PLANT HEALTH CARE plc

INTERIM REPORT

for the six months ended 30 June 2005

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Chairman's statement

I am pleased to report that Plant Health Care plc ("PHC" or "the Company") continues to make substantial progress towards its goal of becoming the world's leading provider of natural products to promote plant growth and health. Major new distribution agreements in the United States provide the platform for significant growth in that major market to match that now being seen in our Mexican and European markets. Our brand is increasingly recognised and we continue to develop and license new products for future market penetration and growth.

Financial results

Turnover for the six months ended 30 June 2005 was $4.8 million (2004: $4.5 million) and despite a rise in gross margins from 42.6% to 45.2% the net loss for the period was $1.8 million (2004: loss of $1.1 million). This was largely as a result of a rise in administrative expenses to $4 million (2004: $2.7 million) reflecting the increased costs of being a listed company as well as the substantial investments made in our sales and marketing capabilities to generate future growth.

Net cash outflow for the period was $2.3 million, resulting in cash balances at 30 June 2005 of $2.5 million. The Directors believe that, taking into account the expected revenues from the new contracts and proposed lines of credit, the Company has adequate resources to fund its financial needs.

The Directors have not declared an interim dividend.

New distribution channels

Following successful test marketing of an innovative marketing concept in the landscaping industry, the Company signed a 10 year distribution agreement with John Deere Landscapes (JDL) in August. This makes the Company the exclusive provider of all biological products to JDL's 300+ wholesale landscape distribution centres. Additionally JDL and PHC will together offer an exclusive, innovative, industry-wide three-year tree and shrub warranty programme that incorporates the use of PHC's Tree Saver product. The agreement calls for minimum purchases of $40 million over the life of the agreement in order for JDL to maintain exclusivity.

Chairman's statement

continued

The Company is now also the exclusive provider of natural products to the Symbiot network of landscape contractors and distributors. This allows PHC access to the entire Symbiot community which numbers approximately 500 contractors and a large number of distributors.

In September the Company announced the addition of Ewing Irrigation as a distributor of the Company's turf, landscape and water management products through their network of 150 stores. Ewing Irrigation is one of the largest distributors to golf courses in the US. This completes another step in the Company's plan to form strategic alliances with large multi-branch distributors.

The above agreements have all commenced in the last two months and provide us with a great deal of confidence regarding the growth to come in our US business.

In Mexico the Company signed up several new distributors in 2004 and these have contributed to an overall increase in sales for the first half of the year of over 47% in that territory.

In Europe new operations and agents in Spain, Italy and Greece are beginning to complement strong sales growth in existing markets in the UK and Holland. Overall our European business is approximately 40% up on sales against the comparable period in 2004.

In October last year, we announced an agreement with the Scotts Company for consumer product development and commercialisation. Market research conducted by Scotts has indicated a positive demand for our products among consumers. However, we continue to experience delays in receiving orders from Scotts. We no longer anticipate any revenue from this agreement in 2005 and remain uncertain as to the likely level of revenue in 2006. Nevertheless, we are confident that the potential loss of revenue in 2005 and 2006 will be more than compensated for by sales achieved under our other new agreements.

Brand recognition

It is the intention of your Board that the name "Plant Health Care" will become recognised on a worldwide basis as representing the world's leading company in natural plant care. First steps have included the standardisation of our product naming and packaging to promote the "Plant Health Care" name and we will take further actions to promote this goal as we grow and develop.

Chairman's statement

continued

Development of new products

PHC has introduced several new products into the market in 2005. In Europe we have launched the Sentry and Pre-Tect lines of products in response to customer demand for natural solutions in the agricultural markets. Sentry is used for the treatment of mildew and mould on leaf crops. Pre-Tect is a foliar feed product that increases the growth of salad crops while also increasing shelf life by two to five days. Both of these products are expected to provide immediate sales and after successful commercialisation of these products in Europe they will be rolled out in Mexico and the US.

The Company has instituted approximately sixty trials in nine countries for its Myconate product. Every major seed and seed coating company is participating in the trials. As with any new product, the trialing and testing stage is very important. Initial harvest of the treated crops will commence in late summer to early autumn and results will begin to become available toward the end of the year. The Company is very excited about the potential Myconate offers and expects to begin regional commercialisation in 2006 followed by larger scale rollouts in 2007.

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

Operating controls

The Company is committed to doing everything it can to meet its internal goals on product gross margins and cost control to ensure that our targeted sales growth delivers increased profits for the Company. To that end, we have recently made some organisational changes and implemented a new SAP financial system that allows for more effective operational control, reduces the financial reporting efforts and improves decision-making and organisational effectiveness.

Chairman's statement

continued

Outlook

The fundamentals of our industry are stronger than ever. Legislation is continually being enacted around the globe to limit or eliminate the use of synthetic chemicals. As an example, Mexico has recently passed legislation that prohibits the use of chemicals on the grow-in of new golf courses. In the UK, approximately 100 synthetic chemicals will not be reissued registration permits. France is also in the process of restricting the use of a large number of synthetic chemicals traditionally utilised in the agricultural industry. These types of actions are taking place around the globe and more rigorously in the highly industrialised countries. These legislative dynamics combined with PHC's ability to deliver products that are significant improvements over existing offerings, position the Company for a dynamic future.

The Board is confident in the future of the Company and believes that the new distribution agreements and product offerings provide a solid base for revenue growth.

Albert Fischer
Chairman

19 September 2005

Unaudited consolidated profit and loss account

For the six months ended 30 June 2005

	Note	*Six months to 30 June 2005 $,000*	*Six months to 30 June 2004 $,000*	*Year ended 31 December 2004 $,000*
Turnover		4,763	4,534	8,611
Cost of sales		2,612	2,601	4,952
Gross profit		2,151	1,933	3,659
Administrative expenses		3,959	2,703	6,284
Operating loss	4	(1,808)	(770)	(2,625)
Other interest receivable and similar income		34	—	44
Interest payable and similar charges		(46)	(284)	(299)
Loss on ordinary activities before taxation		(1,820)	(1,054)	(2,880)
Taxation		—	—	(52)
Loss on ordinary activities after taxation		(1,820)	(1,054)	(2,932)
Minority interest		(3)	7	(14)
Loss for the period		(1,823)	(1,047)	(2,946)
Basic and diluted loss per share	3	6.01¢	8.33¢	14.00¢

All amounts relate to continuing activities.

Unaudited consolidated statement of total recognised gains and losses

For the six months ended 30 June 2005

	Note	*Six months to 30 June 2005 $,000*	*Six months to 30 June 2004 $,000*	*Year ended 31 December 2004 $,000*
Loss for the period		(1,823)	(1,047)	(2,946)
Exchange translation differences on consolidation		(20)	—	43
Total recognised gains and losses for the period		(1,843)	(1,047)	(2,903)

Unaudited consolidated balance sheet

At 30 June 2005

	30 June 2005 $,000	30 June 2004 $,000	31 December 2004 $,000
Fixed assets			
Intangible assets	2,809	243	2,810
Tangible assets	727	376	453
	3,536	619	3,263
Current assets			
Stocks	1,211	919	1,124
Debtors	2,805	1,394	2,192
Cash at bank and in hand	2,478	11,229	4,812
	6,494	13,542	8,128
Creditors: amounts falling due within one year	(2,770)	(3,600)	(1,771)
Net current assets	3,724	9,942	6,357
Total assets less current liabilities	7,260	10,561	9,620
Creditors: amounts falling due after one year	(692)	(125)	(615)
Net assets	6,568	10,436	9,005
Capital and reserves			
Called up share capital	541	538	538
Share premium	10,818	10,253	10,700
Merger reserve	11,195	12,013	11,913
Profit and loss account	(16,152)	(12,551)	(14,309)
Shareholders' funds	6,402	10,253	8,842
Minority interests (equity)	166	183	163
	6,568	10,436	9,005

Unaudited consolidated cash flow statement

For the six months ended 30 June 2005

	Note	Six months to 30 June 2005 $,000	Six months to 30 June 2004 $,000	Year ended 31 December 2004 $,000
Net cash outflow from operating activities	6	(2,052)	(180)	(3,256)
Returns on investments and servicing of finance				
Interest paid		(16)	(148)	(205)
Interest received		34	—	44
Net cash outflow from returns on investments and servicing of finance		18	(148)	(161)
Taxation		—	—	(45)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(344)	(38)	(217)
Purchase of intangible and other assets		(24)	(36)	(37)
Net cash outflow from capital expenditure and financial investment		(368)	(74)	(254)
Acquisition of subsidiary				
Purchase of subsidiary undertaking		—	—	(1,986)
Purchase of minority interest shares	5	(10)	—	—
Net cash outflow from acquisition of subsidiary		(10)	—	(1,986)
Cash outflow before financing		(2,412)	(402)	(5,702)
Financing				
Issue of ordinary share capital		—	10,594	10,386
Exercise of warrants		—	17	205
Increase of convertible debt		—	775	775
Issue of new finance leases		91	—	25
Redemption of loan stock		—	(82)	(1,000)
Repayment of notes payable		—	—	(173)
Repayment of finance leases – capital		(13)	(8)	(39)
		78	11,296	10,179
(Decrease)/increase in cash		(2,334)	10,894	4,477

Notes to the unaudited financial information

1. Basis of preparation

The financial information set out in this report does not constitute full accounts for the purposes of Section 240 of the Companies Act 1985. The interim accounts for the six months ended 30 June 2005 and 30 June 2004 are unaudited. The comparative figures for the financial year ended 31 December 2004 are not the Company's statutory accounts for the financial year but are abridged from those accounts which have been reported on by the Company's auditors, whose report was unqualified. The interim accounts have been prepared on the basis of the accounting policies set out in the annual financial statements of the Group for the year ended 31 December 2004. The interim accounts were approved by the Directors on 19 September 2005.

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.

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 comparative 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.

Notes to the unaudited financial information

continued

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.

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 each comparative period comprise the results of Plant Health Care, Inc. plus those of Plant Health Care plc from 30 June 2004, the *proforma* acquisition date.

3. Basic and diluted loss per share

Basic loss per share for the six months ended 30 June 2005 has been calculated on the basis of the loss for the period of $1,823,000 and the average number of shares in issue during the period of 29,975,380.

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.

Notes to the unaudited financial information

continued

4. Operating loss

	Six months to 30 June 2005 $,000	*Six months to 30 June 2004 $,000*	*Year ended 31 December 2004 $,000*
This is arrived at after charging:			
Depreciation	71	48	150
Amortisation	25	54	41
Exchange rate effects	—	88	—
Bad debt expense (release)	32	—	(6)
IPO costs	—	229	247
Provision for plant relocation	180	—	189

5. Subsidiary undertakings

On 15 April 2005 Plant Health Care, Inc., a majority-owned subsidiary of the Group, announced a proposal to effect a reverse stock split of each outstanding share of its common stock by which each 10,001 shares of its common stock would become one share. The reverse split was approved and became effective on 25 April 2005.

For some stockholders of Plant Health Care, Inc., the reverse split resulted in an entitlement to fractional shares. As part of the proposal, the Company exercised its legal right to compulsory purchase and will make $676,000 in cash payments for such fractional shares. This has increased the percentage of that Company owned by the Group from 92.2% to 96.8%.

The payment amount was calculated at the IPO price for Plant Health Care plc (£0.52 per share), adjusted for the 3 for 2 exchange ratio offered by Plant Health Care plc in the share exchange transactions executed during the period ended 31 December 2004. $10,000 has been paid for the purchase of fractional shares for the period to 30 June 2005. The remaining balance owed is included in creditors falling due within one year.

Notes to the unaudited financial information

continued

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

	Six months to 30 June 2005 $,000	*Six months to 30 June 2004 $,000*	*Year ended 31 December 2004 $,000*
Operating loss	**(1,808)**	(770)	(2,625)
Adjust for non-cash items:			
Depreciation	**71**	48	150
Amortisation of intangibles	**25**	53	36
Gain on sale of fixed assets	**(1)**	—	—
(Increase)/decrease in stocks	**(87)**	(129)	(257)
(Increase)/decrease in debtors	**(612)**	29	(751)
Increase/(decrease) in creditors	**381**	589	191
Exchange movements	**(21)**	—	—
Net cash outflow from operating activities	**(2,052)**	(180)	(3,256)

Produced by Portman Lodge Limited