


PLANT HEALTH CARE plc

INTERIM REPORT 2008
for the six months ended 30 June




PLANT HEALTH CARE plc

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Chairman and Chief Executive's statement

Introduction

We are pleased to announce the financial results of Plant Health Care plc for the six months ended 30 June 2008, and to update our shareholders on our progress in developing the business.

Plant Health Care provides natural products which promote plant growth, health and yield. Our goal is to become a globally significant and successful company by proving the effectiveness of our products and supplying them to the market, either in partnership with the world's largest seed and agrochemical companies that have distribution capabilities to address the global market (for row and other high-volume crops), or by using specialist distributors to address the lower volume, but higher-value, crops and plants.

We made significant progress against this goal in the first half of the year and this is continuing into the second half. In particular, the partnerships established in 2007 with Bayer CropScience and with Monsanto are progressing in line with our expectations and we are in a wide range of discussions on further partnership opportunities, including, in particular, negotiations at an advanced stage regarding a transfer of technology. Our product development and trials programmes are confirming an ever-wider range of applications and target crops for our key Myconate® and Harpin technologies.

Summary of financial results

Revenue for the six months ended 30 June 2008 was $7.9 million (2007: $8.4 million), producing gross profit of $3.8 million (2007: $3.8 million) and a loss before tax of $3.3 million (2007: loss of $2.9 million). Cash at 30 June 2008 was $7.6 million (2007: $0.6 million).

The sales of our international operations were strong during the first half, with Europe up 81% and Mexico 18% over the same period in 2007. In the United States, due to the difficulty of securing organic product registration, we discontinued sales of organic plant food (OPF) and, as a result, recorded OPF sales of only $0.1 million in the current period, compared to $0.9 million in the first half of 2007. The reduction in OPF sales in the US, along with the timing of technology partnership fees which benefited the 2007 period, led to a decline in total revenue of 6%.

Gross margins for the period increased to 48% (2007: 46%) mainly due to increased margins on most Harpin-based products. These margin improvements more than offset the effect of higher raw material and energy costs throughout the remainder of the business.

Chairman and Chief Executive's statement

continued

Administrative expenses of $7.1 million (2007: $6.7 million) included $1.8 million spent on the development and marketing of Myconate and Harpin (2007: $1.6 million). The introduction in July 2007 of a long-term incentive plan to attract, incentivise and retain senior executive talent led to a 2008 first half charge of $0.3 million for non-cash share-based compensation (2007: $0.02 million). Disposal of a surplus leased property allowed the release of a provision of $0.15 million in the period.

The increase in cash over 30 June 2007 reflects the successful capital raising of $9.8 million (net of expenses) in September 2007.

Our technologies

Continued investment in product development and field testing has yielded strong results and significantly extended the range of crops and applications for which we can now approach partners and distributors.

Myconate®

The period began with Bayer CropScience confirming its decision to move forward into a second year of testing Myconate on corn, cotton, soybeans and sunflowers and making a milestone payment to the Company.

Following successful Company trials of Myconate on wheat in 2007, we entered into agreements with several large multinational agrochemical/seed companies for 2008 testing of Myconate on cereal crops, such as wheat, barley, sorghum and oats. Later in the first half, further outstanding results from independent field trials of Myconate on wheat conducted by local growers were reported from Mexico.

In the specialty crop sector, we have established seed treatment testing with Myconate for vegetables and we are also evaluating the use of Myconate for fruit and other perennial crops.

Harpin

Following the December 2007 agreement with Monsanto to develop and commercialise Harpin-based seed treatment applications for corn, soybean, cotton and canola (rape), Monsanto has been conducting its own rigorous and extensive testing programme both in the USA and elsewhere. We are working closely with Monsanto, providing support wherever it is needed to facilitate the test programme.

Chairman and Chief Executive's statement

continued

In January, we announced at the Beltwide Cotton Conference in Nashville that replicated field trials for Harpin-based N-Hibit® and ProAct® demonstrated yield improvements in cotton of between 6% and 12%. These strong results led to a decision to enhance the "N-Hibit Partnership" programme with the American Soybean Association by including a grower satisfaction guarantee for the 2008 growing season.

Harpin is also highly effective as a foliar application, and independent multi-year research studies have demonstrated significant yield increases when combining Harpin and glyphosate, the world's most commonly used herbicide. Early this year, we entered into non-exclusive agreements with several leading companies in the industry to allow them to evaluate these studies and the effectiveness of Harpin in combination with glyphosate.

Harpin has also been shown to be highly effective, when applied immediately pre-harvest, in extending the shelf life of salad and soft fruit crops, and preventing cracking in many types of fruit, including cherries, strawberries and raspberries. In early June, UK trials of Pre-Tect®, the brand name for Harpin when used in this application, demonstrated 75% less rot than the control fruit and validated our future development plans for shelf-life extension products.

In the specialty crop sector, we have established seed treatment testing with Harpin in vegetables and in sugarbeet.

Your Board believes that the use of Myconate and Harpin need not be restricted to food crops, and that there are potential opportunities for these technologies to be used in developing crop sectors, such as energy crops. We have formed a team within Plant Health Care to follow biofuel developments, enabling us to take full advantage of these opportunities as they arise.

Operational review

Agriculture division

Sales in the US Agriculture division were $1.5 million (2007: $2.4 million). As described above, we decided to cease OPF sales in the US during the period and this accounted for much of the revenue fall. However, market awareness of new Harpin and Myconate-based products has increased significantly and we remain confident that sales into the US agriculture market will resume significant growth in 2009 and beyond.

Chairman and Chief Executive's statement

continued

Sales in Europe were up 81% to $1.7 million (2007: $0.9 million) as new Harpin-based product sales grew rapidly.

Our Mexican sales increased by 18% to $1.6 million (2007: $1.4 million) as a result of growth of our customer base, as well as expanded use of our products in the forestry and turf markets.

Gross margin for the division was 55% (2007: 45%), reflecting the high margins generated by Harpin-based products and the elimination of OPF, a product line that generated a lower gross margin.

Horticulture and Turf
Revenues in this division, at $2.6 million, were at a similar level to 2007, but we expect increased sales in the second half, as our products gain traction in the retail market. The gross profit margin was 37% (2007: 43%) mainly due to increasing raw material costs which could not all be passed on to customers. Operating expenses were unchanged from 2007 and stringent cost controls will ensure another positive financial contribution from this business in 2008.

Growth will be aided by this division's ability to introduce its products to the home user via the retail market. We announced today that we have entered into a multi-year supply agreement with The Scotts Company, the largest supplier of retail products to the home gardening industry in the United States. Under this agreement, we will supply Scotts with natural products for inclusion in their line of retail lawn and garden products.

In addition to the supply agreement, the two companies have agreed to continue working together to explore future applications of Plant Health Care's technologies in products for the retail lawn and garden and professional horticulture markets. Scotts has the dominant market share in a retail market that exceeds $35 billion in annual sales.

Technology partnerships
As referred to above, early this year, Bayer CropScience gave notice that it would undertake a second year of testing of Myconate seed treatments in corn, soybean, cotton and sunflowers; this resulted in a milestone payment to the Company. Monsanto has also begun an equally rigorous and extensive testing programme on Harpin seed treatments in corn, soybean, cotton and canola, both in the USA and elsewhere. We are working closely with both companies, providing

Chairman and Chief Executive's statement

continued

support wherever it is needed to facilitate their test programmes and market introduction. We remain on track to launch products for commercialisation over the next two years.

The Company is now working towards establishing additional commercialisation opportunities for both Myconate and Harpin beyond the row crops for which agreements have been struck to date. Plant Health Care is currently in discussions with a number of major crop science companies for further supply agreements in order to respond to the increasing global demand for sustainable crop yield improvements.

Following the highly encouraging 2007 Company tests on wheat, we have established testing arrangements for cereals with three agrochemical companies, selected for their geographical reach and market share in the cereal grain seed treatment sector. One of these potential partners is also testing a Harpin seed treatment in wheat.

The successful research on Harpin used in combination with glyphosate opens the door to other significant opportunities. There are over 250 million acres of glyphosate-tolerant crops across the globe. The Company is in discussions with several major glyphosate producers with a view to partnering Harpin in a co-formulation with glyphosate for use in these crops.

We are in preliminary discussions with two major potential partners who have a strong interest in Harpin being applied pre-harvest to strengthen crops and prolong shelf life.

Outlook

The growth in global middle-class population is driving demand for increased per capita protein consumption throughout the world, and this irrepressible trend directly increases the demand for our customers' products. As a result, the prospects for Plant Health Care are very exciting. Awareness, interest and demand continue to grow for our natural-based products and, in particular, Myconate and Harpin are developing strong commercial opportunities in many markets. Global demand for energy crops will, we believe, create further opportunities for us.

Chairman and Chief Executive's statement

continued

We are also well positioned to take advantage of the continuing global demand for greater environmental stewardship, a factor leading to the recent inclusion of Plant Health Care by the Cleantech Group in its Cleantech Index (AMEX: CTIUS) of leading environmentally-responsible companies.

All of the market drivers, as well as the good progress we are making with our partners and potential partners, encourage us to look forward to the future with optimism and confidence in our ability to realise our strategy.

We thank Plant Health Care staff for their effort and commitment to the Company and our shareholders for their continuing support.

Dr Albert Fischer
Chairman

John Brady
Chief Executive

8 September 2008

Unaudited consolidated income statement

For the six months ended 30 June 2008

	Note	*Six months to 30 June 2008 $'000*	Six months to 30 June 2007 $'000	Year ended 31 December 2007 $'000
Revenue		**7,872**	8,374	18,295
Cost of sales		**(4,111)**	(4,526)	(9,944)
Gross profit		**3,761**	3,848	8,351
Administrative expenses		**(7,087)**	(6,664)	(13,592)
Operating loss	5	**(3,326)**	(2,816)	(5,241)
Finance revenue		**112**	53	177
Finance costs		**(121)**	(136)	(302)
Loss before taxation		**(3,335)**	(2,899)	(5,366)
Taxation		**(8)**	–	(47)
Loss for the period		**(3,343)**	(2,899)	(5,413)
Attributable to:				
Equity holders of the parent		**(3,343)**	(2,896)	(5,424)
Minority interest		**–**	(3)	11
		(3,343)	(2,899)	(5,413)
Basic and diluted loss per share	4	**(7.5)¢**	(7.0)¢	(12.8)¢

All amounts relate to continuing activities.

Unaudited consolidated statement of recognised income and expense

For the six months ended 30 June 2008

	Six months to 30 June 2008 $'000	Six months to 30 June 2007 $'000	Year ended 31 December 2007 $'000
Loss for the period	**(3,343)**	(2,899)	(5,413)
Exchange differences on translation of foreign operations	**198**	42	130
Total recognised income and expense for the period	**(3,145)**	(2,857)	(5,283)
Attributable to:			
Equity holders of the parent	**(3,145)**	(2,854)	(5,294)
Minority interest	**–**	(3)	11
	(3,145)	(2,857)	(5,283)

Unaudited consolidated balance sheet

At 30 June 2008

	Note	30 June 2008 $'000	30 June 2007 $'000	31 December 2007 $'000
Assets				
Non-current assets				
Goodwill and intangible assets		4,226	4,324	4,282
Property, plant and equipment		1,011	973	928
Total non-current assets		5,237	5,297	5,210
Current assets				
Inventories		3,176	3,623	2,872
Trade and other receivables		6,729	8,208	6,751
Short-term investments		286	721	559
Cash and cash equivalents		7,583	585	10,254
Total current assets		17,774	13,137	20,436
Total assets		23,011	18,434	25,646
Liabilities				
Current liabilities				
Trade and other payables		4,196	3,875	3,648
Short-term borrowings		209	659	205
Provisions		336	419	546
Total current liabilities		4,741	4,953	4,399
Non-current liabilities				
Long-term borrowings		297	453	278
Provisions		133	578	440
Total non-current liabilities		430	1,031	718
Total liabilities		5,171	5,984	5,117
Total net assets		17,840	12,450	20,529
Capital and reserves attributable to equity holders of the Company				
Share capital		821	763	809
Share premium		34,071	23,455	33,451
Merger reserve		10,548	10,994	11,016
Share-based payment reserve		873	139	580
Foreign exchange reserve		319	33	121
Retained earnings		(29,023)	(23,151)	(25,679)
	6	17,609	12,233	20,298
Minority interest		231	217	231
Total equity		17,840	12,450	20,529

Unaudited consolidated cash flow statement

For the six months ended 30 June 2008

	Six months to 30 June 2008 $'000	Six months to 30 June 2007 $'000	Year ended 31 December 2007 $'000
Net cash flows used in operating activities	(2,858)	(3,459)	(3,282)
Investing activities			
Purchase of business net assets	–	(2,251)	(2,446)
Purchase of tangible fixed assets	(173)	(99)	(136)
Expenditure on internally-developed intangible assets	(61)	–	(53)
Proceeds on sale of assets held for sale	–	675	675
Proceeds on sale of fixed assets	19	–	21
Interest received	106	53	177
Sale/(purchase) of short-term investments	273	(284)	(123)
Net cash generated from/(used in) investing activities	164	(1,906)	(1,885)
Financing activities			
Issuing of ordinary share capital	–	353	10,182
Exercise of options and warrants	73	1,200	1,365
Issue of new borrowings	–	181	–
Repayment of borrowings	(36)	(82)	(367)
Repurchase of minority interest's shares by subsidiary	–	(133)	(160)
Net cash generated from financing activities	37	1,519	11,020
Effects of exchange rate changes on cash and cash equivalents	(14)	(15)	(45)
Net (decrease)/increase in cash	(2,671)	(3,861)	5,808

Notes to the unaudited financial information

1. Accounting policies

Basis of preparation

The interim financial information for all periods has been prepared on a basis consistent with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") and Interpretations issued by the International Accounting Standards Board as adopted by the European Union, and those parts of the Companies Act 1985 which apply to companies preparing their financial statements under IFRS. The six month figures to 30 June 2008 and 30 June 2007 are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The comparative figures for the financial year ended 31 December 2007 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 2007, except as discussed in Note 2 below. There is a possibility that the directors may determine that some changes to those policies are required when preparing the full annual financial statements, since the IFRS and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 December 2008 are not known with certainty at the time of preparing this interim financial information. The policies have been applied consistently to all the periods presented, and on the going concern basis. The interim accounts were approved by the directors on 8 September 2008.

2. Share-based payment

(a) Adoption of IFRIC Interpretation 11; IFRS 2 – Group and Treasury Share Transactions

Effective 1 January 2008, the Company adopted IFRIC Interpretation 11; IFRS 2 – Group and Treasury Share Transactions. IFRIC 11 applies to equity-settled share-based payment transactions whereby a parent grants rights to its equity instruments direct to the employees of its subsidiary and the parent (not the subsidiary) has the obligation to provide the employees of the subsidiary with the equity instruments needed. IFRIC 11 requires that these share-based payment arrangements be accounted for by the subsidiary. The subsidiary shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment

Notes to the unaudited financial information

continued

2. Share-based payment continued

transactions, with a corresponding increase in equity as a contribution from the parent.

Plant Health Care plc grants share options, and shares under its long-term incentive plan, direct to employees of its subsidiaries. In accordance with the provisions of the Interpretation, the cost of the share-based payments will be recorded by each subsidiary as compensation expense, with a corresponding increase in equity as a contribution from the parent.

Although there is no impact on the Group consolidated financial statements, the adoption of IFRIC 11 affects the segment operating profit or loss reported for the Group's segments. The Interpretation requires that the Company restate comparative information.

(b) Impact

Reconciliations and explanatory notes on how the adoption of IFRIC 11 affected the comparative segment operating profit/(loss) reported in footnote 3 of these financial statements are given below:

Operating profit/(loss) reconciliation for the six months ended 30 June 2007

	As previously reported six months to 30 June 2007 $'000	*Adjustment to share-based payment expense $'000*	*As restated six months to 30 June 2007 $'000*
Segment operating profit/(loss)			
USA	(1,184)	(13)	(1,197)
Mexico	102	(4)	98
Europe	(81)	(3)	(84)
	(1,163)	(20)	(1,183)
Unallocated corporate expenses	(1,653)	20	(1,633)
Consolidated operating loss	(2,816)	–	(2,816)

Notes to the unaudited financial information

continued

2. Share-based payment
continued

Operating profit/(loss) reconciliation for the year ended 31 December 2007

	As previously reported year ended 31 December 2007 $'000	*Adjustment to share-based payment expense $'000*	*As restated year ended 31 December 2007 $'000*
Segment operating (loss)/profit			
USA	(1,903)	(93)	(1,996)
Mexico	273	(17)	256
Europe	(366)	(14)	(380)
	(1,996)	(124)	(2,120)
Unallocated corporate expenses	(3,245)	124	(3,121)
Consolidated operating loss	(5,241)	–	(5,241)

Notes to the unaudited financial information

continued

3. Segmental analysis

	Six months to 30 June 2008 *$'000*	*Six months to 30 June 2007 as restated* *$'000*	*Year ended 31 December 2007 as restated* *$'000*
Revenue			
External sales			
USA	**4,590**	6,076	12,996
Mexico	**1,623**	1,379	3,295
Europe	**1,659**	919	2,004
Inter-segment sales			
USA	**674**	274	543
Mexico	**–**	–	–
Europe	**–**	444	878
Elimination	**(674)**	(718)	(1,421)
Total revenue			
USA	**5,264**	6,350	13,539
Mexico	**1,623**	1,379	3,295
Europe	**1,659**	1,363	2,882
Elimination	**(674)**	(718)	(1,421)
Consolidation	**7,872**	8,374	18,295
Segment operating (loss) profit			
USA	**(1,590)**	(1,197)	(1,996)
Mexico	**41**	98	256
Europe	**24**	(84)	(380)
	(1,525)	(1,183)	(2,120)
Unallocated corporate expenses	**(1,801)**	(1,633)	(3,121)
Consolidated operating loss	**(3,326)**	(2,816)	(5,241)

Notes to the unaudited financial information

continued

4. Basic and diluted loss per share

Basic loss per ordinary share has been calculated on the basis of the loss attributable to equity holders of the parent of $3,343,000 (loss for the six months ended 30 June 2007 – $2,896,000, and loss for the year ended 31 December 2007 – $5,424,000) and the weighted average number of shares in issue during the period of 44,639,682 (six months ended 30 June 2007 – 41,394,679, and year ended 31 December 2007 – 42,408,798). Instruments that could potentially dilute basic earnings per share in the future have been considered, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

5. Operating loss

	Six months to 30 June 2008 $'000	*Six months to 30 June 2007 $'000*	*Year ended 31 December 2007 $'000*
Operating loss is arrived at after charging:			
Depreciation	**133**	145	262
Amortisation	**117**	108	242
Share-based payment expense	**292**	20	462
Exceptional items:			
Reversal of onerous lease provision	**(151)**	–	–
Employee termination costs	**–**	171	171
Provision for plant relocation	**–**	175	175
	(151)	346	346

The reversal of onerous lease provision relates to cancellation of an onerous lease that had an original lease term ending December 2009. An agreement to terminate the lease was entered into effective 1 June 2008. The Company paid $227,000 as a termination fee in settlement of all obligations under the lease and reversed the $151,000 onerous contract provision remaining after payment of the termination fee.

Notes to the unaudited financial information

continued

6. Changes in shareholders' equity

	Six months to 30 June 2008 $'000	*Six months to 30 June 2007 $'000*	*Year ended 31 December 2007 $'000*
Total recognised income and expense attributable to equity holders of the parent	**(3,145)**	(2,854)	(5,294)
Exercise of options and warrants	**73**	1,200	1,365
Repurchase of minority interest's shares by subsidiary	**51**	(180)	(158)
Share-based payments	**292**	20	462
Share issues for services	**40**	109	112
Share placement	**–**	–	10,206
Placement costs	**–**	–	(333)
Sale of shares	**–**	353	353
	(2,689)	(1,352)	6,713
Capital and reserves attributable to equity holders of the parent at the beginning of the period	**20,298**	13,585	13,585
Capital and reserves attributable to equity holders of the parent at the end of the period	**17,609**	12,233	20,298

Copies of this report and all other announcements made by the Company are available on the Company's website at **www.planthealthcare.com**

Produced by Portman Lodge Limited

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