Stock Option Plan and the PHC Inc 2001 Equity Incentive Plan
"PHC Inc Shares"	shares of common stock of PHC Inc
"PHC Inc (PA)"	Plant Health Care, Inc., a company incorporated in the State of Pennsylvania in the US and a principal operating subsidiary of PHC Inc
"PHC Reclamation"	PHC Reclamation, Inc., a company incorporated in the State of Nevada in the US and a subsidiary of PHC Inc
"PHC UK"	Plant Health Care UK Limited, a company incorporated in England and Wales and a subsidiary of PHC Inc
"Placing"	the placing of the Placing Shares at the Placing Price by Evolution Beeson Gregory on behalf of the Company, pursuant to the Placing Agreement
"Placing Agreement"	the agreement between Evolution Beeson Gregory, the Directors, the Company and PHC Inc relating to the Placing, details of which are set out in paragraph 6(a) of Part V of this document
"Placing Price"	the price at which each new Ordinary Share is to be issued under the Placing
"Placing Shares"	the 13,461,538 new Ordinary Shares which are the subject of the Placing
"POS Regulations"	The Public Offers of Securities Regulations 1995, as amended
"Prohibited Territories"	US, Australia, Canada, Japan, the Republic of Ireland and their respective territories and possessions
"Replacement Warrants"	warrants over Ordinary Shares to be granted, conditional upon Admission, to certain holders of Warrants in consideration for the cancellation of their existing Warrants
"Share Option Scheme"	The Plant Health Care plc Unapproved Share Option Scheme 2004
"Shareholders"	holders of the Ordinary Shares following Admission
"UK"	United Kingdom of Great Britain and Northern Ireland

"UK Listing Authority"	The Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000, as amended
"US", "USA" or "United States"	United States of America, its territories and possessions, any state of the US and the District of Columbia
"US Person"	any natural person resident in the United States, any partnership or corporation organised or incorporated under the laws of the United States, any estate of which any executor or administrator is a US Person, any trust of which any trustee is a US Person, any agency or branch of a foreign entity located in the United States, any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US Person, any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States, and partnership or corporation organised or incorporated under the laws of any jurisdiction outside of the United States, and formed by a US Person principally for the purpose of investing in securities not registered under the US Securities Act, unless it is organised or incorporated and owned, by accredited investors (as defined in Rule 501(a) of the US Securities Act) who are not natural persons, estates or trusts
"US Securities Act"	the US Securities Act of 1933, as amended
"VAMTech"	VAMTech L.L.C., a company incorporated in the state of Delaware in the US
"Warrants"	those warrants over shares of common stock of PHC Inc issued by PHC Inc which, on Admission, will be deemed under their terms to be automatically exercised over Ordinary Shares

PLACING STATISTICS

Placing Price	52p
Number of Ordinary Shares being issued pursuant to the Placing	13,461,538
Number of Ordinary Shares in issue following Admission*	30,795,603
Placing Shares as a percentage of the Enlarged Issued Share Capital*	43.71%
Market capitalisation following the Placing at the Placing Price*	£16.01 million
Gross proceeds raised by the Placing of new Ordinary Shares	£7.00 million
Estimated net proceeds of the Placing receivable by the Company	£5.85 million

*Assumes full implementation of the Capital Reorganisation

EXPECTED TIMETABLE FOR ADMISSION

Publication of this document	30 June 2004
Admission and dealings in the Ordinary Shares expected to commence on AIM	6 July 2004
CREST accounts expected to be credited	6 July 2004
Despatch of definitive share certificates (where applicable)	By 16 July 2004

PART I

INFORMATION ON THE GROUP

The Business

The Plant Health Care Group was established in 1995 in Pittsburgh (Pennsylvania) in the United States. PHC currently has approximately 60 employees and has operations in the US, Mexico, UK and the Netherlands with technical support in Austria. The Group has two principal operating subsidiaries in the US, PHC Inc (PA) and PHC Reclamation. The Directors believe that the Group is a leading provider of natural alternatives to synthetic chemical products for plants and soil.

Through the commercialisation of its products, PHC is capitalising on current long-term trends toward natural systems and biological products for plant care, soil management and water management uses. PHC's products are aimed at the horticulture, agriculture, turf grass, commercial landscaping, forestry and land reclamation industries and are both environmentally beneficial and on the whole more cost effective than synthetic chemical alternatives.

PHC Reclamation is an environmental and reclamation engineering consulting firm providing cost effective, biologically based solutions for the reclamation and restoration of lands disturbed by mining, construction and other activities. PHC Reclamation was established in 1997 to exploit PHC's products and technology.

Worldwide, several factors have combined to create a significant market shift away from synthetic chemical products and technologies in favour of biological products and approaches as a means of acceptable plant, soil and water management. These factors include increased public awareness of environmental issues, depletion of vital natural resources, prohibitive development and regulatory compliance costs, and strict enforcement of environmental protection and health regulations.

Key Strengths

The Directors consider that the following are the Group's key strengths:

- World leading technology;

  Following research and development over 9 years PHC has identified methods of producing commercially viable superior strains of naturally occurring organisms, namely mycorrhizal fungi and rhizosphere bacteria. PHC has established a portfolio of marketable products which have been sold in parts of the US, Mexico, Europe and South America.

- Established routes to market at all levels;

  Through a network of national and international distribution partners, wholesale outlets and direct selling methods PHC has established clearly defined routes to market in all its key markets.

- Proven management team;

  The management has entrepreneurial experience as well as knowledge of the 'green' sector and the technology that is central to the PHC product offering.

- Growing market opportunity;

  The majority of markets that PHC is selling into are growing. For example in the case of sports turf, the number of golf courses in the US and Europe is increasing, stimulating a demand for fertilisers, plant stimulants and microbial inoculants. The demand from agriculture in the US, Mexico and Europe is also on the increase.

- Increasing legislative and regulatory drivers;

  Legislation is emerging in the US and Europe which is increasing the size of PHC's marketplace. Several US States such as Minnesota, municipalities such as Boston and some communities around New York City have enacted legislation limiting the use of synthetic nitrogen and phosphorus-based fertilisers. In both Europe and the US traditional synthetic insect and fungal control agents are increasingly being banned from use in public areas and agriculture. For example, methyl bromide is being banned by international treaty. There are further signs that certain existing practices and the use of certain chemical products are being called into question by governments and pressure groups.

  Regulation is slowly emerging in many countries to restrict the use of non-essential pesticide products for purposes such as lawn care treatments. For example, Sweden is proposing to limit the use of chemical herbicides in gardens. Likewise, in Canada the Supreme Court banned lawn pesticides in June 2001. In the US the EPA (Environmental Protection Agency) announced an agreement to phase-out diazinon, one of the most widely used pesticides in the United States, for indoor uses and for all lawn, garden and turf uses in 2003.

- Strong economic drivers;

  PHC's approach is to develop the sustainable structure of the soil which, as well as significantly improving plant yields, results in the net volume of product required for long-term results being considerably lower than the majority of alternative synthetic products on the market, making PHC's products more economically attractive to the end user.

- Acquisition opportunities that leverage PHC's existing competitive position;

  The markets for mycorrhizal fungi inoculants, biofertilisers, water management agents and other natural plant care products are large and highly fragmented. In addition to the acquisitions of VAMTech and of a new product line (see below) the Directors have identified a number of other acquisition opportunities which they believe will enhance PHC's product portfolio. Often these companies have an interesting technology but have no routes to market. PHC will seek to utilise its existing and future distribution and sales network to sell products that other companies have been unable to commercialise.

The Directors consider that the combination of these strengths differentiates the Group from its competitors and will enable it to maximise its opportunities.

The Market Opportunity

The Company has segmented the market into the following areas and developed specific biological products and applications for each market:

Horticulture, ornamental and landscaping

This market includes the planting, establishment and maintenance of trees, shrubs and flowerbeds by professional landscapers and arborists, as well as seedling and transplant establishment by nurseries and greenhouses. Landscape architects and state and local governments also form an important part of this market because of their role in creating planting and maintenance specifications. In the US alone, approximately 330 million landscape trees and ornamental shrubs are sold annually with stock purchases exceeding US$10 billion. Annual US stock purchases of professional services from this market group exceed US$14 billion.

Golf and sports turf

The sports turf market is wide-ranging but principally dominated by the golf turf market. There are over 18,000 golf courses in the US representing 1.36 million acres of turf grass, with a further 1,000 courses in design or under development. On top of this, the number of resort courses under construction in Mexico is growing substantially.

Legislative drivers are also a factor in this market. In the US a chemical class, organophosphates, used as insecticides, are banned from use on golf courses and turf farms. In addition, there has been a move in the US to establish holistic management of golf courses, which is being mirrored in the UK. This means that turf managers are increasingly concerned with speciality nutrients, which would reduce the amount of nitrogenous fertilisers that they otherwise must apply. It is estimated that the potential US speciality nutrients market is worth US$120 million.

Agriculture

It is estimated that agriculture represents a potential US$3 billion market for products such as PHC's. This includes high end fruit, vegetable and nut crops in the US, Mexico, Europe and North Africa. The Directors believe that Mexico will become the largest exporter of vegetables in the world, with total vegetable acreage equal to that of the US. However, chemical runoff is contaminating large bodies of water, and the use of certain chemicals, for example methyl bromide, is being banned around the world. As such the Directors are confident that there will be increased worldwide demand for PHC's eco-friendly products.

Retail home garden

Gardening is the fastest growing hobby in the US and is popular in the UK, with an estimated 84 million US households spending approximately US$38 billion annually on retail lawn and garden products.

Land reclamation

This market includes the remediation and re-vegetation of mining sites using various microbes and plant species. There are millions of acres of mine wasteland to be reclaimed in the US. This area will require significant amounts of plant material requiring expenditures in the US of several hundred million US dollars. There is clear evidence to show that PHC's products dramatically increase the survivability of plants in extreme soil conditions such as high levels of acidity in redundant mine sites.

Technology

The Group's technology, described below, is founded on a number of trade secrets.

Mycorrhizal fungi

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

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

PHC with its partner, Formosa Plastics Corporation, has developed processes that isolate and concentrate VAM (Vesicular-Arbuscular Mycorrhizal) fungal spores. This allows PHC to produce products that have a longer shelf life (a minimum of 3 to 5 years) than products based on other propagules, such as root fragments. Spores can be mixed effectively with other biological (i.e. bacteria) and non-biological (i.e. biostimulants) ingredients to enable the Group to diversify its product portfolio.

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

PHC has broadened the mycorrhizal fungi product line to include diverse fungal inoculant products, which increase a plant's tolerance to:

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

Rhizosphere bacteria

The top 8 to 10 inches of soil, the area containing most of the absorbing plant roots (rhizosphere), contains an extremely important and diverse ecosystem with intense biological activity and processes, and mutually beneficial interactions between rhizosphere bacteria and plant roots. Rhizosphere bacterial species used by PHC include bacteria that:

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

PHC has also developed a number of rhizosphere bacterial inoculants that have been successfully field tested on diverse plant species in the past seven years and a biofertiliser product which are all commercialised and in the Group's current product range.

General

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

Product Overview

PHC has developed a number of branded products that are already on the market:

- **Mycor® Plant Saver®, Mycor®, Flower Saver® Plus and Mycor® Tree Saver® Transplant** – mycorrhizal fungal inoculants

  US$10 billion is spent annually in the US on flowers and ornamental trees and shrubs. Approximately US$1.5 billion worth of plants die due to transplant stress and poor planting techniques.

  These products, which can significantly reduce plant loss and decline due to poor soil conditions and drought, contain both ectomycorrhizal and VAM fungi, micronutrients and beneficial rhizobacteria.

- **Compete Plus®, BioPak® and BioPak Plus®** – bacterial inoculants

  These products contain rhizosphere bacteria, micronutrients and various other soil microbes that improve soil fertility, biologically promoting a healthy plant root system that is more resistant to environmental stress.

- **Healthy Start®, Colonize™ T&O, and Flexx®** – biofertilisers for commercial turf and ornamental markets

  These products contain organic nutrients and rhizosphere bacteria and create root and soil conditions that ensure optimal plant growth, enriching the soil profile and restoring the soil's natural bioactivity and structure.

- **Terra-Sorb®** – a polymer gel for plants improving water retention in the soil

  A long lasting hydrogel that absorbs many times its weight in water and slowly releases it into the root zone for use by plant roots. Particularly useful in areas that experience drought conditions or volatile and unpredictable rainfall patterns.

- **Yuccah**® – a soil wetting agent

  This product improves the penetration of water or soluble fertilisers into soil. Yuccah® is extracted from a Yucca plant and is used to improve water penetration into soil thereby reducing plant wilting and heat stress in hot weather. By allowing the water to penetrate the soil, it provides moisture for the roots to absorb and reduce the previously mentioned stress conditions.

- **Pond Saver**® – a bacterial pond cleaner

  This product is an organic concentrated blend of PHC's proprietary bacteria that quickly and naturally degrade nutrients, organic matter and other hydrocarbons, clearing the water of odours and discoloration.

In addition, PHC has exclusive rights to sell a liquid organic plant food in Europe in the agriculture and horticulture markets.

The Directors believe that the key feature of PHC's products is that they are either cheaper or more effective (or both) than existing available synthetic chemical products. The Directors also believe that because the Group's products are natural, as opposed to the majority of products available in the existing market, which is largely made up of synthetic-based products, they enhance the PHC proposition further.

PHC Reclamation

PHC Reclamation is a leader in the use of mycorrhizal fungi and bacteria for the establishment of trees, shrubs, grasses and flowers on lands disturbed by mining, construction and other activities in the US. Over the past 20 years the management team of PHC Reclamation has been involved in the investigation, inventory, engineering, design, construction management, and re-vegetation of reclamation projects. PHC Reclamation has offices strategically located in several US States providing immediate service to its clients in mining, forestry and other industries.

PHC Reclamation works directly with customers to help design and implement solutions for land restoration projects, including large-scale mineland reclamation, reclamation of sites disturbed by construction and other activities, habitat restoration, and reforestation of degraded sites.

Reclamation Contracts and Projects

Reclamation contracts can range from providing limited products and services to providing all services required for the project from start to completion. These services include project management, consulting, technical and biological services, products, site investigation, engineering and design and construction management services.

Complete project contracts begin with being selected by the client as a qualified firm to do the tasks required. Submission of detailed cost and technical proposals is followed by an interview. Upon selection contract terms and fees are negotiated and finalised based on the project scope of work. Typical reclamation contracts are done in phases and addendums are made for additional fees for each phase. The initial value of a contract typically increases several times over the life of the contract.

Government Involvement

Projects completed by PHC Reclamation for both private and public clients, have received State and Federal recognition in the US. PHC Reclamation is a major reclamation specialist company for the State of Wyoming Abandoned Mine Land Programme ("AML Programme"). PHC Reclamation is considered a qualified supplier of reclamation and re-vegetation services for the AML Programme.

Reclamation work is often co-ordinated with, and approved by, numerous Federal and State agencies.

Key Business Drivers

Abandoned Mine Land (AML) Programme

The AML Programme is a major client of PHC Reclamation. Since 1999 PHC Reclamation has been awarded contracts worth US$3 million dollars. This is expected to increase to US$4 million by the end of 2004. In addition, the Directors expect to procure additional contracts in the future.

US Federal law provides for the restoration of lands mined and abandoned or left inadequately restored prior to 3 August 1977. Production fees (that vary depending on the nature of the mining activities undertaken) are collected from coal producers at all active coal mining operations. The fees are deposited in the AML Fund, which is used to pay the reclamation costs of abandoned mine land projects. From 30 January 1978, when the first fees were paid, through to 31 March 2004, the Fund has collected almost US$7 billion and appropriations totalled almost US$5.5 billion. The unappropriated balance of the AML Fund (from 1996 to 31 March 2004) is approximately US$1.5 billion. The unappropriated balance for only the State of Wyoming (as at 31 March 2004) is over US$390 million.

Current Reclamation Regulatory Requirements

The US legislation also provides for the establishment of federal reclamation requirements for all coal mining started after 3 August 1977 in the US, and also for the formation of State programmes for the same purpose. Essentially this requires all coal mining companies to be responsible for, and pay for, reclamation of lands they disturb. In addition, most State reclamation programmes now require all mining activities to be reclaimed by and paid for by the operator.

To date reclamation contracts with private companies have constituted a significant source of revenue for PHC Reclamation and the Directors are confident that this will continue to be the case.

Significant PHC Reclamation clients include: Wyoming and Ohio AML Programmes, Kennecott Minerals Company, UMETCO and ANP Blackstone Energy Company.

Completed Projects

- Wyoming AML Project

  This was a US$100,000 project completed in 2003. PHC Reclamation conducted a Statewide inventory of over 300 mine sites eligible for reclamation. PHC Reclamation was responsible for the identification of sites requiring reclamation, evaluation of new sites not presently included in the AML database and the determination of the extent of reclamation work required.

- UMETCO Minerals Corporation

  This was a US$160,000 project completed in 2000. PHC Reclamation provided biological consulting and vegetation establishment services for UMETCO-owned sites in the State of Colorado in the US. The project included species selection, the selection of soil amendments, preparation of the seedbed and pit seeding. The soil was inoculated with PHC's VAM fungi spores and rhizobacteria.

- ANP Blackstone Energy Company ("ANP")

  This was a US$187,000 project completed in 2002. PHC Reclamation provided technical and biological services for the reclamation and restoration of an area adjacent to ANP's power generating facility in the State of Massachusetts in the US. This project was located in a populated area and compliance with stringent restoration regulations was required. PHC Reclamation provided design review, developed the re-vegetation programme including plant species selection, prepared construction cost estimates, secured contractors and provided construction management. Container-grown trees and shrubs and grasses were inoculated with specific PHC mycorrhizal fungi and bacteria products and outplanted with great success.

- Kennecott Minerals Company ("KMC")

  KMC is owned by Rio Tinto, one of the largest mining companies in the world, and operates copper and other metallic mines in the US, including coal and gold. PHC Reclamation has provided reclamation services for two of KMC's gold mine operations, one in South Carolina and one in Nevada.

  South Carolina

  This was a US$300,000 project completed in April 2002. KMC had attempted to establish vegetation in 2000 and 2001 without success. KMC requested PHC Reclamation to inspect the site in 2001 and to provide re-vegetation recommendations. PHC Reclamation determined that re-vegetation was failing primarily due to acidic soil conditions, lack of essential soil micro-organisms and soil compaction. During April 2001 PHC Reclamation carried out soil testing, soil amending and lime application and finally the site was inoculated with PHC's VAM fungi spores and rhizobacteria. In addition, special pit seeding techniques were applied to provide immediate mitigation of soil erosion by water runoff. By the end of 2002 vegetation establishment had occurred and soil erosion had been mitigated.

PHC Reclamation is currently providing services to KMC for the reforestation of selected areas of the reclaimed mine site. Pine trees inoculated with PHC's ectomycorrhizal fungi have been planted in extreme hazard sites. These are currently being monitored and the results to date show high survival rates and good early growth.

Nevada

This was a US$450,000 project completed in March 2004. In 2002 the mining operations were terminated and reclamation of the mine site and facilities began. On request PHC Reclamation inspected the site in August 2003 and provided its recommendations for re-vegetation. The site was fertilised, inoculated with PHC's VAM fungi spores and rhizobacteria and after various other actions to stabilise erosion and water runoff work was completed in March 2004. The Directors estimate that approximately 300 additional acres will require reclamation prior to 2007.

Current Projects

- Wyoming AML Project (Bentonite)

  To date PHC Reclamation has generated US$1.4 million of revenue from this project and the Directors expect the project to generate a further US$1.1 million of revenue by its expected completion. PHC Reclamation undertook site investigations, development of cost-effective designs and specifications, pre-construction bidding services and construction management.

- Wyoming AML Project (Casper)

  To date PHC Reclamation has generated US$1.1 million of revenue from this project and the Directors expect the project to generate a further US$2.9 million of revenue by its expected completion. PHC Reclamation is providing engineering services for a State-wide reclamation project to evaluate and eliminate public safety hazards and environmental hazards associated with a variety of types of abandoned mine sites.

- Wyoming AML Project (Cheyenne)

  To date PHC Reclamation has generated US$600,000 of revenue from this project and the Directors expect the project to generate a further US$2.3 million of revenue by its expected completion in 2006. In July 2003, PHC Reclamation was awarded a contract to perform an inventory and assessment of the physical and environmental hazards associated with a former gold mine property. The purpose of the evaluation was to provide the Wyoming Department of Environmental Quality and the AML Programme with a report describing the investigative and inventory methods used, findings, methods of hazard mitigation, recommendations, and estimated costs to restore the property to acceptable levels of public safety. The Directors believe that this project is currently considered the highest profile AML Programme project in the State of Wyoming.

Future Projects

PHC Reclamation is currently in discussion with a number of organisations regarding future projects and contracts. These discussions are at differing stages of development.

Proposed Acquisition of VAMTech

PHC has entered into a letter of intent to acquire, for approximately £1.1 million, the entire issued share capital of VAMTech, a company specialising in the synthesis of formononetin, a compound that stimulates the growth of mycorrhizal fungi already existing in the soil.

Formononetin is already a key ingredient in a number of PHC products. In addition, it has been demonstrated to increase the production of row crops, such as corn, soybeans and cotton, even when used in very small quantities.

VAMTech has historically been an R&D company with minimal sales. However, PHC can provide additional routes to market through its own existing sales channels. In addition, the acquisition of VAMTech should enable PHC to target new markets, the most important one being agriculture.

Proposed Acquisition of New Product Line

PHC has entered into a letter of intent to acquire, for approximately £0.4 million, a microbiological product (Azospirillum) and its associated trademarked brand, Recharge®, from Turf Labs of San Diego, California. As part of this acquisition PHC is likely to enter into a long term agreement with Simplot Partners, one of the largest sports turf distributors in the US, to be the exclusive provider of all Simplot's biological products.

This product line will further enhance PHC's turf offerings and will complement the natural microbial programme approach the Group currently employs in the sports turf arena. The beneficial effects of the Recharge® programme are well documented by many university research studies. The Directors believe that this product when used in conjunction with PHC's VAM fungi and formononetin will greatly enhance the root system of turf grass as well as decrease the time required for grow-in of new turf.

Distribution

PHC has established national and international distribution arrangements with key companies including:

John Deere Landscaping ("JDL")

PHC products are being promoted in the US through over 70 JDL stores. PHC Inc has been selling to JDL for approximately four years. As with all of its distributors, PHC supports JDL with marketing material and sales support. In the year ended 31 December 2003 PHC sold approximately US$400,000 of products to JDL.

Simplot Partners

PHC is using Simplot to distribute its products to the sports turfs market and more specifically to the golf turf market. Simplot is one of the largest distributors of turf care products in the US. In addition, the golf course business is heavily dependent on relationships with the golf course manager. As a result, a direct sales force is essential for the large golf courses. It is also necessary because distributors are generally reluctant to embrace new product lines. In 2003 PHC sold US$215,000 of products to Simplot Partners.

White Labelling

PHC is in discussions with one of the world's largest manufacturers of plant products to the retail market, whereby PHC will provide the 'know-how' and produce products for this party's branded natural fertiliser and stimulant product.

Notable End Users

PHC has an established, high quality end user customer base for its products. For example, PHC has been selling certain of its products to New York City Parks & Recreation ("NYCP") since 1998. The current average life expectancy of a tree planted in New York City is seven years as the soil quality is often very poor. However, the Directors believe PHC's products are able to improve the life expectancy of the plants and trees that are planted. The survival rate of newly installed trees was 88 per cent., but by using Tree Saver® at installation, survival rate has been increased to 96 per cent. and trees are now set for long term health. PHC's products are specified by many divisions of NYCP in their planting programmes.

Business Strategy

PHC's business strategy is based on three principal elements geared toward achieving the Company's goal of leadership in the relatively young and fast-growing specialty biological products industry. PHC offers a full line of proprietary, cost-effective biological products that help increase plant, soil and water productivity while meeting or exceeding the increasingly stringent standards of environmental regulations. In doing so, PHC's goal is to become the leading supplier of biological products to targeted high value plant care markets. These strategic elements are set out below.

Aggressive sales and marketing programme

PHC's sales and marketing programme is focused on the market-driven commercialisation of its products. The PHC management team has considerable experience commercialising proprietary plant and soil care products for its target markets. With additional investment, management plans to aggressively expand its sales and marketing organisations who are charged with developing and servicing key customer and distributor relationships. PHC has already established strong sales channels with both national and independent distributors and has a loyal customer base in the commercial horticulture, land reclamation and golf course markets. The Group is in a position to "leverage" this asset by systematically introducing new products to its existing customers.

PHC's immediate operational and business needs are as follows:

- expansion of the US sales force into the agriculture market in California, Texas, and Arizona;
- development of marketing materials, university studies, field trials, and product registrations to support this expansion;
- recruiting additional engineers to support available land reclamation projects;
- further development of the golf market in the US, Mexico and Europe;
- geographic expansion from existing bases into France, Spain, North Africa and Latin America; and
- infrastructure improvements.

New product development

The Directors believe that PHC is a world leader in the development and production of mycorrhizal fungi and rhizosphere bacterial products. The Company has successfully developed and launched numerous specialty products and its new products fit established field operations and are practical and easy to use. PHC will continue to pursue these product development activities and objectives.

Product line growth through strategic alliance opportunities and acquisitions

A key element in PHC's strategy is to dominate the biological products segment of targeted plant care markets through acquisitions and licensing arrangements. These markets are highly fragmented and management is aware of numerous specialty products companies existing on the strength of only one product or product line. The Directors believe that a good opportunity exists to consolidate such companies through acquisition or licensing of viable products and technology.

In addition to the proposed acquisition of VAMTech, PHC is in discussions with a number of other companies operating in this sector regarding acquisition or licensing opportunities. These discussions are at varying stages of advancement.

Competition

The Directors believe that there are a small number of companies with products that could be regarded as competitive to their core technology and product offering.

The competitive companies and their products can be broadly categorised as follows:

Other mycorrhizal fungi producers

In the past few years, several small companies have begun producing untested mycorrhizal fungi inoculants that are sold to reformulators. These competitive inoculants are based on root fragment propagules that do not have the extended shelf life required for commercial products. PHC inoculants are based on mycorrhizal fungi spores, that have been proven to have a shelf life of at least three years. PHC competes with these companies directly by proving through extensive field testing that PHC's inoculants are infective and effective. Before they are made commercially available, PHC inoculants must meet stringent requirements as part of the PHC Quality Control programme. The Directors believe that PHC is the only corporate group to have established such quality control requirements.

Producers of chemical-based fertilisers and inoculants

There are a number of companies both large and small that produce fertilisers and plant care products that have significantly higher levels of chemicals such as phosphorus, nitrogen and potassium than PHC's products. Whilst these products may sometimes appear to be cheaper than PHC's products, because PHC's approach is to develop the sustainable structure of the soil, the net volume required for long-term results is considerably lower, actually making PHC's products cheaper. PHC's products are also easier and safer to apply and maintain, resulting in lower operating costs. Most importantly though, they significantly improve the productivity of the plant. The net result is improved growth or yield in production and better returns. At the same time, because they are biological they adhere to all the current regulatory standards.

Competitive Advantage

The Directors believe that PHC's competitive advantage results primarily from the following four strengths:

Superior scientific team

PHC has assembled an experienced management and scientific team with extensive combined expertise in business management, marketing and product development, including internationally recognised authorities in plant and soil biology. Many competitors rely on outside consultants or universities for scientific expertise.

Strong distribution network

PHC has more than 75 distributors with several hundred locations throughout the US and Mexico. These include a number of distributors such as Simplot and John Deere Landscaping that are dominant forces in their industries.

International reach

PHC's operations in different geographic regions including the US, Europe and Mexico allow the Group to partially offset the effects of seasonal and cyclical factors affecting any particular geographic region.

Exclusive VAM fungal spore technology

The Directors believe that PHC's VAM fungi technology (utilising mycorrhizal fungi spores) allows PHC to produce products that have a longer shelf life than its competitors who are producing mycorrhizal fungi products based on other propagules or root fragments. The Directors believe that PHC is the only corporate group in the industry using this type of technology.

Financial Information

The following summary of financial information relating to the Group's activities for the year ended 31 December 2001 and the year ended 31 December 2002 has been extracted without material adjustment from the unaudited financial information on PHC Inc set out in Part IV of this document. The financial information relating to the year ended 31 December 2003 has been extracted without material adjustment from the audited financial information on PHC Inc set out in Section B of Part III of this document.

Potential investors should read the whole of this document and not rely only on the following summary information.

	12 months ended 31 December 2001 (Unaudited) $000	*12 months ended 31 December 2002 (Unaudited) $000*	*12 months ended 31 December 2003 (Audited) $000*
Turnover	6,010	7,064	8,081
Cost of Sales	2,987	3,586	4,420
Gross Profit	3,023	3,478	3,661
Operating Expenses	4,557	4,853	4,542
Operating loss	(1,534)	(1,375)	(881)
Loss on ordinary activities before taxation – continuing operations	(1,476)	(1,485)	(1,175)
Retained loss	(2,488)	(1,761)	(1,245)

Current Trading and Prospects

Since 31 December 2003, the date to which the last audited accounts for the Group were prepared, through to 31 March 2004, the end of their first fiscal quarter, the Group has continued to trade in line with expectations. Revenues through this quarter were 21 per cent. ahead of the same quarter of 2003. This increase in revenue through the first quarter is attributable to a 70 per cent. increase in European business over the prior year first quarter and a significant increase in the reclamation business. As of March 2004 PHC had booked US$2.18 million of revenue for the current financial year.

The Directors believe that the Group's strategy, as outlined elsewhere in the document, will enable it to sustain its growth throughout the current and the following financial year. In particular, the Directors believe that PHC will benefit from established land reclamation contracts that could approximate US$10 million over the next five years and specifications with New York and Boston city councils for their planting programmes (the Director of the New York City Parks Department has informed PHC management that he currently specifies the use of PHC's products in all of their bids).

Revenue Streams

In the year ended 31 December 2003 12.3 per cent. of the Group's revenue was generated by PHC Reclamation and 87.7 per cent. through the sale of its products through the Group's other key markets. The Directors expect that whilst the overall revenue of PHC Reclamation will grow, the percentage of Group revenue represented by PHC Reclamation will decrease as PHC is able to exploit more effectively its leading position in the Group's other key markets.

Reasons for Admission and Placing and Use of Proceeds

The Directors believe that admission of the Company's Ordinary Shares to trading on AIM will be beneficial to the Company for the following reasons:

- it will raise the profile of the Plant Health Care Group, providing an opportunity to position the Group as a sector innovator and technology leader and help it to attract new customers;
- it will facilitate the Group's strategy of expansion by acquisition through offering new sources of financing such acquisitions;
- it will help the Group to attract, recruit and retain key employees who may be further incentivised through share options; and
- it will aid the raising, when necessary, of additional finance, both equity and debt, for the future development of its business.

The £7.0 million (before expenses) being raised through the Placing is expected to be used to strengthen the balance sheet of the Group and to fund the following:

- acquisition of VAMTech;
- acquisition of new product lines;
- development of distribution channels;
- expansion of the sales and marketing team (see below);
- infrastructure improvements;
- increasing working capital resources; and
- acquisition of minority shares in PHC Inc.

Sales & Marketing

PHC plans to use part of the Placing proceeds to expand its network of sales professionals, boost brand awareness, deploy field trials for new agricultural products and expand its operations in Europe and Latin America.

PHC will hire additional sales professionals for the US turf and agricultural market, targeting in particular those markets in Florida, Texas and California. PHC will also develop marketing and advertising material for the agriculture market and begin field trials and product registration for new products from its acquisition of VAMTech.

Building on its current European presence in the UK and Holland, PHC plans to open new operations in other European countries including Spain, France and Germany. This will include the hiring of new sales people, establishing local distributors, setting up local field trials and local product registrations and the provision of marketing materials. PHC will also expand its existing Mexican operations into Central and South American countries such as Chile, Costa Rica, Guatemala, and Honduras.

Directors and Senior Management

Brief biographies of the Directors and senior managers are set out below. Paragraph 3 of Part V contains further details of current and past directorships and certain other important information regarding the Directors.

Directors

Dr Albert Edward Maria Joseph Fischer, aged 47 – *Non-Executive Chairman*

Dr Fischer is a citizen of the Netherlands and has been a non-executive director of PHC Inc since 2001. Dr Fischer is currently managing partner for Planet Capital Management BV, a venture capital firm that he co-founded in 2002, that focuses on sustainable energy. Previously, he was a partner with GreenPartners BV and PYMWYMIC Holding BV, an investment firm that focused on businesses that integrate the values of a socially and environmentally sustainable society into their day-to-day business practices. Dr Fischer provides consulting and advisory services to early-stage companies with respect to corporate finance, fundraising, business planning and strategy, and entrepreneurship.

Dr Fischer is also chairman of the board of the Silicon Valley Foundation, a network organisation that introduces executives to established and start-up companies, research institutes and universities in the high-tech areas such as Silicon Valley around San Francisco in the US. In addition, Dr Fischer is a director of Social Venture Network Europe, a network of European enterprises and organisations dedicated to working according to sustainable business practices.

Between 1988 and 1997 Dr Fischer worked for Elsevier Science, a leading scientific publisher, in development, publishing and product management capacities. His educational background includes a PhD in Physics from the University of Leyden in the Netherlands.

John Arthur Brady, aged 49 – *Chief Executive Officer*

Mr Brady is a US citizen and has been an executive director of PHC Inc since 2001. Mr Brady is responsible for implementing the Group's strategy and management of the Group's operations. Prior to joining PHC, Mr Brady was president and CEO of Alaska Seafood International, Inc., a start-up seafood product manufacturing company. Prior to his position at Alaska Seafood, Mr Brady served as Executive Vice President, Operations, for Anderson Clayton Corp. of Fresno, CA, one of the world's largest vertically integrated cotton companies. Mr Brady served at Anderson Clayton for 19 years. As Executive Vice President, Mr Brady managed Anderson Clayton's US operating facilities. He also managed the administrative functions of the company, including strategic planning, accounting, finance, farmer financing, acquisitions and disposals, union negotiations, marketing and management information systems. Mr Brady holds an MBA degree with an emphasis in Finance from Arizona State University and a BA degree in Political Science from the University of Connecticut.

Steven Michael Whitcomb, aged 52 – *Chief Financial Officer*

Mr Whitcomb is a US citizen and has been with PHC Inc since 2001. Mr Whitcomb is responsible for all financial aspects of the Group's business and brings to PHC over twenty-five years of broad-based financial and operational experience to the Group. Mr Whitcomb's experience extends to both start-up and established companies. Between 1993 and 2000 as vice president at Keystone Industries Mr Whitcomb was responsible for acquiring or establishing multiple US and foreign companies. He also implemented several large ERP systems while setting up corresponding reporting and control functions. Mr Whitcomb has an MBA in Finance and Information Systems from the University of Pennsylvania and a BA in Psychology and Economics from Cornell University. He is also a Certified Public Accountant in Pennsylvania USA.

Dr Donald Henry Marx, aged 67 – *Executive Director and Chief Scientist*

Dr Marx is a US citizen and has been an executive director of PHC Inc since 1995. Dr Marx spends the majority of his time working with PHC's horticulture, agriculture, turf, forestry, and land reclamation customers. He also manages the university and field-testing of PHC products. Dr Marx lectures extensively throughout the US and abroad on soil ecology, plant physiology, mycorrhizae and bacteria. He is a leading authority on mycorrhizal fungi and their practical application to plants. During his 37 years of service with the USDA Forest Service, he conducted extensive research on the practical use of mycorrhizal fungi to improve forests worldwide, as well as work in air pollution, stress relationships in trees, use of organic soil amendments in reclamation, exotic tropical forestry and nursery management. As a result of his accomplishments, Dr Marx has received numerous awards, including the Marcus Wallenberg Prize (awarded by the King of Sweden), the Barrington Moore Award from the Society of American Foresters, the USDA Distinguished Science Award, the Superior Achievement Award from the US Department of Energy and the Congress Medal for Outstanding Achievement in Plant Protection from the International Congress of Plant Protection.

Dr Marx founded the Institute for Mycorrhizal Research and Development in 1975 and the Institute of Tree Root Biology in 1990 for the Forest Service. He has authored more than 250 scientific papers in forest microbiology and has presented more than 400 invitational lectures in 28 countries, as well as at most major universities in the US and has carried out research in 25 countries.

Dr Robert Henri Chanson, aged 54 – *Non-Executive Director*

Dr Chanson is a Swiss citizen and has been a non-executive director of PHC Inc since 1995. Dr Chanson is a lawyer, politician and ecoinvestment consultant. In 1991 he founded Eco-Rating International Limited in Switzerland and since its formation has been the executive chairman. He is also currently the chairman and chief executive officer of Ambiocare Holdings AG in Switzerland. Between 1999 and 2001 he was a non-executive director of EHC Viridian Limited in the UK.

He currently acts as a member of various advisory boards and committees in academic research, commerce, industry and environmental conservation in Europe and the USA. A well-known lecturer and publisher in environmental law, ecology, green investment and politics, Dr Chanson has also been involved in numerous projects in the areas of environmental conservation, economics, law and technology. He received his Doctorate in Law from Zürich University.

Thomas Peter Isler, aged 59 – ***Non-Executive Director***

Mr Isler is a Swiss citizen and has been a non-executive director of PHC Inc since 2001. Mr Isler has extensive experience in industry, international marketing and private and international banking. Mr Isler is currently the CEO of two privately owned Swiss-based companies operating textile mills, Gessner AG and Seidendruckerei Mitlödi AG. Mr Isler is a director of several Swiss companies, including: Desco Von Schulthess AG and an international trading house; Bank Hofmann AG, a private bank.

In 1999 Mr Isler became president of the Swiss Textile Federation and previously served as the organisation's Vice President from 1991 to 1999. Since 1987, he has served as a Member of Parliament of the Canton of Zürich and he was also Mayor of Rüschlikon in Switzerland from 1978 to 1995. Mr. Isler received an MBA from the University of St. Gall in Switzerland.

Samuel Alan Wauchope, aged 52 – ***Non-Executive Director***

Mr Wauchope is a UK citizen and joined the Company as a non-executive director in June 2004. Mr Wauchope is a qualified chartered accountant having worked at Arthur Andersen from 1974 to 1985. In 1985, Mr Wauchope joined Acorn Computer Group ("Acorn") as finance director. In 1998 he was appointed sales director and from 1990 to 1995 was group managing director. Acorn was a world leader in the development of micro and personal computers, and its microprocessor design team were transferred in 1990 to a spin-out joint venture with Apple Computers, ARM Holdings Limited, which subsequently floated in London and on NASDAQ. Mr Wauchope served on the board of ARM as a non-executive director from its foundation in 1990 until he left Acorn in 1995.

Mr Wauchope subsequently became Executive Chairman of Oceonics Group plc, a group involved in precise satellite positioning and survey services. Whilst at Oceonics Mr Wauchope oversaw the spin-out as a new AIM company, of Gall Thomson Environmental plc, Oceonics' specialist marine engineering activities, and he served on the board of that company as a non-executive director from its flotation until the sale of both Oceonics and Gall Thomson to a specialist financial group in 1999. In 1998 Mr Wauchope was appointed Executive Chairman of Villiers Group plc, an engineering group which by acquisition and disposal he transformed into an international healthcare software group re-named Ultrasis plc. Ultrasis has now established operations in both the UK and USA. Mr Wauchope left the Board of Ultrasis in December 2002. Mr Wauchope also served as a non-executive director on the board of Waste Recycling Group plc from its 1994 flotation at a market capitalisation of some £8 million until its sale to a private equity firm for almost £600 million in 2003.

Mr Wauchope is currently a non-executive director of Progressive European Markets Limited and Progressive Development Markets Limited, two fund managers which manage funds specialising in the extraction of value from undervalued investment trusts and funds.

Senior Management

The Directors are supported by the following senior management:

Jason Holohan – ***Managing Director of PHC UK***

Mr Holohan combines a high level of laboratory-based scientific background and experience in the research of crop nutrition. He has been instrumental in the development of several novel products, such as PHC's organic liquid plant food and Agro-Wax.

Dr Michael Kernan – ***Technical Services, US***

Dr Kernan established the quality control protocols for PHC's products, arranges product registration and maintains the culture collection. He is the main author for the company's technical bulletins and serves as a technical editor for the majority of PHC's product literature.

Dr Joseph Strauss – *Technical Services, Europe*

Dr Strauss provides technology support to PHC's European distributors and operations. Dr Strauss also works on the development of new technologies for application in microbial ecology and manages quality control of biotechnological processes and pathogen analysis.

Dr Stephen B. Maul – *Technical Services*

Dr Maul has experience in bioengineering and he is responsible for solid-state fermentation and mycorrhizal fungal product formulation, production and quality control.

Corporate Re-Structuring

Upon Admission, the Company will become the holding company for the Group through its acquisition of a controlling interest in PHC Inc (the "Corporate Re-structuring"). The Corporate Re-structuring will enable the PHC Group to effect a fund raising, through a placing of the Company's shares, and the Admission of the Company's shares to trading on AIM.

In connection with the Corporate Re-structuring, the Company proposes to acquire all of the issued and to be issued shares in PHC Inc. This involves a number of steps, including:

- the making of the Exchange Offers by the Company to certain shareholders of PHC Inc to effect the exchange of PHC Inc Shares for Ordinary Shares in the Company; the Exchange Offers have already been made and are conditional, *inter alia*, upon the occurrence of Admission;
- immediately following Admission, the Company's sole asset other than the net proceeds of the Placing will be its shareholding in PHC Inc which will amount to not less than 83 per cent. of the issued share capital of PHC Inc on a fully diluted basis; if the Capital Reorganisation is implemented in full the Company will own approximately 93 per cent. of PHC Inc's issued share capital on a fully diluted basis; and
- following Admission, the Company intends to acquire the balance of the outstanding PHC Inc Shares and rights over PHC Inc Shares not then owned by it through a series of steps including a capital restructuring of PHC Inc.

Share Options

Options have been granted over shares in PHC Inc ("Existing PHC Options"), which, pursuant to the terms of the PHC Inc Share Option Plans, subject only to the occurrence of Admission, will be converted into options over Ordinary Shares (the "Converted Options"). Holders of the Existing PHC Options will be entitled to Converted Options in the same proportion as Ordinary Shares are being offered to the holders of PHC Inc Shares under the Exchange Offers. The Converted Options will constitute options over 4,372,500 Ordinary Shares representing 14.20 per cent. of the issued Ordinary Share capital of the Company on Admission assuming full implementation of the Capital Reorganisation. No further options will be granted under the PHC Inc Share Option Plans. A summary of the rules of the PHC Inc Share Option Plans, in so far as is relevant to the Converted Options, is set out at paragraphs 5(b) and (c) of Part V of this document.

The Company has adopted an unapproved share option scheme (The Plant Health Care plc Unapproved Share Option Scheme 2004, the "Share Option Scheme") under which, on the recommendation of the remuneration committee of the Board, it may grant employees (including directors) options over ordinary shares of the Company. No options have so far been granted under the Share Option Scheme which will replace the existing PHC Inc Share Option Plans upon Admission. The Board recognises that the Converted Options will amount to options over a number of Ordinary Shares which exceeds ABI guidelines. However, the Board also recognises the need to provide appropriate share incentives to current and future employees. Accordingly, the number of options which may be awarded under the Share Option Scheme will be limited to the greater of 3 per cent. of the issued share capital or such number as, when aggregated with the Converted Options, amounts to no more than 10 per cent. of the issued share capital of the Company. It is the intention of the Board that the percentage of the Company's issued share capital under option will be reduced to 10 per cent. in line with ABI guidelines as soon as is practicable. For the purpose of determining the maximum number of options that may be granted by the Company in the future, any Converted Options will, when exercised, be excluded from the calculation of the number of options in issue. The remuneration committee will ensure that appropriate policies regarding flow-rates exist in order to spread the potential issue of new Ordinary Shares in the Company over the life of the Share Option Scheme. The Remuneration Committee is entitled to impose performance conditions on the vesting and exercise of options. There will be a limit on the aggregate value of options which may be granted to an individual in accordance with ABI guidelines from time to time. The rules of the Share Option Scheme are summarised at paragraph 5(a) of Part V of this document.

Corporate Governance

The Directors recognise the value of the Combined Code on Corporate Governance published in July 2003 ("the Combined Code"). The Company intends, following Admission, to comply with the Combined Code so far as is practicable and appropriate for a public company of its size and nature. The Company also proposes to follow the recommendations on corporate governance of the Quoted Companies Alliance.

The Board has established an audit committee and a remuneration committee with formally delegated duties and responsibilities.

The audit committee will receive and review reports from management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Group. The audit committee will have unrestricted access to the Group's auditors. The audit committee will comprise Dr Robert Chanson and Samuel Wauchope and will be chaired by Samuel Wauchope.

The remuneration committee will review the scale and structure of the executive Directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the non-executive directors will be set by the Board. The remuneration committee will comprise Samuel Wauchope, Dr Albert Fischer, Dr Robert Chanson and Thomas Isler and will be chaired by Thomas Isler.

The Company will take all reasonable steps to ensure compliance by the Directors and employees with the provisions of the AIM Rules relating to dealings in securities of Plant Health Care and has adopted a share dealing code based on the Model Code of directors' dealings from the listing rules issued by the UK Listing Authority for this purpose.

CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the Uncertificated Securities Regulations 2001. The Company's articles of association permit the holding of Ordinary Shares to be evidenced in uncertificated form in accordance with the Uncertificated Securities Regulations 2001. The Directors have applied for the Placing Shares to be admitted to CREST with effect from Admission and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in the Placing Shares following Admission may take place within the CREST system if Shareholders so wish.

CREST is a voluntary system and holders of Placing Shares who wish to receive and retain share certificates will be able to do so.

Dividend Policy

The Directors' intention is for the Company initially to retain its earnings to finance growth and expansion. The Company intends to pay progressive dividends when, in the view of the Directors, the Company has retained sufficient cash for this purpose.

Lock-in Arrangements

Directors

The Directors, who following Admission will have, in aggregate, an interest in approximately 2.92 per cent. of the Enlarged Issued Share Capital, have given undertakings in the Placing Agreement not to sell, charge or grant any interests over any Ordinary Shares held by them or in respect of which they have any interests for the period from Admission until publication by the Company of its half-yearly report for the six months ending 30 June 2005. The Directors have also agreed not to dispose of more than 25 per cent. of their shareholding over any rolling three month period during the following year. The undertakings are subject to certain limited exceptions which are customary in undertakings of this nature.

Other Shareholders

Pursuant to the Exchange Offers, Evolution Beeson Gregory and the Company will obtain undertakings from the acceptors of the Offers, not to sell, charge or grant any interests over any Ordinary Shares held by them or in respect of which they have any interests for the period of twelve months following Admission. These Shareholders have also entered into a general orderly market agreement and agreed not to dispose of any of their Shareholding between the first and second anniversary of Admission other than by means of a disposal through Evolution Beeson Gregory and only after an agreed period of notice and consultation with Evolution Beeson Gregory. These undertakings are subject to certain limited exceptions which are customary in undertakings of this nature.

Following Admission, if the Exchange Offers are accepted in full, holders of Ordinary Shares representing not less than 55 per cent. of the Company's issued Ordinary Share capital immediately following Admission will be subject to the above mentioned undertakings.

The Placing

On Admission, the Company will have 30,795,603 Ordinary Shares in issue and a market capitalisation of approximately £16.01 million (assuming full implementation of the Capital Reorganisation). 13,461,538 new Ordinary Shares are being placed on behalf of the Company, which represents 43.71 per cent. of the Enlarged Issued Share Capital. The proceeds receivable by the Company, net of expenses, are estimated to be approximately £5.85 million.

On 30 June 2004, Evolution Beeson Gregory, the Directors, the Company and PHC Inc entered into the Placing Agreement, pursuant to which Evolution Beeson Gregory agreed to place the Placing Shares at the Placing Price on behalf of the Company with mainly institutional investors. The Placing is fully underwritten by Evolution Beeson Gregory. The Placing is conditional upon, *inter alia*, the Exchange Offers becoming unconditional in all respects in accordance with their terms (other than as to the occurrence of Admission) and valid acceptances to the Exchange Offers having been received in respect of not less than 83 per cent. of the issued share capital of PHC Inc on a fully diluted basis immediately following Admission. Further particulars of the Placing Agreement are set out in paragraph 6(a) of Part V of this document. The Placing Shares will be in registered form and, on Admission, will rank *pari passu* in all respects with the other issued Ordinary Shares and will rank in full for dividends and other distributions declared, paid or made following Admission in respect of the Ordinary Share capital of the Company. It is expected that definitive title to the Placing Shares will be delivered either under CREST on the date of Admission, where delivery is requested in uncertificated form, or by first class post by no later than 14 days from such date, where delivery is requested in certificated form. No temporary documents of title will be issued.

PART II

RISK FACTORS

In addition to all other information set out in this document, investors should carefully consider the risk factors described below before making a decision to invest in the Company. If any of the following risks actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Company's shares could decline and investors could lose all or part of their investment. This document contains forward looking statements that involve risks and uncertainties. The Group's results could actually differ materially from those anticipated in the forward looking statements as a result of many factors, including, without limitation, the risks faced by the Group, which are described below and elsewhere in this document. Making an investment in the Company may not be suitable for all recipients of this document. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. This summary of risk factors is not intended to the exhaustive.

The Group may face competition from competitors with much greater capital

The Group may face significant competition, both actual and potential, including competition from competitors who have greater capital resources in the provision of products and services, who are able to provide products that are more effective, economically viable or advanced than those provided by the Group or who undertake an aggressive pricing policy. Despite its current contractual arrangements, there is no assurance that the Group will be able to compete successfully in such a market place.

Market saturation

The Group's expansion plans may be materially affected by increased deployment of products and services by other companies. If the market becomes saturated with similar products and services, especially in the Group's target areas, then the effectiveness of the rollout set out in the Company's strategic plans may be severely diminished. The Group's ability to penetrate new geographical markets may be impeded if the Group's competitors have already become established in those markets.

The Company may need access to additional capital in the future

The Group's capital requirements depend on numerous factors, including the rate of market acceptance of the Group's products and its ability to expand its customer base. If its capital requirements vary materially from its current plans, the Company may require further financing. Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. In addition, there can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms favourable to the Company. If the Company is unable to obtain additional financing as needed, the Group may be required to reduce the scope of its operations or anticipated expansion or to cease trading.

Dependence on third parties

The Group's business depends on technology, products and services provided by third parties. For example, the Group's key products are produced from VAM fungal spores, which are supplied by Formosa Plastics Corporation, a large third party manufacturer which has entered into an exclusive contract with the Group. If there is any interruption to the technology, products or services provided by those third parties or the technology, products or services are not as scaleable as anticipated or at all, or there are problems in upgrading such technology, products or services, the Group's business will be adversely affected and the Group may be unable to find adequate replacements on a timely basis or at all.

Currency exchange risk

Fluctuations in exchange rates between currencies in which the Group operates, in particular the US dollar, may cause fluctuations in its financial results. The Company cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on its business, operating results or financial condition.

Management of growth

The Group's plans to continue its growth will place additional demand on the Group's management, customer support, marketing, administrative and technological resources. If the Group is unable to manage its growth effectively, its business, operations or financial condition may deteriorate.

Trading Market for the Ordinary Shares

The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside of the Company's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. Prior to Admission, there has been no public market for the Ordinary Shares and there is no guarantee that an active market will develop or be sustained after Admission. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List.

Dependence on key personnel

The Group's success depends to a significant extent upon a limited number of key employees. The loss of one or more key employees could have a material adverse effect on the Group. The Group expects to enter into and be the beneficiary of a keyman insurance policy in respect of John Brady in the amount of £2.0 million. No assurances can be given, however, that the loss of any key employee of the Company would not have a material adverse effect on the business, financial condition or results of operations of the Group. The Group has endeavoured to ensure that the key employees are incentivised, but the retention of such staff cannot be guaranteed.

PART III

ACCOUNTANTS' REPORTS

Section A: Accountants' Report on Plant Health Care plc

BDO

BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

The Directors
Plant Health Care plc
Clements House
14-18 Gresham Street
London
EC2V 7NN

The Directors
Evolution Beeson Gregory Limited
100 Wood Street
London
EC2V 7AN

30 June 2004

Dear Sirs

PLANT HEALTH CARE PLC ("THE COMPANY")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 30 June 2004 of the Company ("the Admission Document").

The Company was incorporated on 30 April 2004. As at 13 May 2004, the Company had not traded, nor had it received any income, incurred any expenses or paid any dividends. Consequently no profit and loss account is presented. No financial statements have been drawn up.

Basis of preparation

The financial information set out below is based on the balance sheet of the Company as at 13 May 2004 ("the Balance Sheet") to which no adjustments were considered necessary.

Responsibility

The Balance Sheet is the responsibility of the directors of the Company ("the Directors") and has been approved by them.

The Directors are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the Balance Sheet, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Balance Sheet underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 13 May 2004.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Balance sheet as at 13 May 2004

	As at 13 May 2004
	£
Current assets	
Cash at bank	12,500
Debtors – unpaid share capital	37,500
Net assets	50,000
Share capital and reserves	
Called up share capital	50,000
Shareholders' funds – equity	50,000

FINANCIAL INFORMATION

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Share capital

The Company was incorporated with authorised share capital of £5,000,000 divided into 500,000,000 ordinary shares of 1 pence each. On incorporation, two ordinary shares of 1 pence each were issued at par value.

On 12 May 2004, 4,999,998 ordinary shares of 1 pence each were issued for cash, with 0.25 pence paid up on each share.

Subsequent events

On 14 May 2004, the Company made an offer to those shareholders of Plant Health Care Inc who are not resident in the United States whereby ordinary shares of 1 pence each in the Company were offered on the basis of three ordinary shares of 1 pence each in the Company for each two shares of common stock of $0.001 each in Plant Health Care Inc.

On 27 May 2004, the Company made an offer to certain shareholders of Plant Health Care Inc who are resident in the United States whereby ordinary shares of 1 pence each in the Company were offered on the basis of three ordinary shares of 1 pence each in the Company for each two shares of common stock of $0.001 each in Plant Health Care Inc.

Both the above exchange offers are conditional, amongst other things, on admission of the Company's shares to AIM ("Admission").

On 31 May 2004, the Company advised the holders of the convertible loan notes that would automatically convert into common stock of Plant Health Care Inc that the above exchange offers will be available for acceptance by them, in respect of those shares in the common stock in Plant Health Care Inc which they will hold, following the automatic conversion of their notes, on Admission. Such noteholders not wishing to convert were offered the opportunity to redeem their notes together with accrued interest.

On 1 June 2004, the Company advised those holders of warrants over shares in Plant Health Care Inc that would be deemed to be automatically exercised over the ordinary shares in the Company, on Admission, that they were being given the option to receive shares in the Company either by payment of the exercise price, or without having to pay the exercise price, with the number of shares being adjusted to reflect this.

Some of the convertible promissory notes and warrants contain different provisions with respect to conversion, exercise and other matters and are not subject to automatic conversion (in the case of notes) or exercise (in the case of warrants) on a change of control.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

BDO

BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

The Directors
Plant Health Care plc
Clements House
14-18 Gresham Street
London
EC2V 7NN

The Directors
Evolution Beeson Gregory Limited
100 Wood Street
London
EC2V 7AN

30 June 2004

Dear Sirs

PLANT HEALTH CARE, INC. ("PHC INC")

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 30 June 2004 of Plant Health Care plc ("the Admission Document").

Basis of preparation

The financial information is based on the audited consolidated financial statements of PHC Inc for the year ended 31 December 2003 to which no adjustments were considered necessary.

Urish Popeck and Co., LLC, Three Gateway Centre, Suite 2400, Pittsburgh, PA, 15222, the BDO Seidman Alliance firm in Pittsburgh, were the auditors to PHC Inc for the year ended 31 December 2003. Their audit report was qualified because they did not observe the physical inventory count as at 31 December 2002, since that date was prior to their appointment as auditors of PHC Inc, and they were unable to satisfy themselves regarding quantities of inventory by means of other auditing procedures. The amount of inventory as at 31 December 2002 enters into the determination of consolidated net income and consolidated cash flows for the year ended 31 December 2003.

Responsibility

Such financial statements are the responsibility of the directors of PHC Inc who approved their issue.

The directors of Plant Health Care plc are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board except that the scope of our work was limited as explained below.

Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because of the non-attendance by the auditors at the physical inventory count as at 31 December 2002, since that date was prior to their appointment as auditors of PHC Inc, and we were unable to satisfy ourselves regarding quantities of inventory by means of other procedures.

Qualified opinion arising from limitation in the scope of our work

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of PHC Inc. and its subsidiaries as at 31 December 2003 and, except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the existence of inventory as at 31 December 2002, of their results for the year then ended.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(2)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Organisation, Business and Summary of Significant Accounting Policies

PHC Inc, with headquarters in Pittsburgh, Pennsylvania, is engaged in the development, manufacture and sale of environmentally friendly biological products to promote plant growth and improve plants' access to water and nutrients. The products include mycorrhizal fungal inoculants, biofertilizers, time-release water polymer gels, water management products and biopesticides. Applications for the products include tree care, landscape and turf management and pond care. In addition, a subsidiary of the company uses the company's products and technology in designing and implementing land reclamation projects on former surface mining and construction sites. The company was incorporated in 1994 and sells products and related services to end-user customers in the horticultural and agricultural industries directly or through authorised resellers principally in the United States, Mexico and Europe.

Basis of preparation

The financial information has been drawn up in accordance with US GAAP and under the historical cost convention.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial information includes the accounts of PHC Inc and its wholly or majority owned subsidiaries, PHC Manufacturing, Inc., PHC (PA) Inc., PHC Reclamation, Inc., Environmental Health Care, Inc., Plant Health Care de Mexico, Plant Health Care BV and Plant Health Care (UK) Limited. All material intercompany accounts and transactions have been eliminated on consolidation. Minority interests in subsidiaries are reflected as a liability on the balance sheet and as a reduction in earnings.

Cash

The company deposits cash with high credit quality financial institutions. Balances may at times exceed the limits of deposit insurance.

Inventory

Inventory includes raw material components, work-in-progress and finished goods related to the company's product line, and is stated at the lower of cost or market. Inventory cost is determined using moving average costs, which approximate costs on a first-in, first-out basis.

Factoring accounts receivable

PHC Inc sells accounts receivable to a factor, which has recourse back to PHC Inc for non-payment. An allowance for doubtful accounts is recorded for estimated bad debts including those returned by the factor. Total sales of accounts receivable to the factor, net of recourse returns, was $2,969,840 in the year ended 31 December 2003.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally ranging from 3 to 15 years. Expenditures for maintenance and repairs, which do not materially extend the lives of assets, are charged to operations as incurred.

Revenue recognition

The company derives revenues from the sale of biological products and related services. Revenues are recognised upon shipment of products and when title and risk of loss transfer to the customer. Revenue from service contracts is recognised as the services are performed and revenue is earned and billed over the term of the contract.

Stock-based compensation

The company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees*" (APB 25), and complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123, "*Accounting for Stock-Based Compensation*" (SFAS No. 123). The determination of compensation expense is based upon the intrinsic value of the options at the date of grant.

Research and development costs

Research and development costs are charged to operations as incurred.

Foreign currency translation

Local currencies are used as the functional currency for foreign operations. Translation gains and losses are included as a separate component of shareholders' equity as other comprehensive income or loss.

Income taxes

The company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "*Accounting for Income Taxes*". Under this accounting standard, deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the applicable enacted tax rates. Deferred income tax expense or benefits are based on the changes in deferred tax liabilities or assets from period to period and relate primarily to differences in net operating losses and accrued expenses for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realised.

Concentrations of credit risk

Financial instruments that potentially subject the company to a concentration of credit risk consist of cash and accounts receivable. The company's accounts receivable are derived from revenue earned from customers primarily located in the United States, Mexico and Europe. The company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The company maintains an allowance for doubtful accounts receivable based upon their expected collectibility.

Goodwill

Goodwill represents the excess of the purchase price for a business acquisition over the value of the assets acquired. In accordance with SFAS No. 142, "*Goodwill and Intangible Assets*", goodwill is not amortised, but is tested for impairment on an annual basis.

Consolidated statement of operations

	Year ended 31 December 2003 $000
Revenues	
Product sales	7,534
Service	547
Total revenues	8,081
Cost of revenues	
Product sales	3,934
Service	486
Total cost of revenues	4,420
Gross profit	3,661
Operating expenses	
Sales and marketing	2,302
General and administrative	2,020
Research and development	220
Total operating expenses	4,542
Loss from operations	(881)
Other income (expense)	
Interest expense	(243)
Loss on sale of accounts receivable	(123)
Interest and other income (expense)	89
Gain on disposal of business operation	17
Minority interest in income of subsidiary	(34)
Total other (expense)	(294)
Net loss before income taxes	(1,175)
Provision for income taxes	(70)
Net loss	(1,245)

Consolidated balance sheet

Assets

	Notes	*As at 31 December 2003 $000*
Current assets		
Cash		335
Accounts receivable, net of allowance for doubtful accounts of $176,427		1,315
Inventory	1	790
Prepaid expenses		91
Other current assets		16
Total current assets		2,547
Property and equipment		
Leasehold improvements		137
Production equipment		558
Office furniture and equipment		553
Equipment under capital leases		84
		1,332
Less accumulated depreciation		(946)
Total property and equipment		386
Other assets		
Goodwill		300
Other assets		75
Total other assets		375
		3,308

Liabilities and shareholders' deficit

	Notes	As at 31 December 2003 $000
Current liabilities		
Current portion of notes payable	3	180
Current portion of convertible notes payable	2	56
Current portion of convertible notes payable – shareholders	2	1,617
Current portion of capital lease obligations	10	15
Accounts payable		933
Accrued liabilities and expenses		429
Accrued interest on notes payable to shareholders		192
Corporate taxes payable		23
Deferred income taxes		59
Total current liabilities		3,504
Long term liabilities		
Notes payable	3	27
Convertible notes payable	2	100
Convertible notes payable – shareholders	2	263
Capital lease obligations	10	50
Minority interests in subsidiaries		148
Total long-term liabilities		588
Total liabilities		4,092
Shareholders' equity		
Common stock, \$.001 par value, 30,000,000 shares authorised: 8,965,309 shares issued and outstanding		9
Preferred stock, 5,000,000 shares authorised, no shares issued and outstanding		–
Additional paid-in capital		12,121
Other comprehensive income (loss)		(251)
Treasury stock, 249,200 shares – at cost		(482)
Accumulated deficit		(12,181)
Total shareholders' deficit		(784)
		3,308

Consolidated statement of changes in shareholders' deficit

	Common stock \$000	Additional paid-in capital \$000	Other comprehensive income \$000	Treasury stock \$000	Accumulated deficit \$000	Total \$000
Balance at 31 December 2002	9	11,847	(171)	(482)	(10,936)	267
Stock issued	–	274	–	–	–	274
Foreign currency translation loss	–	–	(80)	–	–	(80)
Net loss	–	–	–	–	(1,245)	(1,245)
Balance at 31 December 2003	9	12,121	(251)	(482)	(12,181)	(784)

Cash flow statement

	Year ended 31 December 2003 $000
Cash flows from operating activities	
Net loss	(1,245)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation and amortisation	138
Deferred income taxes	59
Loss on retirement of property and equipment	4
Services acquired with notes payable	123
Minority interest in income of subsidiary	34
Changes in operating assets and liabilities:	
Accounts receivable	(518)
Inventory	14
Prepaid expenses	(32)
Other current assets	35
Other assets	18
Accounts payable	(84)
Accrued liabilities and expenses	(31)
Accrued interest on convertible notes payable – shareholders	155
Corporate taxes payable	7
Net cash used by operating activities	(1,323)
Cash flows from investing activities	
Purchase of property and equipment	(50)
Net cash used in investing activities	(50)
Cash flows from financing activities	
Proceeds from issuing notes payable	50
Principal payment on notes payable	(2)
Proceeds from issuing convertible notes payable	150
Proceeds from issuing convertible notes payable – shareholders	1,370
Principal payments on convertible notes payable – shareholders	(250)
Principal payments on capital lease obligations	(11)
Proceeds from issuing common stock	274
Net cash provided by financing activities	1,581
Effect of exchange rate changes	(80)
Net increase in cash	128
Cash beginning of year	207
Cash end of year	335
Supplemental disclosure on cash flow information:	
Cash paid for interest	211
Supplemental disclosure on non-cash financing activities:	
Assets acquired with a capital lease obligation	60
Asset acquired with note payable	37

NOTES TO THE FINANCIAL INFORMATION

1 Inventory

	As at 31 December 2003 $000
Inventory consists of the following:	
Raw materials	411
Work-in-progress	55
Finished goods	324
	790

2 Convertible notes payable

	As at 31 December 2003 $000
Convertible notes payable to shareholders with interest at rates ranging from 8.0 per cent. to 17.5 per cent., due through February 2005. The notes are convertible into common stock of the company at a price of $1.00 per share. Notes totalling $900,000 are collateralised against certain assets of the company.	1,880
Convertible notes payable with interest at rates ranging from 12 per cent. to 17.5 per cent., due through August 2005. The notes are convertible into common stock of the company at a price of $1.00 per share.	156
	2,036
Less current maturities:	(1,673)
Long-term convertible notes payable	363

The above distribution of current and long-term maturities includes $1,617,334 and $262,667 payable to shareholders that is reported as current portion of convertible notes payable – shareholders and long-term convertible notes payable – shareholders, respectively.

Maturities of convertible notes during the next two years ending 25 August 2005 are as follows:

	As at 31 December 2003 $000
Amount 2004	1,673
Amount 2005	363
Total	2,036

Interest expense to the shareholders related to the above notes amounted to $199,067.

3 Notes payable

	As at 31 December 2003 $000
Note payable due in monthly instalments of $5,000 including interest at 10.0 per cent. through 31 December 2004, secured by certain company assets	36
Unsecured note payable due in monthly instalments of $7,536 including interest at 8 per cent. through 31 December 2004	87
Unsecured $50,000 line of credit with a financial institution with interest at 7 per cent. and maturing November 2004	50
An interest free note payable to a financial institution, secured by a vehicle, with monthly principal payments of $609 and maturing during 2008	34
	207
Less current maturities	(180)
Long-term notes payable	27

4 Income taxes

For the year ended 31 December 2003, the company had a net operating loss for U.S. federal income tax purposes of approximately $1,261,000. The provision for income taxes reflected in the consolidated statement of operations relates to taxable income from foreign operations.

U.S. deferred tax assets and liabilities consist of the following:

	As at 31 December 2003 $000
Deferred tax assets:	
Net operating loss carryforwards	3,727
Accrued expenses and other	138
	3,865
Deferred tax liabilities:	
Property and equipment	(4)
	3,861
Valuation allowance	(3,861)
Deferred taxes	–

Due to the uncertainty regarding the company's ability to realise the benefit from its net deferred tax assets, a valuation allowance has been established equal to the amount of the net deferred tax asset at 31 December 2003.

At 31 December 2003, the company had net operating loss carryforwards available to offset future U.S. federal taxable income of approximately $10,669,000, which begins to expire in 2018. In addition, at 31 December 2003, the company had approximately $995,000 of net operating loss carryforwards available to offset future U.S. state taxable income which begins to expire in 2008. Under the U.S. Tax Reform Act of 1986, the amount of and benefits from net operating loss carryforwards may be impaired and limited in certain circumstances. Events which cause limitations in the amount of net operating losses that the company may utilise in any year include, but are not limited to, a cumulative ownership change of more than 50 per cent., as defined, over a 3-year period.

The company may incur future tax penalties in the U.S. for untimely filing of certain tax returns and related documents. Management believes the ultimate outcome regarding these contingent liabilities would not be material to the financial statements.

5 Capital stock

Series A Preferred Stock

No shares are issued and outstanding at 31 December 2003. These shares have a liquidation preference to the extent of the original issue price plus accumulated and unpaid dividends. Dividends accrue on a cumulative basis at the rate of 8 per cent. per annum, non-compounded. Shares are convertible to common stock on a one-to-one basis subject to adjustments for stock dividends, splits, combinations and similar events.

Warrants for common stock

In conjunction with issuing convertible notes (Note 2), the company issued warrants to purchase 675,502 shares of common stock to shareholders and warrants to purchase 51,685 shares of common stock to non-shareholders. The warrants have an exercise price of $0.50 per share and expire in 2007 and 2008. All warrants remain outstanding at 31 December 2003.

Other warrants issued primarily to shareholders, to purchase shares of common stock, that were outstanding at 31 December 2003 were:

Warrants	*Exercise price* $	*Expiration*
19,024	1.25	2004
10,000	1.50	2008
33,785	2.00	2005
17,353	3.00	2004
9,000	3.50	2005
9,241	4.00	2005
98,403		

6 Stock option plans

The company has two plans, the 1996 Stock Option Plan and the 2001 Equity Incentive Plan ("the Plans"). The Plans provide for the granting of stock options to employees. Options granted under the Plans may be either incentive stock options ("ISO") or nonqualified stock options ("NQSO"). Incentive stock options may be granted only to company employees (including officers and directors who are also employees). Nonqualified stock options may also be granted to company employees.

Options under the Plans may be granted with terms of up to 10 years at exercise prices not less than 100 per cent. of the estimated fair value of the underlying common stock on the date of grant. Options granted vest rateably after the date of award. Once vested, options are immediately exercisable.

	Number of shares	*Weighted average exercise price* $	*Weighted average remaining contractual life* Years
Options outstanding at 1 January 2003	1,108,750	1.08	9.4
Granted	60,000	1.00	10
Forfeited	(75,000)	(1.00)	(8.9)
Options outstanding at 31 December 2003	1,093,750	1.08	8.3
Options exercisable at 31 December 2003	938,750	1.07	8.2

6 Stock option plans (continued)

Had compensation cost for the company's stock-based compensation plan been determined based on the value of the options at the grant dates for the awards under a method prescribed by SFAS No. 123, "*Accounting for Stock-Based Compensation*" the company's net loss for the year ended 31 December 2003 would have been the pro forma amounts indicated below:

	2003
	$000
Net loss:	
As reported	(1,245)
Pro forma	(1,255)

Significant weighted average assumptions used in determining fair value and compensation cost for stock options in accordance with SFAS No. 123 "*Accounting for Stock-Based Compensation*", included the following:

	2003
Expected dividend yield	0%
Expected life of option	10 years
Risk-free rate of return	1.84%
Minimum value of options granted	$1.00

7 Foreign customers

In the year ended 31 December 2003, the company had sales to customers outside the United States of America totalling $2,293,496 or 28 per cent. of consolidated net revenues. Accounts receivable from these customers amounted to $784,921 at 31 December 2003.

8 Employee benefit plans

The company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code covering substantially all employees. Employees make all contributions to the plan. The company does not contribute to the Plan.

9 Commitments

The company leases office facilities and equipment and a manufacturing facility under non-cancellable operating leases expiring at various dates through 2009. Rent expense for the year ended 31 December 2003 was $326,268.

Future minimum lease payments under non-cancellable operating leases are as follows:

Year ending 31 December	*$000*
2004	256
2005	228
2006	223
2007	214
2008	209
Thereafter	195
Total minimum lease payments	1,325

In addition, office facilities at the company's headquarters in Pittsburgh, Pennsylvania and for operations in the United Kingdom are currently leased on a month-to-month basis. The current minimum annual lease costs for these facilities in total is approximately $68,800.

10 Capital lease obligations

The company leases office and production equipment and computers under capital leases expiring through 2008. The assets and liabilities relating to these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are depreciated over the lower of the related lease terms or their estimated productive lives. The depreciation on capital lease assets was $7,617 for the year ended 31 December 2003.

Minimum future lease payments under capital leases as of 31 December 2003 through maturity are as follows:

As at 31 December	*Amount* *$000*
2004	26
2005	20
2006	19
2007	19
2008	14
Total minimum lease payments	98
Less: amount representing interest	(33)
Present value of net minimum lease payments	65
Less current maturities	(15)
Long-term capital lease obligations	50

11 Subsequent events

Since 31 December 2003, PHC Inc has issued the following unsecured loan notes:

Date of issue	*£000*
24 March 2004	500
31 March 2004	25
2 June 2004	250
	775

Repayment is on maturity. Interest is charged at 10 per cent. and accrues until maturity. The maturity date is 365 days from issue or on the completion of an initial public offering. On maturity the notes can be converted to shares or repaid.

On 14 May 2004, Plant Health Care plc made an offer to those shareholders of PHC Inc who are not resident in the United States whereby ordinary shares of 1 pence each in Plant Health Care plc were offered on the basis of three ordinary shares of 1 pence each in Plant Health Care plc for each two shares of common stock of $0.001 each in PHC Inc.

On 27 May 2004, Plant Health Care plc made an offer to certain shareholders of PHC Inc who are resident in the United States whereby ordinary shares of 1 pence each in Plant Health Care plc were offered on the basis of three ordinary shares of 1 pence each in Plant Health Care plc for each two shares of common stock of $0.001 each in PHC Inc.

Both the above exchange offers are conditional, amongst other things, on admission of Plant Health Care plc's shares to AIM.

On 31 May 2004, Plant Health Care plc advised the holders of the convertible loan notes that would automatically convert into common stock of PHC Inc that the above exchange offers will be available for acceptance by them, in respect of those shares in the common stock in PHC Inc which they will hold following the automatic conversion of their notes, on Admission. Such noteholders not wishing to convert were offered the opportunity to redeem their notes together with accrued interest.

On 1 June 2004, Plant Health Care plc advised those holders of warrants over shares in PHC Inc that would be deemed to be automatically exercised over the ordinary shares in Plant Health Care plc, on Admission, that they were being given the option to receive shares in Plant Health Care plc either by payment of the exercise price, or without having to pay the exercise price, with the number of shares being adjusted to reflect this.

Some of the convertible promissory notes and warrants contain different provisions with respect to conversion, exercise and other matters and are not subject to automatic conversion (in the case of notes) or exercise (in the case of warrants) on a change of control.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART IV

UNAUDITED FINANCIAL INFORMATION

Unaudited financial information on Plant Health Care, Inc. and its subsidiaries for the two years ended 31 December 2002

Set out below are the unaudited consolidated income statements, cash flow statements and balance sheets of Plant Health Care, Inc. and its subsidiaries for the two years ended 31 December 2002. The directors of Plant Health Care, Inc. are the persons responsible for the preparation of the unaudited consolidated income statements, cash flow statements and balance sheets and they consent to their inclusion in this document and accept responsibility for them.

Consolidated income statements

	Year ended 31 December 2001 $000	*Year ended 31 December 2002 $000*
Product sales	5,335	6,075
Contracting	675	989
Total sales	6,010	7,064
Cost of goods sold	2,987	3,586
Gross profit	3,023	3,478
Selling, general and administrative expenses	4,557	4,853
Operating income (loss)	(1,534)	(1,375)
Other (income) and expense	(35)	30
Interest (income) and expense	(23)	80
Income before taxes	(1,476)	(1,485)
Income taxes	42	–
Net income from continuing operations	(1,518)	(1,485)
Gain (loss) from discontinued operations	194	(105)
Gain (loss) on disposal of discontinued operations	(1,164)	(171)
Net income	(2,488)	(1,761)
Loss per share from continuing operations		
Primary	($0.183)	($0.178)
Fully-diluted	($0.183)	($0.178)
Loss per share		
Primary	($0.300)	($0.212)
Fully-diluted	($0.300)	($0.212)

Consolidated cash flow statements

	Year ended 31 December 2001 $000	*Year ended 31 December 2002 $000*
Cash flow from operations:		
Net income	(2,488)	(1,761)
Depreciation and amortisation	48	194
	(2,440)	(1,567)
(Increase)decrease in accounts receivable	700	(60)
Decrease in inventories	319	431
Decrease in other current assets	57	116
(Decrease) in accounts payable	(320)	(143)
Increase in accrued expenses	202	228
Net cash flow from operations	(1,482)	(995)
Cash flow from investing:		
Decrease in fixed assets	372	14
(Increase)/decrease in other assets	674	(27)
Cash flow from discontinued operations	597	–
Net cash flow from investing	1,643	(13)
Cash flow from financing:		
Decrease in short an d long term debt	244	535
(Increase)/decrease in capital stock	(277)	127
Net cash flow from financing	(33)	662
Total cash flow	128	(346)
Beginning cash balance	425	553
Ending cash balance	553	207

Consolidated balance sheets

	As at 31 December 2001 $000	*As at 31 December 2002 $000*
Assets:		
Cash	553	207
Accounts receivable	749	809
Inventories	1,260	829
Other current assets	231	115
Total current assets	2,793	1,960
Leasehold improvements	133	137
Production equipment	539	539
Office and lab equipment	487	442
Vehicles	59	86
Property, plant and equipment, cost	1,218	1,204
Accumulated depreciation	(709)	(822)
Property, plant and equipment, net	509	382
Goodwill, net of accumulated amortisation	310	308
Other assets	145	93
Total assets	3,757	2,743
Liabilities and shareholders' equity:		
Liabilities		
Accounts payable	1,174	1,031
Accrued expenses	269	497
Short term debt	1	500
Total current liabilities	1,444	2,028
Notes payable	245	281
Total liabilities	1,689	2,309
Shareholders' equity:		
Capital stock	8	9
Additional paid in capital	11,576	11,847
Minority interest	115	115
Cumulative translation adjustment	(57)	(202)
Treasury stock	(482)	(482)
Retained earnings	(9,092)	(10,853)
Total shareholders' equity	2,068	434
Total liabilities and shareholders' equity	3,757	2,743

PART V

ADDITIONAL INFORMATION

1. Responsibility Statement

The Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Company and Share Capital

(a) The Company was incorporated in England and Wales on the 30 April 2004, under the Act with number 05116780 under the name Plant Health Care plc as a public company limited by shares. On 14 May 2004 the Company was issued with a certificate to commence business under section 117 of the Act.

(b) The registered office of the Company is at Clements House, 14-18 Gresham Street, London, EC2V 7NN.

(c) On incorporation the Company's authorised share capital was £5,000,000, divided into 500,000,000 ordinary shares of £0.01 each, of which 2 Ordinary Shares were issued at par on incorporation. On 12 May 2004, 4,999,998 Ordinary Shares were issued at par with £0.0025 paid up in cash, the balance to be paid up prior to Admission. On 29 June 2004, 2 Ordinary Shares were issued at the Placing Price. The issued share capital of the Company at the time of the publication of this document is £50,000.02 comprising 5,000,002 Ordinary Shares. Conditional, *inter alia*, on Admission the Company has agreed to purchase 5,000,000 Ordinary Shares, which will be cancelled.

(d) By a written resolution passed on 29 June 2004 the members resolved that:

(i) the directors of the Company be generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act):

(a) up to an aggregate nominal amount of £172,141 in connection with the Exchange Offers;

(b) up to an aggregate nominal amount of £134,616 pursuant to the Placing;

(c) up to an aggregate nominal amount of £55,475 by the granting of options and warrants over shares in the capital of the Company;

(d) up to an aggregate nominal amount of £1,200 pursuant to the agreement with Jason Holohan set out in paragraph 6(e) of this Part V; and

(e) otherwise than pursuant to paragraphs (a) to (d) up to an aggregate nominal amount of £102,652,

provided that this authority shall expire on the earlier of the date that is fifteen months from the passing of the resolution or the closing of the Company's next annual general meeting, unless renewed, varied or revoked by the Company in general meeting before such expiry, except that the Company may at any time before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of the Company may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by the resolution had not expired.

(ii) the directors of the Company be given power pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the section 80 authority referred to in sub-paragraph (d)(i) above as if section 89(1) of the Act did not apply to any such allotment, such power to expire on the expiry of that authority and to be limited to allotments to be made:

(a) pursuant to the authorities conferred by sub-paragraphs (d)(i)(a) to (d) above;

(b) in connection with a rights issue, open offer or other pre-emptive offer in favour of holders of Ordinary Shares on such record date(s) as the directors of the Company may determine where the equity securities are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by such holders on the record date(s) selected by the directors of the Company for such allotment, but subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient for the purpose of dealing with fractional entitlements, record dates, or legal or practical problems arising under or as a result of the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or the issue and/or holding of any securities in uncertificated form; and/or

(c) the allotment (otherwise than pursuant to (a) and (b) above) of equity securities up to an aggregate nominal amount of £30,795.

(e) The provisions of section 89(1) of the Act apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 2(d)(ii) above. This disapplication will give the directors of the Company flexibility to issue shares for cash following the Placing. Subject to certain limited exceptions, unless the sanction of a special resolution of the shareholders in general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to existing Ordinary Shareholders on a pro-rata basis. No such issue is presently in contemplation.

(f) By a special resolution passed on 29 June 2004 the Company agreed to repurchase 5,000,000 Ordinary Shares pursuant to the agreement summarised in sub-paragraph 6(d) of Part V of this document.

(g) Immediately following completion of the Placing (assuming full implementation of the Capital Reorganisation) the authorised and issued share capital of the Company will be as follows:

		On Admission	
Authorised		*Issued and fully paid*	
Amount	*Number*	*Amount*	*Number*
£5,000,000	500,000,000	£307,956	30,795,603

(h) Save as disclosed in this document, no share or loan capital of the Company has since its incorporation been issued or agreed to be issued or is now proposed to be issued fully or partly paid either for cash or a consideration other than cash and no discounts or other special terms have been granted by the Company during such period in connection with the sale or issue of any share or loan capital of the Company.

(i) Save for the Converted Options, the Replacement Warrants and the warrants to be granted to Black Emerald on Admission, no share capital of the Company is under option or warrant and there is no conditional or unconditional agreement to put any such capital under option or warrant.

(j) The Placing Shares will rank equally in all respects with the existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after Admission in respect of the Company's ordinary share capital.

3. Interests

(a) Directorships, other than of Group companies, and Partnerships held by the Directors currently or in the five years preceding the date of this document are as follows:

Steven Michael Whitcomb

Current Directorships and Partnerships

None

Previous Directorships and Partnerships

Knowledge Planet Limited	UK

John Arthur Brady

Current Directorships and Partnerships

None

Previous Directorships and Partnerships

Hancock Consulting, Inc.	USA
Alaska Seafood International, Inc.	USA

Dr Donald Henry Marx

Current Directorships and Partnerships

Carolina Virgin HeartPine Co.	USA

Previous Directorships and Partnerships

None

Dr Albert Edward Maria Joseph Fischer

Current Directorships and Partnerships

Planet Capital Management BV	Netherlands

Previous Directorships and Partnerships

GreenPartners BV	Netherlands
PYMWYMIC Holding BV	Netherlands
PymiBiocorp BV	Netherlands

Dr Robert Henri Chanson

Current Directorships and Partnerships

Ambiocare Holdings AG	Switzerland
Eco-Rating International Limited	Switzerland

Previous Directorships and Partnerships

EHC Viridian Limited	UK

Thomas Peter Isler

Current Directorships and Partnerships

Gessner AG	Switzerland
Bank Hofmann AG,	Switzerland
Desco Von Schulthess AG,	Switzerland
Mitloedi Textildruck AG,	Switzerland
Testex AG	Switzerland

Previous Directorships and Partnerships

Swiss National Bank	Switzerland
Waser & Co AG	Switzerland

Samuel Alan Wauchope

Current Directorships and Partnerships

Progressive European Markets Limited	UK
Progressive Developing Markets Limited	UK
You and Your Health Limited	UK

Previous Directorships and Partnerships

Ultrasis plc	UK
Ultrasis UK Limited	UK
Ultramind Group plc	UK
Calm Corporation (UK) Limited	UK
Ultrasis (North America) Limited	UK
Ultrasis Inc	USA
Waste Recycling Group plc	UK
Octroi Group plc	UK
Octroi Limited	UK
Ocelot Limited	UK
Oarsman Limted	UK
Okapi Limited	UK
Otterburn Limited	UK
Gall Thomson Environmental plc	UK
Throgmorton Preferred Income Trust plc	UK

(b) Following his appointment as Group Managing Director of Acorn Computer Group plc in April 1990, S A Wauchope became a non-executive director of Torus Group PLC. Acorn Computer Group plc had a 25 per cent. investment in Torus Group PLC. Later that year receivers were appointed to Torus Group PLC which owed creditors a total of approximately £600,000. Preferred and secured creditors of £200,000 were paid in full and unsecured creditors received nothing.

(c) Save as disclosed above, none of the Directors has:

(i) any unspent convictions relating to indictable offences;

(ii) had a bankruptcy order made against him or entered into any individual voluntary arrangements;

(iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;

(iv) been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;

(v) had any asset belonging to him placed in receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or

(vi) been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

(d) As at the date of this document the interests (each of which are beneficial) of the Directors and persons connected with the Directors within the meaning of section 346 of the Act, in the share capital of the Company as required to be notified to the Company pursuant to sections 324 to 328 of the Act, and their interests in PHC Inc Shares, are as follows:

Name of Director	*Convertible Notes and and accrued interest (US$)*	*Warrants to purchase PHC Inc Shares*	*Number of Ordinary Shares*	*Number of PHC Inc Shares*
S Whitcomb (Note 1)	31,185	12,500	–	–
J Brady	–	–	–	–
D Marx (Note 2)	125,507	50,000	–	200,000
A Fischer (Note 3)	49,238	20,519	–	7,000
R Chanson	18,408	11,554	–	–
T Isler	16,059	6,834	–	136,873
S Wauchope	–	–	–	–

Note 1: Steven Whitcomb's interest comprises his interest in the shares held by himself and his wife, Diane Whitcomb.

Note 2: Donald Marx's interest comprises his interest in the shares held by himself and his wife, Selina Marx.

Note 3: Albert Fischer's interest comprises his interest in shares held by himself and Belmont Holding BV.

(e) As at the date of this document, pursuant to the PHC Inc Share Option Plans, the following Directors hold options over PHC Inc Shares:

		Exercise Period		*Exercise*	*Number*
Director	*Grant Date*	*From*	*Until*	*Price (US$)*	*of options*
Dr Albert Fischer	19/11/2001	19/11/2001	18/11/2011	1.00	25,000
	19/11/2002	19/11/2002	18/11/2012	1.00	25,000
	02/03/2004	02/03/2004	01/03/2014	1.00	25,000
	24/03/2004	24/03/2004	23/03/2014	2.00	50,000
	15/06/2004	15/06/2004	15/06/2014	1.00	25,000
John Brady	20/08/2001	20/08/2001	20/08/2011	1.00	50,000
	20/08/2001	15/02/2002	20/08/2011	1.00	50,000
	20/08/2001	15/08/2002	20/08/2011	1.00	50,000
	20/08/2001	15/02/2003	20/08/2011	1.00	100,000
	20/08/2001	16/02/2004	20/08/2011	1.00	100,000
	05/03/2004	05/03/2004	04/03/2014	1.00	250,000
	05/03/2004	01/01/2005	04/03/2014	1.00	200,000
	05/03/2004	01/01/2006	04/03/2014	1.00	162,650
	05/03/2004	Note 1	04/03/2014	Note 2	37,350
Dr Donald Marx	01/01/1998	01/01/2000	31/12/2005	2.00	18,750
	01/01/1998	01/01/2001	31/12/2005	2.00	18,750
	01/01/1998	01/01/2002	31/12/2005	2.00	18,750

Director	Grant Date	*Exercise Period* From	Until	Exercise Price (US$)	Number of options
Dr Donald Marx (cont)	01/01/1998	02/01/2003	31/12/2005	2.00	18,750
	17/12/2002	17/12/2002	17/12/2012	1.00	33,333
	17/12/2002	22/04/2003	17/12/2012	1.00	33,333
	17/12/2002	22/10/2003	17/12/2012	1.00	33,334
	05/03/2004	05/03/2004	04/03/2014	1.00	134,000
	05/03/2004	01/01/2005	04/03/2014	1.00	133,000
	05/03/2004	01/01/2005	04/03/2014	1.00	110,175
	05/03/2004	Note1	04/03/2014	Note 2	22,825
Steven Whitcomb	22/10/2001	22/10/2001	21/10/2011	1.00	33,333
	22/10/2001	22/04/2002	21/10/2011	1.00	33,333
	22/10/2001	22/10/2002	21/10/2011	1.00	33,334
	05/03/2004	05/03/2004	04/03/2014	1.00	134,000
	05/03/2004	01/01/2005	04/03/2014	1.00	133,000
	05/03/2004	01/01/2006	04/03/2014	1.00	110,175
	05/03/2004	Note 1	04/03/2014	Note 2	22,825
Dr Robert Chanson	19/11/2001	19/11/2001	18/11/2011	1.00	25,000
	19/11/2002	19/11/2002	18/11/2012	1.00	25,000
	02/03/2004	02/03/2004	01/03/2014	1.00	25,000
	24/03/2004	24/03/2004	23/03/2014	2.00	40,000
	15/06/2004	15/06/2004	15/06/2014	1.00	25,000
Thomas Isler	19/11/2001	19/11/2001	18/11/2011	1.00	25,000
	19/11/2002	19/11/2002	18/11/2012	1.00	25,000
	02/03/2004	02/03/2004	01/03/2014	1.00	25,000
	24/03/2004	24/03/2004	23/03/2014	2.00	35,000
	15/06/2004	15/06/2004	15/06/2014	1.00	25,000

Note 1 Earlier of 1 January 2006 or upon IPO or change of control (as defined in PHC Inc 2001 Equity Incentive Plan).

Note 2 Greater of US$1.00 or 80 per cent. Fair Market Value (as defined in PHC Inc 2001 Equity Incentive Plan) of PHC Inc Shares immediately prior to IPO (assuming IPO occurs prior to 15 June 2006).

(f) As at the date of this document, in addition to the options over PHC Inc Shares held by Directors set out in paragraph 3(e) of this Part V, PHC Inc has granted the following options over PHC Inc Shares to employees of the Group (and certain former employees) under the PHC Inc Share Option Plans:

Grant Date	*Exercise Period* From	Until	Exercise Price (US$)	Number of options
01/01/1997	01/01/1999	31/12/2004	1.00	8,750
01/01/1997	01/01/2000	31/12/2004	1.00	8,750
01/01/1997	01/01/2001	31/12/2004	1.00	8,750
01/01/1997	01/01/2002	31/12/2004	1.00	8,750
01/01/1998	01/01/2000	31/12/2005	2.00	8,750
01/01/1998	01/01/2001	31/12/2005	2.00	8,750
01/01/1998	01/01/2002	31/12/2005	2.00	8,750
01/01/1998	02/01/2003	31/12/2005	2.00	8,750
15/01/2000	15/01/2002	14/01/2010	3.00	5,000
15/01/2000	15/01/2003	14/01/2010	3.00	5,000
15/01/2000	15/01/2004	14/01/2010	3.00	5,000
15/01/2000	15/01/2005	14/01/2010	3.00	5,000
08/02/2002	08/02/2002	07/02/2012	1.00	50,000
31/07/2002	31/07/2002	31/07/2012	1.00	56,250
31/07/2002	31/12/2002	31/07/2012	1.00	31,250
31/07/2002	30/06/2003	31/07/2012	1.00	31,250

Grant Date	Exercise Period From	Until	Exercise Price (US$)	Number of options
31/07/2002	31/12/2003	31/07/2012	1.00	31,250
11/03/2003	11/03/2003	10/03/2013	1.00	15,000
11/03/2003	11/03/2004	10/03/2013	1.00	15,000
11/03/2003	11/03/2005	10/03/2013	1.00	15,000
11/03/2003	11/03/2006	10/03/2013	1.00	15,000
29/01/2004	29/01/2004	29/01/2014	1.25	16,250
29/01/2004	29/01/2005	29/01/2014	1.25	16,250
29/01/2004	29/01/2006	29/01/2014	1.25	16,250
29/01/2004	29/01/2007	29/01/2014	1.25	16,250

(g) Immediately following Admission the interests (each of which are beneficial) of the Directors and persons connected with the Directors within the meaning of section 346 of the Act, in the share capital of the Company as required to be notified to the Company pursuant to sections 324 to 328 of the Act, and their interests in PHC Inc Shares, are as follows:

Name of Director	*Number of Ordinary Shares*	*Number of PHC Inc Shares*
S Whitcomb (Note 1)	65,527	–
J Brady	–	–
D Marx (Note 2)	475,824	–
A Fischer (Note 3)	91,305	–
R Chanson	40,649	–
T Isler	208,149	–
S Wauchope	–	–

Note 1: Steven Whitcomb's interest comprises his interest in the shares held by himself and his wife, Diane Whitcomb.

Note 2: Donald Marx's interest comprises his interest in the shares held by himself and his wife, Selina Marx.

Note 3: Albert Fischer's interest comprises his interest in shares held by himself and Belmont Holding BV.

(h) Immediately following Admission, the options over PHC Inc Shares set out in paragraph 3(e) of this Part V will become Converted Options over Ordinary Shares. Accordingly, the Directors will, following Admission, hold the following Converted Options:

Director	*Grant Date*	*Exercise Period From*	*Until*	*Exercise Price (US$)*	*Number of options*
Dr Albert Fischer	19/11/2001	19/11/2001	18/11/2011	0.67	37,500
	19/11/2002	19/11/2002	18/11/2012	0.67	37,500
	02/03/2004	02/03/2004	01/03/2014	0.67	37,500
	24/03/2004	24/03/2004	23/03/2014	1.33	75,000
	15/06/2004	15/06/2004	15/06/2014	0.67	37,500
John Brady	20/08/2001	20/08/2001	20/08/2011	0.67	75,000
	20/08/2001	15/02/2002	20/08/2011	0.67	75,000
	20/08/2001	15/08/2002	20/08/2011	0.67	75,000
	20/08/2001	15/02/2003	20/08/2011	0.67	150,000
	20/08/2001	16/02/2004	20/08/2011	0.67	150,000
	05/03/2004	Admission	04/03/2014	0.67	375,000
	05/03/2004	Admission	04/03/2014	0.67	300,000
	05/03/2004	Admission	04/03/2014	0.67	243,975
	05/03/2004	Admission	04/03/2014	Note 1	56,025
Dr Donald Marx	01/01/1998	01/01/2000	31/12/2005	1.33	28,125
	01/01/1998	01/01/2001	31/12/2005	1.33	28,125
	01/01/1998	01/01/2002	31/12/2005	1.33	28,125

Director	*Grant Date*	*Exercise Period From*	*Until*	*Exercise Price (US$)*	*Number of options*
Dr Donald Marx (cont)	01/01/1998	02/01/2003	31/12/2005	1.33	28,125
	17/12/2002	17/12/2002	17/12/2012	0.67	49,999
	17/12/2002	22/04/2003	17/12/2012	0.67	49,999
	17/12/2002	22/10/2003	17/12/2012	0.67	50,001
	05/03/2004	Admission	04/03/2014	0.67	201,000
	05/03/2004	Admission	04/03/2014	0.67	199,000
	05/03/2004	Admission	04/03/2014	0.67	165,262
	05/03/2004	Admission	04/03/2014	Note 1	34,237
Steven Whitcomb	22/10/2001	22/10/2001	21/10/2011	0.67	49,999
	22/10/2001	22/04/2002	21/10/2011	0.67	49,999
	22/10/2001	22/10/2002	21/10/2011	0.67	50,001
	05/03/2004	Admission	04/03/2014	0.67	201,000
	05/03/2004	Admission	04/03/2014	0.67	199,000
	05/03/2004	Admission	04/03/2014	0.67	165,262
	05/03/2004	Admission	04/03/2014	Note 1	34,237
Dr Robert Chanson	19/11/2001	19/11/2001	18/11/2011	0.67	37,500
	19/11/2002	19/11/2002	18/11/2012	0.67	37,500
	02/03/2004	02/03/2004	01/03/2014	0.67	37,500
	24/03/2004	24/03/2004	23/03/2014	1.33	60,000
	15/06/2004	15/06/2004	15/06/2014	0.67	37,500
Thomas Isler	19/11/2001	19/11/2001	18/11/2011	0.67	37,500
	19/11/2002	19/11/2002	18/11/2012	0.67	37,500
	02/03/2004	02/03/2004	01/03/2014	0.67	37,500
	24/03/2004	24/03/2004	23/03/2014	1.33	52,500
	15/06/2004	15/06/2004	15/06/2014	0.67	37,500

Note 1 Greater of US$0.67 or 80 per cent. of the Placing Price.

(i) Immediately following Admission the options granted over PHC Inc Shares to Group employees (other than Directors) set out in paragraph 3(f) of this Part V will become Converted Options over Ordinary Shares. Accordingly, the Converted Options (excluding those held by Directors) are as follows:

Grant Date	*Exercise Period From*	*Until*	*Exercise Price (US$)*	*Number of options*
01/01/1997	01/01/1999	31/12/2004	0.67	13,125
01/01/1997	01/01/2000	31/12/2004	0.67	13,125
01/01/1997	01/01/2001	31/12/2004	0.67	13,125
01/01/1997	01/01/2002	31/12/2004	0.67	13,125
01/01/1998	01/01/2000	31/12/2005	1.33	13,125
01/01/1998	01/01/2001	31/12/2005	1.33	13,125
01/01/1998	01/01/2002	31/12/2005	1.33	13,125
01/01/1998	02/01/2003	31/12/2005	1.33	13,125
15/01/2000	15/01/2002	14/01/2010	2.00	7,500
15/01/2000	15/01/2003	14/01/2010	2.00	7,500
15/01/2000	15/01/2004	14/01/2010	2.00	7,500
15/01/2000	15/01/2005	14/01/2010	2.00	7,500
08/02/2002	08/02/2002	07/02/2012	0.67	75,000
31/07/2002	31/07/2002	31/07/2012	0.67	84,375
31/07/2002	31/12/2002	31/07/2012	0.67	46,875
31/07/2002	30/06/2003	31/07/2012	0.67	46,875
31/07/2002	31/12/2003	31/07/2012	0.67	46,875
11/03/2003	11/03/2003	10/03/2013	0.67	22,500

Grant Date	Exercise Period From	Until	Exercise Price (US$)	Number of options
11/03/2003	11/03/2004	10/03/2013	0.67	22,500
11/03/2003	11/03/2005	10/03/2013	0.67	22,500
11/03/2003	11/03/2006	10/03/2013	0.67	22,500
29/01/2004	29/01/2004	29/01/2014	0.83	24,375
29/01/2004	29/01/2005	29/01/2014	0.83	24,375
29/01/2004	29/01/2006	29/01/2014	0.83	24,375
29/01/2004	29/01/2007	29/01/2014	0.83	24,375

(j) On 1 July 2001, PHC Inc sold the common stock of EHC Viridian Limited to Dr Robert Chanson in consideration for 170,000 PHC Inc Shares and US$51,543 and Enviroflow, Inc, then a subsidiary of PHC Inc, granted a perpetual royalty free licence of certain know-how and technology to Dr Chanson in consideration for 5,000 PHC Inc Shares. PHC Inc and Dr Chanson also entered into mutual non-compete covenants for a period of three years from the date of the agreement and indemnities common in agreements of this nature.

Dr Donald Marx is paid US$6,380 per annum by PHC Inc (PA) for use of property at 775 Eddings Point Road, Frogmore, South Carolina, USA.

Save as disclosed in this paragraph 3(j), no Director has or has had any direct or indirect interest in any asset which has been acquired or disposed of by, or leased to, the Company since the date of its incorporation or PHC Inc since 1 January 2001 or any asset which is proposed to be so acquired, disposed of or leased.

(k) Directors' Employment Agreements and Letters of Appointment:

(i) John A Brady is employed as President and Chief Executive Officer under an agreement dated 30 June 2004 with PHC Inc for an initial period of two years from the date of Admission, which can be terminated by either party by not less than one year's notice to expire no earlier than the second anniversary of the date of Admission. He can be required to provide his services to the Company under the terms of the agreement. Mr Brady is entitled to a salary of US$187,500 per annum, increasing to US$200,000 on 1 January 2005. He is entitled to a cash bonus each year not exceeding 50 per cent. of salary and in the first year is entitled as part of this bonus arrangement to a payment not exceeding US$53,000 in respect of the successful flotation of the Company and the grant of options over 650,000 PHC Inc Shares which will vest automatically on Admission. The exercise price for 612,650 of these shares is US$1 and for the balance is the greater of US$1.00 or 80 per cent. of the Fair Market Value of PHC Inc Shares immediately prior to an IPO ("Fair Market Value" and "IPO" as defined in the PHC Inc 2001 Equity Incentive Plan), assuming the IPO occurs prior to 15 June 2006). There are post-termination restrictions for one year after termination which prohibit solicitation and dealing with customers and employees. Options over PHC Inc Shares will, on Admission, be converted into options over Ordinary Shares at the rate of three Converted Options for every two Existing PHC Options. The exercise price will be US$0.67 per share or for the balance of 37,350 options US$0.67 per share or 80 per cent. of the Placing Price whichever is the greater.

(ii) Steven Whitcomb is employed as Chief Financial Officer under an agreement dated 30 June 2004 with PHC Inc for an initial period of two years from the date of Admission, which can be terminated by either party by not less than one year's notice to expire no earlier than the second anniversary of the date of Admission. He can be required to provide his services to the Company under the terms of the agreement. Mr Whitcomb is entitled to a salary of US$135,000 per annum, increasing to US$145,000 on 1 January 2005. He is entitled to a cash bonus each year not exceeding 35 per cent. of salary and in the first year is entitled as part of this bonus arrangement to a payment not exceeding US$54,500 in respect of the successful flotation of the Company and the grant of options over 400,000 PHC Inc Shares which will vest automatically on Admission. The exercise price for 377,175 of these shares is US$1 and for the balance is the greater of US$1.00 or 80 per cent. of the Fair Market Value of PHC Inc Shares immediately prior to an IPO

("Fair Market Value" and "IPO" as defined in the PHC Inc 2001 Equity Incentive Plan), assuming the IPO occurs prior to 15 June 2006). There are post-termination restrictions for one year after termination which prohibit solicitation and dealing with customers and employees. Options over PHC Inc Shares will, on Admission, be converted into options over Ordinary Shares at the rate of three Converted Options for every two Existing PHC Options over PHC Inc Shares. The exercise price will be US$0.67 per share or for the balance of 22,825 options US$0.67 per share or 80 per cent. of the Placing Price whichever is the greater.

(iii) Donald Marx is employed as Executive Director and Chief Scientist under an agreement dated 30 June 2004 with PHC Inc for an initial period of two years from the date of Admission, which can be terminated by either party by not less than one year's notice to expire no earlier than the second anniversary of the date of Admission. He can be required to provide his services to the Company under the terms of the agreement. Dr Marx is entitled to a salary of US$127,500 per annum, increasing to US$137,000 on 1 January 2005. He is entitled to a cash bonus each year not exceeding 25 per cent. of salary and in the first year is entitled as part of this bonus arrangement to a payment not exceeding US$33,000 in respect of the successful flotation of the Company and the grant of options over 400,000 PHC Inc Shares which will vest automatically on Admission. The exercise price for 377,175 of these shares is US$1 and for the balance is the greater of US$1.00 or 80 per cent. of the Fair Market Value of PHC Inc Shares immediately prior to an IPO ("Fair Market Value" and "IPO" as defined in the PHC Inc 2001 Equity Incentive Plan), assuming the IPO occurs prior to 15 June 2006). Dr Marx is entitled on the termination of his employment to payments of US$25,000 on the first anniversary of termination and on the second and third anniversaries of termination provided he complies with the terms of the agreement following termination. There are post-termination restrictions for three years after termination which prohibit solicitation and dealing with customers and employees and being engaged in a competing business. Options over PHC Inc Shares will, on Admission, be converted into options over Ordinary Shares at the rate of three Converted Options for every two Existing PHC Options. The exercise price will be US$0.67 per share or for the balance of 22,825 options US$0.67 per share or 80 per cent. of the Placing Price whichever is the greater.

(iv) Dr Fischer has entered into a letter dated 30 June 2004, conditional on Admission, reflecting the terms of his engagement as a non-executive director and Chairman of the Company. This letter provides for the appointment to continue unless and until either party gives not less than one month's notice in writing. Pursuant to this agreement he will receive an annual fee of £32,500 payable half in cash and half in Ordinary Shares.

(v) Dr Chanson has entered into a letter dated 30 June 2004, conditional on Admission, reflecting the terms of his engagement as a non-executive director of the Company. This letter provides for the appointment to continue unless and until either party gives not less than one month's notice in writing. Pursuant to this agreement he will receive an annual fee of £27,500 payable half in cash and half in Ordinary Shares and in the first year is entitled to a bonus in respect of the successful flotation of the Company in an amount not to exceed US$7,500.

(vi) Mr Isler has entered into a letter dated 30 June 2004, conditional on Admission, reflecting the terms of his engagement as a non-executive director of the Company. This letter provides for the appointment to continue unless and until either party gives not less than one month's notice in writing. Pursuant to this agreement he will receive an annual fee of £27,500 payable half in cash and half in Ordinary Shares.

(vii) Mr Wauchope has entered into a letter dated 30 June 2004, conditional on Admission, reflecting the terms of his engagement as a non-executive director of the Company. This letter provides for the appointment to continue unless and until either party gives not less than one month's notice in writing. Pursuant to this agreement he will receive an annual fee of £27,500.

(l) Save as set out at paragraph 3(k), there are no service agreements in existence between any of the Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year.

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

(n) (i) Save as set out below, the Directors are not aware of any person, directly or indirectly, who is interested in 3 per cent. or more in the issued share capital of the Company prior to Admission:

Name of shareholder	*Number of Ordinary Shares held*	*Percentage of issued share capital held*
Jason Holohan	5,000,000	99.9

(ii) As far as the Directors are aware, following the completion of the Exchange Offers made by the Company to shareholders of PHC Inc and the Placing and assuming that the Capital Reorganisation is implemented in full, it is anticipated that the following persons will have a holding of 3 per cent. or more in the ordinary share capital of the Company:

Name of shareholder	*Number of Ordinary Shares held*	*Percentage of issued share capital held*
Bronco Weiss	2,287,168	7.43%
Edmond Chanson	1,327,233	4.31%
Donald Stott	1,255,920	4.08%
Christopher Baker	996,780	3.24%

(iii) The Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company upon Admission.

4. Memorandum and Articles of Association

(a) *Memorandum of Association*

The principal object of the Company is to carry on business as a general commercial company. The objects of the Company are set out in full in clause 4 of the memorandum of association of the Company which is available for inspection at the address specified in paragraph 16 of this Part V.

(b) *Articles of Association (the "Articles")*

The Articles contain provisions, *inter alia*, to the following effect:

Rights attaching to shares:

(i) ***As to voting:***

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

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

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

(ii) ***As to income:***

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

(iii) ***Variation of rights:***

Whenever the share capital of the Company is divided into different classes of shares then, subject to the provisions of the law, all or any of the rights attached to any class of shares may be varied or abrogated in such manner as those rights may provide for, or (if no provision is made) either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the authority of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. The provisions of the Articles relating to general meetings of the Company and to the proceedings at those meetings apply, *mutatis mutandis*, to such meetings except that the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class (but at an adjourned meeting any one holder of shares of the relevant class present in person shall be a quorum), any holder of shares of the class present in person may demand a poll and on a poll every such holder shall have one vote for every share of the class held by him.

(iv) ***Transfer of shares:***

All transfers of certificated shares shall be effected by an instrument in any usual or common form, or in any other form acceptable to the Board. The instrument of transfer shall be executed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The Board may in its absolute discretion and. without giving any reason for its decision, refuse to register any transfer of a certificated share which is not a fully paid share and any transfer of a share on which the Company has a lien provided that the refusal does not prevent dealings in those shares from taking place on an open and proper basis.

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

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

(aa) is in respect of only one class of share;

(bb) is duly stamped or adjudged or certified as not chargeable to stamp duty and is deposited at the registered office of the Company or at such other place as the Board may determine; and

(cc) (except where the shares are registered in the name of a market nominee and no certificate has been issued) is accompanied by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the transfer is executed by some other person on his behalf, the authority of that person to sign).

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

(v) ***Winding up:***

On a winding up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of an extraordinary resolution and any other sanction required by law: (i) divide among the members *in specie* the whole or any part of the assets of the Company; and/or (ii) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator, with the like authority, shall think fit but so that no member shall be compelled to accept any assets in respect of which there is any liability.

(vi) ***Changes in share capital:***

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

The Company may by ordinary resolution:

(aa) consolidate all or any of its share capital into shares of larger amount than its existing shares;

(bb) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and reduce the amount of its capital by the amount of the shares so cancelled;

(cc) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association or the Articles (subject to the provisions of the law).

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

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

(vii) ***Directors' interests:***

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

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

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

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

(aa) the giving of any guarantee, security or indemnity in respect of: (i) money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility (in whole or in part and whether alone or jointly) under a guarantee or indemnity or by the giving of security;

(bb) any contract concerning the subscription or purchase by him of shares, debentures or other securities of the Company under an offer or invitation to members or debenture holders of the Company, or any class of them, or to the public or any section of them;

(cc) any contract concerning any issue or offer of any shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter;

(dd) any contract concerning another body corporate in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he (together with connected persons) does not hold an interest (as that term is used in sections 198 to 211 of the Act) representing 1 per cent. or more of any class of the equity share capital of that body corporate (or any third party body corporate through which his interest is derived) or of the voting rights available to members of that body corporate (automatically a material interest in these circumstances);

(ee) any contract for the benefit of employees of the Company or any of its subsidiary undertakings which does not afford to him any privilege or benefit not generally afforded to the employees to whom the contract or arrangement relates; and

(ff) any contract concerning the purchase or maintenance of insurance for or for the benefit of any director or for persons who include directors.

(viii) ***Remuneration of directors:***

The fees of the directors (other than any directors who for the time being hold an executive office or employment with the Company or a subsidiary of the Company) for their services as directors shall not exceed in aggregate £150,000 per annum (or such higher amount as the Company may from time to time by ordinary resolution determine). Subject to this limit, each director shall be paid a fee (to accrue from day to day) at such rate as is from time to time determined by the Board. In addition, any director who holds any executive office (including for this purpose the office of chairman or deputy chairman whether or not such office is held in an executive capacity) or who serves on any committee or who acts as trustee of a retirement benefits scheme or an employees' share scheme or who otherwise performs services which, in the opinion of the Board are beyond the ordinary duties of a director may be paid such extra remuneration by way of salary, commission or otherwise as the Board may determine.

(ix) ***Provisions relating to retirement of directors:***

At each annual general meeting at least one-third of the directors (excluding those required to retire at that annual general meeting because they were appointed by the Board since the last annual general meeting) shall retire from office. Each director must retire at the third annual general meeting following his appointment or reappointment in a general meeting.

(x) ***Borrowing powers:***

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

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

5. Share Options

(a) *The Share Option Scheme (the "Scheme")*

The Scheme was adopted on 29 June 2004. The main features of the Scheme (which is not approved by the UK Inland Revenue) are summarised below:

(i) *Eligibility*

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

(ii) *Grant of options*

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

On the grant of an option, the Company's board of directors may impose objective conditions of exercise. Such conditions may relate to the achievement of targets by the Company or any member of the Group and/or may relate to the performance of a personal task by individuals.

(iii) *Exercise price*

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

(iv) *Exercise of options*

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

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

Company. Alternatively, following a take-over, options may, with the agreement of the acquiring company, be rolled over to become equivalent options over the acquiring company's shares.

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

(v) *Variation of share capital*

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

(vi) *Amendments*

Certain amendments to the Scheme which are to the advantage of eligible employees or optionholders are subject to the prior approval of the Company in general meeting. The Company's board of directors may amend the Scheme to take account of a change in legislation or to obtain favourable tax, exchange control or regulatory treatment or to benefit the administration of the Scheme.

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

(vii) *Scheme Limits*

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

(viii) *Expiry of Scheme*

The Scheme will expire on the tenth anniversary of its approval by the Company or such earlier time as determined by a resolution of the Company's board of directors or an ordinary resolution of the Company in general meeting.

(b) *PHC, Inc. 2001 Equity Incentive Plan (the "2001 Plan")*

The 2001 Plan was adopted by PHC Inc. in 2001. The main features of the 2001 Plan, insofar as are relevant to Converted Options granted under the plan, are summarised below:

(i) *Exercise of options*

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

After the shares under option are publicly traded, with the consent of PHC Inc's board of directors, payments of the option's exercise price may be made by means of an irrevocable instruction to a broker to deliver the amount of the sale proceeds to pay the exercise price.

(ii) *Termination of employment*

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

(iii) *Amendment*

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

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

(iv) *Transferability*

Options granted under the 2001 Plan are not transferable other than on death.

(v) *Change of control*

In the event of a Change of Control (as defined in the 2001 Plan) PHC Inc's board of directors may:

- provide for the acceleration of any time period relating to the exercise of that option;
- provide for the purchase of the option that could have been received on exercise of the option;
- adjust the terms of the option to reflect the Change of Control;
- cause the option to be assumed or new rights substituted therefor by another entity; or
- make any other provision PHC Inc's board of directors consider equitable and in the best interests of PHC Inc.

In the event of a sale of all or substantially all of the assets of PHC Inc or otherwise (an "Acquisition") the board of directors of any entity assuming the obligations of PHC Inc shall:

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

(c) *Plant Health Care, Inc. 1996 Stock Option Plan (the "1996 Plan")*

The 1996 Plan was adopted in 1996. The main features of the 1996 Plan, in so far as are relevant to the Converted Options granted under the plan, are summarised below:

(i) *Administration*

The 1996 Plan shall be administered by a committee (the "Committee") consisting of at least two members of the board of directors of PHC Inc who shall be appointed by the board of PHC Inc. The Committee may prescribe, amend or rescind any rules appropriate for the administration of the 1996 Plan.

(ii) *Exercise on death or termination of employment*

If an option holder dies whilst an employee of the Group or within three months after termination of his employment because the holder is permanently disabled or because of retirement, the holder's option may be exercised by the relevant beneficiary of the holder's estate or, if none, the holder's executors, at any time within one year after the holder's death.

If an option holder's employment by a Group member terminates because the holder is permanently disabled, the holder may exercise his option within one year of the termination.

If an option holder's employment by a Group member is terminated because he is indefinitely laid-off or retires, the holder may exercise his option within three months of the date of termination.

(iii) *Non-transferability*

No option is transferable other than on the holder's death.

(iv) *Adjustments*

In the event of, *inter alia*, a reorganisation of share capital, share exchange, bonus issue or similar change, the number and kind of shares subject to outstanding options and exercise price in respect thereof shall be appropriately adjusted.

(v) *Amendment or discontinuance*

The board of directors of PHC Inc may amend, suspend or discontinue the 1996 Plan. Without the written consent of the option holder no amendment or suspension of the plan may diminish or impair an option already granted to him.

6. Material Contracts

No Group Member has entered into any material contracts which are not in the ordinary course of business other than as follows:

(a) On 30 June 2004 Evolution Beeson Gregory, the Directors, the Company and PHC Inc entered into the Placing Agreement pursuant to which Evolution Beeson Gregory agreed to place 13,461,538 new Ordinary Shares at the Placing Price on behalf of the Company with mainly institutional investors. Under the terms of the Placing Agreement, Evolution Beeson Gregory are being paid a corporate finance fee of £150,000 in addition to a commission of 3.5 per cent. of the aggregate Placing Price of the new Ordinary Shares being placed by the Company. Under the Placing Agreement, the Company, PHC Inc and the Directors have given certain warranties, *inter alia*, as to the accuracy of this document and the Company has given certain indemnities that are customary in an agreement of this kind. PHC Inc has guaranteed the obligations of the Company under the Placing Agreement. Under the Placing Agreement, the Directors have given undertakings as referred to under the heading "Lock-in Arrangements" on page 23 of Part I of this document in relation to their interests in the share capital of the Company.

(b) On 30 June 2004 Evolution Beeson Gregory and the Company entered into a letter agreement under which Evolution Beeson Gregory set out the services to be provided by Evolution Beeson Gregory in connection with its roles as nominated adviser and broker to the Company following Admission. Under the agreement the Company agrees to pay Evolution Beeson Gregory a retainer of £15,000 for the first six calendar months following Admission, £20,000 for the following six calendar months and thereafter an annual retainer of £40,000 per annum for its services and gives undertakings and indemnities in favour of Evolution Beeson Gregory which are customary in agreements of this kind.

(c) PHC Inc has entered into an engagement letter with The Black Emerald Group, Ltd ('Black Emerald') dated 1 February 2004. This sets out the terms and conditions on which PHC Inc engaged Black Emerald as PHC Inc's exclusive financial adviser to perform certain services. Under this agreement Black Emerald is entitled to receive for its services:

(aa) a retainer of US$28,000 per month plus expenses (capped at £1,000 per month unless approved in advance by PHC Inc) payable in advance through the closing on an initial public offering (IPO) or other public listing of PHC Inc (a 'Public Listing') (which falls to US$12,000 per month plus expenses after a Public Listing);

(bb) for Public Listings, (i) a cash success fee equal to 1 per cent. of the post-money valuation of a Public Listing and (ii) a success fee in the form of options over PHC Inc Shares equal to 0.5 per cent. of the post-money valuation of a Public Listing with a strike price of the options equal to the price per share in the Public Listing and a 10 year term of the options;

(cc) for other types of financings, not involving a Public Listing, (i) a cash success fee equal to 2 per cent. of the total funds raised by PHC Inc, (ii) in the case of any investment in PHC Inc by investor prospects identified by Black Emerald ('Investor Prospects') a cash success fee equal to 3 per cent. of any such investment which is not a Public Listing, and (iii) a success fee in the form of options over PHC Inc Shares equal to 5 per cent. of any investment in PHC Inc by any Investor Prospects, with a strike price of the options equal to the price per share paid by the Investor Prospects, and a 10 year term of the options;

(dd) for mergers and acquisitions, (i) a cash success fee equal to 2.5 per cent. of the total consideration paid in any transaction with any target identified by Black Emerald ('Target') and (ii) a success fee in the form of options over PHC Inc Shares equal to 2.5 per cent. of the total consideration paid in any transaction with a Target, with a strike price of the options equal to the price per share on the date of closing on the transaction, and a 10 year term of the options.

The initial term of the agreement runs to 31 December 2004, after which it automatically renews for successive 12 month periods unless terminated by either party by written notice delivered at least 30 days prior to the end of each term. Termination is not to prejudice Black Emerald's rights to success fees in certain stipulated circumstances.

The engagement letter is supplemented by an agreement between PHC Inc and Black Emerald dated 29 June 2004, confirming that for purposes of the engagement letter, the reference to PHC Inc is a reference to the Company, the reference to a Public Listing of PHC Inc is a reference to a public listing of the Company and that the reference to options in PHC Inc is a reference to warrants over Ordinary Shares. Annexed to the agreement is a form of warrant.

Pursuant to the engagement letter and agreement, and conditional on Admission, Black Emerald will be entitled to warrants over 176,704 Ordinary Shares. These Warrants are exercisable at the Placing Price at any time during the period of 10 years following Admission. Subject to certain limited exceptions these warrants and, if exercised, the Ordinary Shares arising therefrom, are not transferable during the period of two years following Admission.

(d) By an agreement made between the Company and Jason Holohan and Salans Secretarial Services Limited dated 30 June 2004, conditional on Admission, the Company has agreed to purchase from Jason Holohan and Salans Secretarial Services Limited the Initial Shares at par for £50,000. The terms of this agreement have been authorised by a special resolution of the Company in accordance with sections 164 and 165 of the Act and such authority has been neither varied nor revoked.

(e) By an agreement made between the Company and Jason Holohan dated 30 June 2004 Jason Holohan has agreed to transfer the 10 B ordinary shares owned by him in the capital of PHC UK (being all of the shares in issue in the capital of PHC UK not owned by PHC Inc) to the Company in consideration for the issue by the Company to him of 120,000 Ordinary Shares to be issued credited as fully paid in the name of Jason Holohan. The agreement provides for the sale and purchase to be completed immediately following Admission.

(f) On 14 May 2004 the Company made an offer to the Non-US holders of shares in the common stock of PHC Inc to acquire their shares on the basis of three Ordinary Shares for every two PHC Inc Shares held by them (the "Non-US Offer"). The Non-US Offer is conditional upon: (i) valid acceptances to the offer being received no later than 12.00 noon on 7 June 2004 (or such later time(s) and/or date(s) as the Company may determine) in respect of over fifty per cent. of the PHC Inc Shares; and (ii) Admission taking place on or before 17 June 2004 (or such later date as the Company may determine). The Non-US Offer will lapse if these conditions have not been fulfilled or waived by midnight on 30 June 2004 or such later time(s) and/or date(s) (if any) as the Company may determine. The offer is subject to terms that are usual for offers of this nature. Under the terms of the Non-US Offer, acceptors of the offer give undertakings on the terms referred to under the heading "Lock-in Arrangements" on page 23 of Part I of this document in relation to their interests in the share capital of the Company. The Company has extended the Non-US Offer such that it will remain open for acceptance until midnight (UK time) on 29 June 2004 or such later time(s) and/or date(s) (if any) as the Company may determine and the Company has determined that the conditions to the offer referred to above may be fulfilled or waived by midnight on 30 July 2004; this condition has now been satisfied.

(g) On 27 May 2004 the Company made an offer to certain US holders of PHC Inc Shares to acquire their shares on the basis of three Ordinary Shares for every two PHC Inc Shares held by them (the "US Offer"). The US Offer is conditional upon: (i) valid acceptances to the offer being received by no later than 12.00 noon on 7 June 2004 (or such later times(s) and/or date(s) as the Company may determine); and (ii) Admission taking place on or before 17 June 2004 (or such later date as the Company may determine). The US Offer will lapse if these conditions have not been fulfilled or waived by midnight on 30 June 2004 or such later time(s) and/or date(s) (if any) as the Company may determine. The Offer is also subject to terms that are usual for offers of this nature . Under the terms of the US Offer, acceptors of the offer give undertakings on the terms referred to under the heading "Lock-in Arrangements" on page 23 of Part I of this document in relation to their interests in the share capital of the Company. The Company has extended the US Offer such that it will remain open for acceptance until midnight (UK time) on 29 June 2004 or such later time(s) and/or date(s) (if any) as the Company may determine and the Company has determined that the conditions to the offer referred to above may be fulfilled or waived by midnight on 30 July 2004.

(h) On 31 May 2004 the Company made proposals to the holders of the Convertible Loan Notes: (i) advising them that, on Admission their notes will automatically convert into PHC Inc Shares; (ii) that the Non-US Offer or the US Offer (as appropriate) is available for acceptance by them in respect of such shares; and (iii) *inter alia*, enclosing a form of acceptance to such offer for this purpose. Those Convertible Loan Note holders who do not wish to convert their notes have been offered by PHC Inc the opportunity to redeem their notes (plus accrued interest on the principal thereof).

(i) On 1 June 2004 the Company made proposals to the holders of Warrants informing such holders that on Admission their Warrants would be automatically exercised over Ordinary Shares and offering them the opportunity to accept such exercise, either by payment of the exercise price, or without payment of the exercise price due on exercise, in respect of such number of Ordinary Shares as equal the number of PHC Inc Shares covered by the holder's Warrant (adjusted downwards to take account of any exercise without payment of the said exercise price). To accept this offer holders of Warrants were asked to return the notice attached to the proposal to the Company no later than 14 June 2004, to confirm their preference in this regard.

(j) PHC Inc PA has entered into a Distributor Agreement with Formosa Plastics Corporation ("Formosa") dated 20 January 2001 which is stated to have effect from 1 January 2001. Under this agreement Formosa appoints PHC Inc (PA) as its exclusive worldwide distributor to promote and sell certain of Formosa's products to the worldwide market for land reclamation, forestry, horticulture, turfgrass and agriculture. Formosa agrees, at its own cost, to provide technical support to PHC Inc (PA), and also to package the products using labels supplied by PHC Inc (PA). The agreement contains mutual confidentiality obligations. Formosa invoices PHC Inc (PA) for products shipped to or manufactured for PHC Inc (PA) as well as for technical services supplied. The prices of the various products and services are set out in the agreement. PHC Inc (PA) is responsible for the collection of monies from customers. The agreement is for a period of five years from 1 January 2001, with PHC Inc (PA) having a right to renew the agreement for a further five year period if certain conditions are fulfilled. Formosa may terminate the agreement on the expiration of 90 days' prior written notice if sales targets (which are set out in the agreement) are not met by PHC Inc (PA). The agreement is assignable with consent.

(k) PHC Reclamation has entered into a Professional Services Agreement with the State of Wyoming, Abandoned Mine Division with effect from 14 July 2000 (contract number AML 17F). The nature of this type of contract is that a basic agreement is entered into, and the services and costs are expanded by a series of later amendments as the project expands. This contract is originally stated to terminate no later than 31 July 2003, but by various amendments (latest dated 12 March 2003) this has been extended to 31 July 2005 (subject to any earlier termination as set out below). Under this contract PHC Reclamation provides technical and professional services to the State of Wyoming in connection with the reclamation of an abandoned mine (eg making safe and re-vegetating the site). The total value of the work performed under the contract and its amendments is stated to be US$1,137,000. The State of Wyoming is entitled to change the scope of the work performed by PHC Reclamation, its cost and the timetable by which it is to be performed. The contract may be terminated by the State of Wyoming for any reason on the expiration of 30 days' prior written notice, or immediately for breach.

(l) PHC Reclamation has entered into a Professional Services Agreement with the State of Wyoming, Abandoned Mine Division with effect from 20 October 1999 (contract number AML 12D). The nature of this type of contract is that a basic agreement is entered into, and the services and costs are expanded by a series of later amendments as the project expands. This contract is originally stated to terminate no later than 31 December 2002, but by various amendments (the latest of which is dated 26 September 2003) this has been extended to 31 December 2004 (subject to any earlier termination as set out below). Under this contract PHC Reclamation provides technical and professional services to the State of Wyoming in connection with the reclamation of an abandoned bentonite surface mine (eg making safe and re-vegetating the site). The total value of the work performed under the contract and its amendments is stated to be US$1,431,885. The State of Wyoming is entitled to change the scope of the work performed by PHC Reclamation, its cost, and the timetable by which it is to be performed. The contract may be terminated by the State of Wyoming immediately for breach, and or when the work to be performed by PHC Reclamation under it and any amendments has finished.

(m) PHC Reclamation has entered into a Professional Services Agreement with the State of Wyoming, Abandoned Mine Division with effect from 10 July 2003 (contract number AML 9B-2). The nature of this type of contract is that a basic agreement is entered into, and the services and costs are expanded by a series of later amendments as the project expands. This contract is originally stated to terminate no later than 30 June 2006, but by an amendment (dated 23 February 2004) this has been extended to 30 June 2007 (subject to any earlier termination as set out below). Under this contract PHC Reclamation provides technical and professional services to the State of Wyoming in connection with the reclamation of the Carissa gold mine (eg making safe and re-vegetating the site). The total value of the work performed under the contract and its amendment is stated to be US$583,565. The State of Wyoming is entitled to change the scope of the work performed by PHC Reclamation, its cost, and the timetable by which it is to be performed. The contract may be terminated by the State of Wyoming for any reason on the expiration of 30 days' prior written notice, or immediately for breach.

(n) PHC UK has entered into a Distribution Agreement with Environmentally Conscious Solutions Limited ("ECS") dated 15 December 2003. Under this agreement ECS appoints PHC UK as its exclusive distributor to promote and sell certain of ECS's products to the agriculture and horticulture markets located in any country which is a member of the European Union as at the date of the agreement and any country in the continent of Africa. ECS agrees to package the products appropriately. The agreement contains mutual confidentiality obligations. The price that PHC UK is to pay to ECS for each product is set out in the agreement, as is a minimum purchase requirement. The agreement is for a period of five years from 15 December 2003 and shall continue thereafter until terminated on the expiration of one year's prior written notice by either party (not to expire before the end of the first five year period). Either party may terminate forthwith for a breach by the other. PHC UK may also terminate if ECS ceases to carry on business or if a person who PHC UK relies on at ECS ceases to be employed by ECS. The agreement is assignable with consent.

7. Acquisition of PHC Inc

(a) The Company has made the Exchange Offers to holders of over 93 per cent. of the PHC Inc Shares on a fully diluted basis, offering three Ordinary Shares for every two PHC Inc Shares held, conditional, *inter alia*, on the Placing and Admission.

(b) The Exchange Offers are also available for acceptance by the holders of the Convertible Loan Notes in respect of those PHC Inc Shares which they will hold following the conversion of their notes on Admission. In respect of those convertible promissory notes issued by PHC Inc that are not subject to automatic conversion on Admission, the holders of such notes have been invited to convert their notes into PHC Inc Shares in accordance with the terms of such notes and to accept the Exchange Offer applicable to them. As at 29 June 2004 (being the latest practicable date prior to the posting of this document) holders of 88 per cent. of all outstanding Convertible Loan Notes and convertible promissory notes, representing 2,094,912 PHC Inc Shares on conversion and 3,142,368 Ordinary Shares on acceptance of the relevant Exchange Offers, had accepted or agreed to accept the Exchange Offer applicable to them in respect of the PHC Inc Shares due on the conversion of their notes.

(c) Holders of Warrants have been informed that the Warrants will be automatically exercised over Ordinary Shares upon Admission. Several warrants over PHC Inc Shares are not automatically exercisable on Admission. Holders of these warrants have been informed that if such warrants are exercised prior to Admission, they will be entitled to accept the resulting PHC Inc Shares to the Exchange Offer applicable to them. As at 29 June 2004 (being the latest practicable date prior to the posting of this document) holders of 92 per cent. of all such outstanding PHC Inc warrants, representing 863,937 PHC Inc Shares on exercise and 1,238,745 Ordinary Shares on acceptance of the relevant Exchange Offer, had accepted or agreed to accept the Exchange Offer applicable to them in respect of the PHC Inc Shares due on the exercise of their warrants.

(d) Certain of the Warrants have an exercise price such that on their deemed exercise over Ordinary Shares on Admission, the exercise price will exceed the Placing Price. The Company intends to offer the holders of these Warrants, Replacement Warrants. The exercise price under the Replacement Warrants will be the same as that under the holders' original Warrants on Admission and would represent warrants over 74,368 Ordinary Shares.

(e) As at 29 June 2004 (being the latest practicable date prior to the posting of this document) the Company has received valid acceptances to the Exchange Offers totalling 83 per cent. of PHC Inc Shares on a fully diluted basis as at Admission.

(f) Following Admission, the Company intends to acquire all of the issued and to be issued PHC Inc Shares not then owned by it through a series of steps including a capital restructuring of PHC Inc.

8. Group Structure

(a) On Admission PHC Inc will be a subsidiary of the Company.

On Admission the Company will own not less than 83 per cent. of PHC Inc Shares on a fully diluted basis. PHC Inc was incorporated on 17 November 1994.

(b) PHC Inc has the following subsidiaries incorporated in the following jurisdictions of which it owns the following percentages of the issued share capital:

Name of subsidiary	*Place of Incorporation*	*Date of Incorporation*	*% Owned*
Plant Health Care Inc	USA (Pennsylvania)	6 November 1997	100%
PHC Royalty Corporation	USA (Nevada)	27 March 1995	100%
PHC Reclamation Inc	USA (Nevada)	18 December 1995	100%
Environmental Health Care Inc	USA (Nevada)	17 December 1997	100%
Plant Health Care de Mexico S. de R.L. de C.V.	Mexico	3 July 1998	80%
Plant Health Care UK Limited	England & Wales	24 December 1998	90%*
Plant Health Care BV	The Netherlands	25 January 1999	100%
Myco Plant GmbH	Austria	5 October 1998	100%

*Note: To be increased to 100% pursuant to the agreement summarised in sub-paragraph 6(e) of this Part V.

(c) Of these companies Environmental Health Care Inc and Myco Plant GmbH are not trading. Myco Plant is in the process of being dissolved, and this process is expected to be completed soon after Admission.

9. Property

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

Address	*Term*	*Annual Rent Payable*	*Next Rent Review*
Plant Health Care Inc (PA)			
904 Old Freeport Road Pittsburgh, PA 15238	1 January 2000 to 31 December 2009	$191,295.00	December 2009
440 William Pitt Way Pittsburgh, PA 15238	month to month	$58,397.52	currently in progress
Plant Health Care UK			
Berkhamsted House 121 High Street Berkhamsted Hertfordshire UK HP4 2DJ	month to month	$15,259.32	anticipated in 12 to 18 months
PHC Reclamation Inc			
7300 Yellowstone Rd Suite 5 Cheyenne, WY 82009	1 March 2004 to 28 February 2005	$16,740.00	March 2005

Address	*Term*	*Annual Rent Payable*	*Next Rent Review*
Plant Health Care de Mexico			
Cadereyta #13-A Hipodromo Condesa 06170, Mexico, D.F.	1 June 2003 to 1 June 2004; automatically renewed for12 month period at the end of the term	$24,121.29	June 2004
Boulevard Toluca #555 San Andres Atoto 53500, Naucalpan Estado de Mexico	1 October 2003 to 1 October 2004; automatically renewed for 12 month period at the end of the term;	$8,353.55	October 2004
Plant Health Care B.V.			
Industrieweg 5g 5262 GJ Vught Netherlands	12 March 2004 to 11 March 2009; 6 month notice prior to the end of the lease term is required for termination	$17,378.06	March 2009

10. Taxation

United Kingdom Taxation

The following comments are intended as a general guide to certain aspects of current UK tax legislation and current practice of the UK Inland Revenue as they apply to holders of Ordinary Shares who are resident or ordinarily resident in the United Kingdom. The comments do not apply to certain Shareholders, such as dealers in securities. The following statements are not exhaustive and all persons are strongly advised to obtain their own professional advice on the tax implications of acquiring, owning and/or disposing of Ordinary Shares.

(a) ***Dividends***

Under current UK tax legislation the Company will not be required to withhold UK tax from any dividends paid by the Company.

An individual Shareholder resident (for tax purposes) in the UK who receives a dividend from the Company will be entitled to a tax credit equal to one-ninth of the dividend which he may set off against his total income tax liability. Basic rate and starting rate taxpayers will normally have no further liability to tax on the dividend. Higher rate taxpayers will be liable to tax on the sum of the dividend plus the tax credit at the higher rate of 32.5 per cent. against which liability the tax credit can be offset. This equates to a tax rate of 25 per cent. of the net dividend received.

Subject to certain limited exceptions, a corporate Shareholder resident (for tax purposes) in the UK will not be liable to UK corporation tax on any dividend received from the Company. Such corporate Shareholders will not be able to reclaim repayment of the tax credit attaching to any dividend.

Non tax paying entities such as UK pension funds or charities will not be able to reclaim the tax credit attaching to any dividend paid by the Company.

The right of a Shareholder who is not resident (for tax purposes) in the UK to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit from the Inland Revenue will depend on the existing terms of any double taxation convention between the UK and the country in which the Shareholder is resident. Such a Shareholder should consult his own tax adviser concerning his tax liability on dividends received, whether he is entitled to claim any part of the tax credit, and if so, the procedure for doing so.

(b) ***Capital gains***

Any Shareholder who is resident or ordinarily resident in the UK in the relevant year of assessment, or if not resident, carries on a trade, profession or vocation in the UK through a branch or agency to which the Ordinary Shares are attributable, may depending on the Shareholder's individual circumstances be subject to UK tax on capital gains in respect of a disposal of the Ordinary Shares. Individuals, personal representatives and trustees may be entitled to taper relief, which may serve to reduce the chargeable gain.

Companies resident (for tax purposes) in the UK are not entitled to taper relief, but are entitled to indexation allowance, which may reduce the chargeable gains. For a company holding 10 per cent., or more of the Company's ordinary share capital, a gain on the sale of the shares may be exempt from tax on chargeable gains depending on whether certain conditions are met.

(c) ***Inheritance Tax ("IHT") Relief***

Unquoted ordinary shares in a qualifying trading company such as the Company ordinarily qualify for 100 per cent. IHT Business Property Relief provided they have been held for two years prior to the event giving rise to IHT. Shares traded on AIM are regarded as unquoted for this purposes and are therefore in principle eligible for IHT Business Property Relief (subject to the Company meeting all of the relevant qualifying conditions).

The above comments are intended as a general guide to the position under the current law and practice in the UK and may not apply to certain classes of shareholders. Any person who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK should consult his own professional adviser.

11. Litigation

Neither the Company nor any Group member is engaged in any litigation or arbitration and, so far as the Directors are aware, there is no litigation or claim pending or threatened against the Company or any Group member which has, has had or may have a significant effect on the Company or the Group's financial position.

12. Commission Arrangements

Other than as detailed in paragraph 6 of this Part V, no person is entitled to receive any commission in respect of the Placing.

13. Working Capital

In the opinion of the Directors, having made due and careful enquiry, and taking into account the net proceeds of the Placing, the working capital available to the Company and the Group will be sufficient for the Company and the Group's present requirements, that is for at least twelve months from the date of Admission.

14. Minimum Amount Required to be Raised

The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide sums required in respect of the matters specified in Schedule I of the POS Regulations is £7,000,000 as set out below:

	£'000
Property	None
Working capital	5,850
Repayment of borrowed monies	None
Costs in respect of the Admission and the Placing	1,150

15. Miscellaneous

(a) The estimated expenses of the Placing, assuming full subscription, including corporate finance, accountancy and legal fees and the cost of printing and despatching this document are £1,150,000 (inclusive of any applicable VAT) and will be payable by the Company.

(b) No person (other than the Company's professional advisers, trade suppliers or persons otherwise disclosed in this document) has received, directly or indirectly, from the Company within the twelve months preceding the date of this document, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more, securities in the Company with a value of £10,000 or more at the Placing Price or any other benefit with a value of £10,000 or more at the date of this document.

(c) Other than the trade secrets upon which the Group's technology is founded (referred to under the paragraph headed "Technology" on page 10 in Part I of this document), there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company or the Group.

(d) There are no arrangements in force for the waiver of future dividends in respect of the Ordinary Shares.

(e) There are no specified dates on which entitlement to dividends or interest thereon on the Ordinary Shares arises.

(f) Save for the transactions set out in paragraphs 6 and 7 of this Part V, and save for the Placing, there has been no significant change in the trading or financial position of PHC Inc since 31 December 2003, being the date of its latest annual consolidated accounts, nor of the Company since 13 May 2004, being the date to which the accountants' report in Part III was made up.

(g) Save as disclosed, no exceptional factors have influenced the Company's activities.

(h) Other than the material contracts detailed in paragraph 6 of this Part V, no Group member is dependent on any particular contracts which are of fundamental importance to the Group's business.

(i) Neither the Company nor PHC Inc has any subsidiaries other than as disclosed at paragraph 8(b) of this Part V.

(j) The Company's accounting reference date is 31 December.

(k) Save as disclosed, neither the Company nor the Group have significant investments in progress.

(l) No financial information contained in this document is intended by the Company to represent or constitute a forecast of profits by the Company nor to constitute publication of accounts by it.

(m) BDO Stoy Hayward LLP has given and not withdrawn its written consent to the issue of this document with the inclusion therein of its reports and references thereto in the form and context in which they are included.

16. Documents for Inspection

Copies of the following documents may be inspected at the offices of Salans, Clements House, 14-18 Gresham Street, London EC2V 7NN during usual business hours on any weekdays (Saturdays and public holidays excepted) for a period of one month following Admission:

(a) the memorandum and articles of association of the Company;

(b) the rules of the Share Option Scheme and the PHC Inc Share Option Plans referred to in paragraph 5 above;

(c) the Accountants' Reports set out in Part III of this document;

(d) the Directors' service agreements and the letters of engagement referred to in paragraph 3 above;

(e) the material contracts referred to in paragraph 6 above;

(f) the consent letter referred to in paragraph 15 above; and

(g) this document.

Dated 30 June 2004