



Interim Report
for the period to 30 June 2004

Contents

Chairman's statement	2
Unaudited consolidated profit and loss account	7
Unaudited consolidated balance sheet	8
Unaudited consolidated cash flow statement	9
Notes to the interim statements	10

Chairman's statement

Following our successful listing on the AIM Market of the London Stock Exchange in July 2004, I would like to welcome new shareholders to the Company and present the Company's maiden interim results.

Plant Health Care, a leading provider of natural products for plants and soil, raised a total of £5.4 million, after deducting expenses of the offering. The Board is confident that the funds raised will enable the Company to implement its growth strategy and to take advantage of the opportunities outlined at the time of the AIM listing.

The Company has already started using the proceeds from the placing to expand its sales and marketing team and is close to completing the acquisition of VAMTech. This will be the first of a number of small acquisitions which we intend to add to our product lines and customer base. I am also pleased to report that we are now in the final stages in negotiating a contract with one of the world's largest manufacturers of plant products, to distribute our products through their distribution network.

Financial results

The results for the six months ended 30 June 2004 reflect the Company's emphasis in that period on organic growth in its key markets.

Turnover increased by 8% to \$4,534,000 (2003: \$4,201,000). The increase came primarily as a result of the improving performance of the Company's land reclamation business operations in the United States, where sales rose by 117%. In addition, European product sales increased by 26%.

Product sales in the United States were flat despite one of the Company's largest distributors in the turf market, Simplot, unexpectedly announcing the disposal of its operations east of the Rocky Mountains. Sales to our other largest customers continued to increase in the double digit range, but this was offset by lower sales at our Mexican subsidiary, where turnover fell by 19%, due to the cancellation of a large government project. However, we have worked towards increasing sales to other customers and we expect to have built enough additional business to compensate for the loss of that project by the end of the year.

Chairman's statement

continued

The Company returned a gross profit of \$1,933,000 (2003: \$2,002,000). The decrease in margin has arisen because of a change in the sales mix. The strong demand in our reclamation activities has necessitated the involvement of more subcontractors. We have experienced greater sales of lower margin products in the US, notably the soil nutrient and water care products, as well as an increase in manufacturing costs, as we have prepared for larger volumes in the future. However, the Company expects a return to more historical operating margins in the future as the benefit of our additional sales and marketing effort takes effect and from high-margin consulting work in the reclamation business in the second half.

Total administrative expenses increased by 29% to \$2,703,000 (2003: \$2,089,000). This increase included non-capital IPO costs (\$229,000), the Company's first consolidated audit costs (\$105,000) and exchange rate effects (\$132,000). There were increased personnel costs (\$90,000) because of general salary alignment of the wages in our Mexican subsidiary, as well as higher medical insurance premiums in the US. However, our non-sales head count remained the same as in 2003, reflecting a more efficient operation as a whole. In addition, the 2003 results benefited from the reverse of a bad debt provision (\$77,000).

Overall this resulted in an operating loss for the period of \$770,000 (2003: operating loss \$87,000), a total loss for the period of \$1,047,000 (2003: total loss \$279,000), and loss per share of \$0.08 (2003: loss per share \$0.02).

As indicated in the AIM Admission Document the directors will not be recommending the payment of an interim dividend at this stage in the Company's development.

Chairman's statement

continued

Acquisition of new product lines and technologies

In July of this year the Company signed an exclusive world wide license agreement with Environmentally Conscious Solutions (ECS) of the UK for the distribution of its entirely plant based organic plant food. PHC's European operations have been selling this product for the past two years and have developed the distribution of this product in key markets in the UK, Spain, Greece and The Netherlands. Over this two year period the product has become one of PHC's fastest growing and highest margin products.

With the signing of this exclusive license, PHC will begin distribution of the product in the US and Mexico in 2005.

Acquisition of complementary companies

We continue to explore acquisition opportunities and as indicated in the Company's AIM Admission Document, the acquisition of the technology developed by VAMTech, Inc. is in the final stages of completion. With the addition of the VAMTech technology PHC will own the rights to a very powerful patented product that has broad applications across all of PHC's extensive product lines including those for the agriculture market.

The Company is also in discussions with several other biological based companies about either forming strategic alliances or the outright acquisition of their technologies.

Development of distribution channels

The Company continues to add distributors and sales personnel in its key markets. As mentioned in the AIM Admission Document the Company had entered into a Letter of Intent to provide biological products to Simplot Partners, one of the largest turf distributors in the US and Mexico. In late July Simplot announced a restructuring of its organisation and the shedding of its distribution centres east of the Rocky Mountains. PHC has since been in contact with several regional turf distributors and the directors hope to be able to replace this lost business in due course.

Expansion of sales and marketing team

We have recruited new sales staff in both the United States and in Europe as part of the Company's continuing expansion programme and we will continue to expand our sales reach into new geographic markets.

Chairman's statement

continued

Corporate restructuring

The corporate restructuring necessary for our AIM listing included the acquisition of the issued share capital of the US based company Plant Health Care, Inc., by the new company Plant Health Care plc. This is now in the final stages of completion with 92% of the former Plant Health Care, Inc., shareholders having exchanged their shares for Plant Health Care plc shares.

Operating review

The Company has experienced excellent growth in the reclamation business with first half revenues more than double that of the previous year. PHC Reclamation is now starting to generate revenue from the Carissa Mine contract of Wyoming that was signed in 2003 and there are a number of other long term contracts that are underway or pending that, together with the Carissa Mine contract, will have a positive impact on the Company's performance in the second half of this year and thereafter.

Although the US operation, as a whole, experienced flat sales for the first half owing to the loss of the Simplot revenue, all of its other major US distributors showed good growth in revenues. The Company has recently hired two experienced sales representatives in the California and mid Atlantic regions to further develop new distribution outlets. The effect of these key personnel will positively impact the Company in the coming months.

PHC's European subsidiary also saw revenue growth of 26% as demand for its Organic Plant Food continued to develop.

The Mexican operation suffered due to the cancellation of a large government joint venture project between Coca Cola, Bimbo Bread Co. and Plant Health Care. Despite this setback this operation is well positioned in the local agricultural markets and we expect sales to improve in the second half.

The Company will continue to focus on organic growth and cost control, as well as acquisition opportunities that will enlarge our product portfolio and increase our distribution reach.

Chairman's statement

continued

Outlook

PHC is a strong business with a good track record of organic growth and we are confident that the development of new sales channels and product lines, acquisitions of complimentary businesses and technologies and the continuing success of our land reclamation business will ensure that the Company is able to increase both revenues and profits. We have strong footholds in a number of markets and with our expanded sales force we expect an improvement in turnover throughout the second half and into 2005.

The flotation provided us with the capital we need to push the business into its next phase of development. The directors are confident that the market place for the Company's products and technologies is growing significantly and that they are attractive to customers across a broad range of markets. We believe that our natural solutions provide farmers, landscapers and horticulturalists with a real alternative to synthetic plant-care products. Our products are natural and effective and can significantly improve crop yields without any adverse effects on the surrounding environment. The directors therefore view the Company's future with confidence.

Albert Fischer
Chairman

27 September 2004

Unaudited consolidated profit and loss account

		<i>Six months to</i> 30 June <i>2004</i> \$,000	<i>Six months to</i> 30 June <i>2003</i> \$,000	<i>Year ended</i> 31 December <i>2003</i> \$,000
	<i>Note</i>			
Turnover		4,534	4,201	8,082
Cost of sales		2,601	2,199	4,420
Gross profit		1,933	2,002	3,662
Administrative expenses		2,703	2,089	4,539
Operating loss	4	(770)	(87)	(877)
Interest payable		181	111	243
Other expenses		103	74	123
Loss on ordinary activities before taxation		(1,054)	(272)	(1,243)
Taxation		—	—	70
Loss on ordinary activities after taxation		(1,054)	(272)	(1,313)
Minority interest		7	(7)	(34)
Loss for the period		(1,047)	(279)	(1,347)
Basic and diluted loss per share	3	8.33c	2.30c	10.91c

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

Unaudited consolidated balance sheet

	30 June 2004 \$,000	30 June 2003 \$,000	31 December 2003 \$,000
Fixed assets			
Intangible assets	243	278	260
Tangible assets	376	345	386
	<u>619</u>	<u>623</u>	<u>646</u>
Current assets			
Stocks	919	693	790
Debtors	1,394	1,562	1,422
Cash at bank and in hand	11,229	166	335
	<u>13,542</u>	<u>2,421</u>	<u>2,547</u>
Creditors: amounts falling due within one year	<u>(3,600)</u>	<u>(2,038)</u>	<u>(3,503)</u>
Net current assets/(liabilities)	9,942	383	(956)
Creditors: amounts falling due after one year	(125)	(989)	(440)
Net assets/(liabilities)	<u>10,436</u>	<u>17</u>	<u>(750)</u>
Capital and reserves			
Called up share capital	538	9	9
Share premium	10,253	11,365	11,639
Merger reserve	12,013	—	—
Profit and loss account	<u>(12,551)</u>	<u>(11,479)</u>	<u>(12,547)</u>
Shareholders' funds/(deficit) — equity	10,253	(105)	(899)
Minority interests (equity)	183	122	149
	<u>10,436</u>	<u>17</u>	<u>(750)</u>

Unaudited consolidated cash flow statement

		<i>Six months to</i> 30 June <i>2004</i> \$,000	<i>Six months to</i> 30 June <i>2003</i> \$,000	<i>Year ended</i> 31 December <i>2003</i> \$,000
Net cash outflow from operating activities	5	<u>(216)</u>	<u>(729)</u>	<u>(1,038)</u>
Returns on investments and servicing of finance				
Interest paid		(45)	(19)	(88)
Other expenses		<u>(103)</u>	<u>(74)</u>	<u>(123)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(148)</u>	<u>(93)</u>	<u>(211)</u>
Taxation		<u>—</u>	<u>—</u>	<u>(11)</u>
Capital expenditure and financial investment				
Purchase of tangible fixed assets		<u>(38)</u>	<u>(27)</u>	<u>(86)</u>
Cash outflow before use of liquid resources and financing		(402)	(849)	(1,346)
Financing				
Issuing of ordinary share capital		10,594	—	—
Redemption of loan stock		(82)	(16)	(36)
Increase in convertible debt		775	828	1,520
Exercise of warrants		17	—	—
Repayment of finance leases — capital		(8)	(4)	(10)
		<u>11,296</u>	<u>808</u>	<u>1,474</u>
Increase/(decrease) in cash		<u>10,894</u>	<u>(41)</u>	<u>128</u>

Notes to the interim statements

1. Basis of preparation

The results for the six months ended 30 June 2004 and the comparative figures for the six months ended 30 June 2003 are unaudited.

The results are reported under UK GAAP and presented in US dollars. The directors believe that it is more appropriate to use US dollars as the currency for presentation, given that the majority of the group's operations are denominated in that currency.

The financial information contained in this report does not constitute statutory accounts. No statutory accounts have been prepared by Plant Health Care plc for any periods covered by this interim statement.

2. Basis of consolidation

On 6 July 2004 Plant Health Care plc became the legal parent company of Plant Health Care, Inc., in a share for share transaction. The former shareholders of Plant Health Care, Inc., became the majority shareholders of Plant Health Care plc. Further, the continuing operations and executive management of Plant Health Care plc were those of Plant Health Care, Inc. Accordingly, the substance of the combination was that Plant Health Care, Inc., acquired Plant Health Care plc in a reverse acquisition.

Immediately following the share for share exchange the shares of Plant Health Care plc were admitted to trading on AIM. On the same date 13,461,538 shares were placed at 52p.

The unaudited consolidated accounts for the period to 30 June 2004 have been prepared on a *proforma* basis, as though the share for share exchange and the placing had occurred on 30 June 2004, rather than 6 July 2004.

Under the requirements of the Companies Act 1985 it would normally be necessary for the consolidated accounts of Plant Health Care plc to follow the legal form of the business combination. In that case the pre-combination results would be those of Plant Health Care plc which would exclude Plant Health Care, Inc. Plant Health Care, Inc., would then be brought into the group from 30 June 2004 on a *proforma* basis. However, this would portray the combination as an acquisition of Plant Health Care, Inc., and would, in the opinion of the directors, fail to give a true and fair view of the substance of the business combination. Accordingly, the directors have adopted reverse acquisition accounting as the basis of consolidation in order to give a true and fair view.

Notes to the interim statements

continued

In invoking the true and fair override the directors note that reverse acquisition accounting is endorsed under International Financial Reporting Standard 3 and that the Urgent Issues Task Force of the UK's Accounting Standards Board considered the subject and concluded that there are instances where it is right and proper to invoke the true and fair override in such a way.

As a consequence of applying reverse acquisition accounting, the results for the period ended 30 June 2004 comprise the results of Plant Health Care, Inc., for the period ended 30 June 2004 plus those of Plant Health Care plc from 30 June 2004, the *proforma* acquisition date. The comparative figures are those of Plant Health Care, Inc., using the principles of reverse acquisition accounting.

3. Basic and diluted loss per share

Basic loss per share for the six months ended 30 June 2004 have been calculated on the basis of the loss after taxation for the period of \$1,047,000 and the average number of shares in issue during the period of 12,570,118.

The basic loss per share disclosed for each comparative period was calculated by the weighted average number of the ordinary shares of Plant Health Care, Inc., in issue during the relevant periods, as adjusted to reflect the exchange ratio of 3 for 2 from shares of Plant Health Care Inc., to Plant Health Care plc.

The effect of all potential ordinary shares is not dilutive.

4. Operating loss

	<i>Six months to</i> 30 June <i>2004</i> \$,000	<i>Six months to</i> 30 June <i>2003</i> \$,000	<i>Year ended</i> 31 December <i>2003</i> \$,000
This is arrived at after charging:			
Depreciation	48	64	138
Amortisation of goodwill	18	22	40
Amortisation of other intangibles	36	12	(18)
Exchange rate effects	88	(48)	80
Bad debt reversal	–	(77)	(77)
IPO costs	229	–	–

Notes to the interim statements

continued

5. Reconciliation of operating loss to net cash inflow from operating activities

	<i>Six months to 30 June 2004 \$,000</i>	<i>Six months to 30 June 2003 \$,000</i>	<i>Year ended 31 December 2003 \$,000</i>
Operating loss	(770)	(87)	(877)
Depreciation	48	64	138
Amortisation of intangibles	53	34	22
Loss on sale of fixed assets	—	—	4
(Increase)/decrease in intangibles	(36)	(12)	18
(Increase)/decrease in stocks	(129)	87	(10)
Decrease/(increase) in debtors	29	(638)	(498)
Increase/(decrease) in creditors	589	(188)	150
Exchange movements	—	11	15
	<u> </u>	<u> </u>	<u> </u>
Net cash outflow from continuing activities	<u>(216)</u>	<u>(729)</u>	<u>(1,038)</u>
	<u> </u>	<u> </u>	<u> </u>
Net cash outflow from operating activities	<u><u>(216)</u></u>	<u><u>(729)</u></u>	<u><u>(1,038)</u></u>

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