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Chairman and Chief Executive's statement

Introduction

The first half of 2007 saw growing demand for our natural products with, in particular, strong sales in our newly-formed US agriculture business. This resulted in a 68% increase in revenue compared with the first half of 2006. We have also invested heavily in the development and marketing of Myconate® and Harpin, as we seek to achieve market momentum for these products.

In January 2007, we signed our first major development and commercialisation agreement for Myconate® with Bayer CropScience AG, one of the world's leading innovative crop science companies. This validates the Board's belief in Myconate®'s potential and represents a key milestone in the development of Plant Health Care. The agreement, for the use of Myconate® for application as a seed treatment on corn, soybean, cotton and sunflower, will extend for up to ten years.

The acquisition of the business assets of Eden Bioscience Corporation ("Eden") was completed on 26 February 2007, following the approval of the sale by Eden's shareholders. This acquisition brought with it products to aid the development of our newly-formed US Agriculture division and the exclusive rights to Harpin, a patented natural technology that presents an exciting commercial opportunity both on a standalone basis and for supply in conjunction with Myconate®. The addition of the Harpin line of products, including N-Hibit and ProAct, is expected to contribute approximately \$2.4 million of product sales during 2007.

For both Myconate® and Harpin, Plant Health Care is now in discussions regarding further supply agreements with four of the world's largest crop science companies, so as to respond to their demand for sustainable solutions to crop yield enhancement.

Summary of financial results

Revenue for the six months ended 30 June 2007 was \$8.4 million (2006: \$5.0 million), producing a gross profit of \$3.8 million (2006: \$2.3 million) and a loss before tax of \$2.9 million (2006: loss of \$2.3 million).

The 68% increase in revenue includes a modest amount of fees from partnership agreements, but the growth in sales was primarily due to the newly-formed US Agriculture division. There was also strong growth in our Mexican (+48%) and European (+27%) businesses.

Chairman and Chief Executive's statement

continued

Gross margins for the period were flat at 46% (2006: 46.6%). In the US Agriculture division, the new N-Hibit product acquired from Eden generated healthy margins of more than 60%, but logistical teething problems on initial shipments of Organic Plant Food ("OPF") from Europe resulted in a significant reduction in margins.

The administrative expenses of \$6.7 million (2006: \$4.5 million) included \$1.6 million spent on the development, sales and marketing of Myconate® and Harpin, \$0.2 million on severance payments and \$0.2 million on providing in full against the Company's rental exposure on its former manufacturing facility near Pittsburgh. This resulted in a net operating loss of \$2.8 million (2006: loss of \$2.1 million).

The net cash position (cash and short-term investments less borrowings on our working capital credit facility) at the end of June 2007 was \$1.2 million, with trade receivables standing at \$7.6 million. Since the period end, the cash balance has increased to \$2.0 million and trade receivables have reduced to \$5.2 million. The early order programmes undertaken at the end of 2006 and early in 2007 were extremely successful in generating sales but did create high levels of receivables for the first half of the year. The Board believes that this programme played a significant part in getting the Company's products into the market. The Company intends to repeat the programme this year and already has in place credit facilities to fund the programme.

Operational review *Agriculture division*

Sales in our newly-formed US Agriculture division were \$2.4 million (2006: nil), driven by our new sales team, a number of whom came across from Eden Bioscience. The extreme drought conditions in part of the southeast prevented us reaching our target sales for the period, but nevertheless we were pleased with our first Spring season in the market.

The sales team provides us with an important foothold in the US agriculture market and we expect the acquisition of Eden to deliver value in 2008 and in the future, not only through Harpin but also increasing sales in the US agriculture market.

Chairman and Chief Executive's statement

continued

Sales in Europe were up by 27% to \$0.9 million (2006: \$0.7 million), with Holland performing particularly strongly.

Our Mexican operation continued to develop, with sales up 48% on the back of extending our distributor network in previously under-exploited areas of the country.

Landscaping and Turf division

In our preliminary results statement for 2006, we anticipated that our Landscaping and Turf division would move from reporting losses to delivering a small earnings contribution in 2007. We are pleased to say that, as a result of stringent cost control, the division remains on course to achieve this for the full year.

In view of the maturity of this market and trading conditions currently being experienced, we continue to believe that the Landscaping and Turf business will grow at a slower rate than other areas of our business.

Technology partnerships

Securing our first contract for the commercialisation of Myconate® has been a key objective of Plant Health Care and in January an agreement was signed with Bayer CropScience for the development of Myconate® as a new seed treatment solution for application worldwide on corn, soybean, cotton and sunflower crops. This agreement provides Bayer CropScience with exclusive rights, for a ten-year period, to combine Myconate® with its market-leading products on the aforementioned crops only. The Board expects these products to be launched late in 2009, to be applied in time for the 2010 US crop season.

As previously announced, further tests have been carried out by the Company, our partners and potential partners on Myconate® during this year.

We have now received, and reported separately on, the results of tests carried out in Mexico earlier this year. On a variety of crops there were very encouraging results, demonstrating yield improvements ranging from 16% to 21% in Baja and 23% in Sonora.

Chairman and Chief Executive's statement

continued

As announced today, Myconate® trials in the US demonstrated strong results. Two trials on carrots, undertaken by a major Wisconsin vegetable grower, were successful in producing a resultant yield improvement in excess of 30% in both trials. In addition, celery and onion trials in Wisconsin demonstrated a 14% and 13% harvestable yield increase respectively when Myconate® was applied as a pre-plant, transplant spray.

The results of trials on grain and straw production in winter wheat, tested using a variety of applications, produced particularly pleasing yield improvements. When applied as a seed treatment, yield increased as much as 5.4% and, when applied as a ground spray, the improvement was up to 7.4%. Additionally, Myconate®'s application as both a seed treatment and a ground spray delivered yield increases of up to 9.4%.

Two successful trials of Harpin-based N-Hibit on soybeans were undertaken by Southern Illinois University and the American Soybean Association ("ASA"). Both trial results demonstrated successful suppression of cyst nematodes and a resultant improvement in soybean yield, a crop which is planted on approximately 150 million acres each year in the US and Brazil alone. The test results from the ASA, which has in excess of 20,000 members, have exceeded our expectations with a broad range of samples demonstrating significant biomass increases and root elongation over the control.

The Company will continue to invest in developing and marketing Myconate® and Harpin at similar levels to the first half. Following an evaluation of Harpin's performance in its most recent tests, its suitability for application in conjunction with Myconate® and the lack of suitable alternatives on the market, we now believe that its commercial potential is substantially greater than previously thought.

Given the quest for environmentally sustainable and economically beneficial products, interest from major potential partners is considerable and we are now in negotiations with four of the world's largest crop science companies for further supply and partnership agreements for both Myconate® and Harpin. We remain confident of securing further upfront and milestone payments in relation to other partner deals in the coming months.

Chairman and Chief Executive's statement

continued

Outlook

The prospects for Plant Health Care are very exciting. Signing our first manufacture and supply agreement for Myconate® with Bayer CropScience is a significant milestone in the development of Plant Health Care. Awareness, interest and demand for our natural products continue to grow and, in particular, Myconate® and Harpin present very exciting opportunities in the near future. We are in varying stages of negotiations with some of the world's largest crop science companies regarding potential supply and/or partnership agreements for Myconate® and Harpin. We are confident of making further significant progress in 2007 and finalising one or more of these agreements within the next six months.

Our sales continue to grow strongly and, but for the adverse weather conditions, would have been greater in the first half. This shortfall in sales and continuing significant investment in our new technologies is likely to mean that the sought after break-even is not now likely for at least 12 months, albeit that we expect all our trading activities (excluding investment in Myconate® and Harpin) to be profitable at the operating level sooner.

However, if negotiations for Harpin and/or Myconate® supply agreements are concluded before the year-end, then up-front payments could enhance performance for the year.

We believe that we are exceptionally well positioned today to take advantage of the continuing worldwide demands for both improved agricultural efficiency and greater environmental care. The inevitable global demand for 'energy crops' will further underpin the Company's commercial position and further drive demand for natural, yield enhancing products. The drivers of our business are stronger than ever and the future for Plant Health Care remains very exciting. We look forward to the future with confidence.

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

Dr Albert Fischer
Chairman

John Brady
Chief Executive

24 September 2007

Unaudited consolidated income statement

For the six months ended 30 June 2007

		Six months to 30 June 2007	Six months to 30 June 2006 as restated	Year ended 31 December 2006 as restated
	Note	\$,000	\$,000	\$,000
Revenue		8,374	4,975	13,679
Cost of sales		<u>(4,526)</u>	<u>(2,656)</u>	<u>(7,565)</u>
Gross profit		3,848	2,319	6,114
Administrative expenses		<u>(6,664)</u>	<u>(4,462)</u>	<u>(8,980)</u>
Operating loss	6	(2,816)	(2,143)	(2,866)
Finance revenue		53	78	275
Finance costs		<u>(136)</u>	<u>(254)</u>	<u>(335)</u>
Loss before taxation		(2,899)	(2,319)	(2,926)
Taxation		–	–	(72)
Loss for the period		<u>(2,899)</u>	<u>(2,319)</u>	<u>(2,998)</u>
Attributable to:				
Equity holders of the parent		(2,896)	(2,323)	(3,028)
Minority interest		(3)	4	30
		<u>(2,899)</u>	<u>(2,319)</u>	<u>(2,998)</u>
Basic and diluted loss per share	4	<u>(7.0)¢</u>	<u>(7.0)¢</u>	<u>(8.2)¢</u>

All amounts relate to continuing activities.

Unaudited consolidated statement of recognised income and expense

For the six months ended 30 June 2007

	<i>Six months to 30 June 2007</i>	<i>Six months to 30 June 2006 as restated</i>	<i>Year ended 31 December 2006 as restated</i>
	<i>\$,000</i>	<i>\$,000</i>	<i>\$,000</i>
Loss for the period	(2,899)	(2,319)	(2,998)
Exchange differences on translation of foreign operations	42	85	219
Total recognised income and expense for the period	(2,857)	(2,234)	(2,779)
Attributable to:			
Equity holders of the parent	(2,854)	(2,238)	(2,809)
Minority interest	(3)	4	30
	(2,857)	(2,234)	(2,779)

Unaudited consolidated balance sheet

At 30 June 2007

	30 June 2007	30 June 2006 <i>as restated</i>	31 December 2006 <i>as restated</i>
Note	\$,000	\$,000	\$,000
Assets			
Non-current assets			
Intangible assets	4,324	2,759	2,737
Property, plant and equipment	973	812	1,008
Total non-current assets	<u>5,297</u>	<u>3,571</u>	<u>3,745</u>
Current assets			
Inventories	3,623	2,476	2,468
Trade and other receivables	8,208	2,613	6,942
Short-term investments	721	258	436
Cash and cash equivalents	585	10,563	4,446
Total current assets	<u>13,137</u>	<u>15,910</u>	<u>14,292</u>
Total assets	<u>18,434</u>	<u>19,481</u>	<u>18,037</u>
Liabilities			
Current liabilities			
Trade and other payables	3,875	2,922	3,222
Short-term borrowings	659	1,576	314
Provisions	419	227	282
Total current liabilities	<u>4,953</u>	<u>4,725</u>	<u>3,818</u>
Non-current liabilities			
Long-term borrowings	453	506	414
Provisions	578	—	—
Total non-current liabilities	<u>1,031</u>	<u>506</u>	<u>414</u>
Total liabilities	<u>5,984</u>	<u>5,231</u>	<u>4,232</u>
Total net assets	<u>12,450</u>	<u>14,250</u>	<u>13,805</u>
Capital and reserves attributable to equity holders of the Company			
Share capital	763	730	731
Share premium	23,455	21,761	21,826
Merger reserve	10,994	11,181	11,174
Share option reserve	139	76	118
Retained earnings	(23,118)	(19,692)	(20,264)
	<u>12,233</u>	<u>14,056</u>	<u>13,585</u>
Minority interest	217	194	220
Total equity	<u>12,450</u>	<u>14,250</u>	<u>13,805</u>

Unaudited consolidated cash flow statement

For the six months ended 30 June 2007

	<i>Six months to 30 June 2007 \$,000</i>	<i>Six months to 30 June 2006 \$,000</i>	<i>Year ended 31 December 2006 \$,000</i>
Cash flows from operating activities			
Loss before taxation	(2,899)	(2,319)	(2,926)
Adjustments for:			
Depreciation	145	123	248
Amortisation of intangibles	108	32	2
Share-based payment expense	20	25	68
Gain/(loss) on sale of fixed assets	–	(2)	10
Impairment charge	–	–	30
Minority interest	(3)	4	30
(Increase) in inventories	(252)	(894)	(887)
(Increase)/decrease in trade and other receivables	(1,251)	394	(3,952)
Increase in trade and other payables	849	408	813
Cash outflow from operations	(3,283)	(2,229)	(6,564)
Interest paid	(145)	(252)	(338)
Interest received	53	78	275
Income taxes paid	(46)	(84)	(79)
Net cash outflow from operating activities	(3,421)	(2,487)	(6,706)
Investing activities			
Purchase of business net assets	7 (2,251)	–	–
Purchase of tangible fixed assets	(99)	(149)	(497)
Proceeds on sale of assets held for sale	675	–	–
Proceeds on sale of fixed assets	–	6	20
Purchase of short-term investments	(284)	(6)	(184)
Net cash used in investing activities	(1,959)	(149)	(661)
Financing activities			
Issuing of ordinary share capital	353	11,049	11,053
Exercise of options and warrants	1,200	1	64
Issue of new borrowings	181	1,301	101
Repayment of borrowings	(82)	(26)	(180)
Repurchase of minority interest's shares by subsidiary	(133)	(20)	(119)
Net cash used in financing activities	1,519	12,305	10,919
Net (decrease)/increase in cash	(3,861)	9,669	3,552

Notes to the unaudited financial information

1. Accounting policies

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 2007 and 30 June 2006 are unaudited. The comparative figures for the financial year ended 31 December 2006 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 were approved by the Directors on 24 September 2007.

The Group is required to report its consolidated financial statements under International Financial Reporting Standards ('IFRS'), as adopted by the European Union, for all accounting periods beginning on or after 1 January 2007. Comparative information for 2006, previously reported under UK GAAP, has been restated under IFRS.

The financial effects of the transition from reporting under UK GAAP to IFRS are shown in Note 3. The presentation of the Group's financial statements has also changed, in accordance with IAS 1 'Presentation of Financial Statements' and IAS 7 'Cash Flow Statements'.

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 interpretations that will be applicable and adopted for use in the European Union at 31 December 2007 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 preparation of the condensed consolidated financial information in accordance with IFRS has resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under UK GAAP. The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements and have been applied in preparing an opening IFRS balance sheet at 1 January 2006 for the purposes of transition to IFRS, as required by IFRS 1.

Notes to the unaudited financial information

continued

1. Accounting policies continued

Transition to International Financial Reporting Standards

IFRS 1 "First-time adoption of International Financial Reporting Standards" sets out the rules for first time adoption of IFRS and the optional exemptions which may be used in applying the standards retrospectively to comparative periods. The Group has used the following exemption in adopting IFRS.

IFRS 3 'Business Combinations' has only been applied to acquisitions completed after the date of transition, 1 January 2006. As a result, the carrying value of goodwill in the UK GAAP balance sheet at 31 December 2005 is brought forward to the IFRS opening balance sheet without adjustment.

Revenue

Revenue represents sales to external customers and fee income. Sales to external customers are at invoiced amount less value added tax or local taxes on sales and are recognised at the point that the customer takes legal title to the goods sold. Fee income is recognised when the company has no remaining obligations to perform under a non-cancellable contract which permits the user to act freely under the terms of the agreement.

Goodwill

Goodwill is measured as the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities, plus any direct costs of acquisition. Goodwill is capitalised as an intangible asset.

Other intangible assets

Intangible assets are stated at cost less accumulated amortisation and consist of licenses and developed technology, customer lists and trade names. The cost of the intangible assets, which were acquired through business combinations, was measured at the fair value allocated in the acquisition accounting. The intangible assets are amortised over their estimated useful lives of twelve to fifteen years.

Impairment of goodwill and other intangible assets

Impairment tests on the carrying value of goodwill and other intangible assets are undertaken at each annual reporting date and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes to the unaudited financial information

continued

1. Accounting policies
continued*Employee benefits*

The Group maintains a number of defined contribution pension schemes for certain of its employees; the Group does not contribute to any defined benefit pension schemes. The amount charged to the income statement represents the employer contributions payable to the schemes for the financial period.

The expected cost of all short-term employee benefits, including short-term compensated absences, is recognised during the period the employee service is rendered.

2. Segmental analysis

	<i>Six months to 30 June 2007 \$,000</i>	<i>Six months to 30 June 2006 as restated \$,000</i>	<i>Year ended 31 December 2006 as restated \$,000</i>
Revenue			
External sales			
USA	6,076	3,318	8,791
Mexico	1,379	933	2,536
Europe	919	724	2,352
Inter-segment sales			
USA	274	295	717
Mexico	—	—	—
Europe	444	42	742
Elimination	(718)	(337)	(1,459)
Total revenue			
USA	6,350	3,613	9,508
Mexico	1,379	933	2,536
Europe	1,363	766	3,094
Elimination	(718)	(337)	(1,459)
Consolidation	<u>8,374</u>	<u>4,975</u>	<u>13,679</u>
Segment operating (loss) profit			
USA	(1,184)	(1,203)	(1,462)
Mexico	102	29	256
Europe	(81)	(95)	(12)
	<u>(1,163)</u>	<u>(1,269)</u>	<u>(1,218)</u>
Unallocated corporate expenses	(1,653)	(874)	(1,648)
Consolidated operating loss	<u>(2,816)</u>	<u>(2,143)</u>	<u>(2,866)</u>

Notes to the unaudited financial information

continued

3. First-time adoption of International Financial Reporting Standards (IFRS)

Reconciliations and explanatory notes on how the transition to IFRS has affected profit and net assets previously reported under UK Generally Accepted Accounting Principles (UK GAAP) are given below:

Income statement reconciliation for the six months ended 30 June 2006

	Note	UK GAAP \$,000	Adjustments \$,000	IFRS \$,000
Revenue		4,975		4,975
Cost of sales		(2,656)		(2,656)
Gross profit		2,319		2,319
Goodwill amortisation	(i)	(18)	18	–
Other administrative expenses	(ii)	(4,450)	(12)	(4,462)
Operating loss		(2,149)	6	(2,143)
Finance revenue and similar income		78		78
Finance costs and similar charges		(254)		(254)
Loss before taxation		(2,325)	6	(2,319)
Taxation		–		–
Loss for the period		<u>(2,325)</u>	<u>6</u>	<u>(2,319)</u>
Attributable to:				
Equity holders of the parent		(2,329)	6	(2,323)
Minority interest		4		4
		<u>(2,325)</u>	<u>6</u>	<u>(2,319)</u>

All amounts relate to continuing activities.

Notes to the unaudited financial information

continued

3. First-time adoption of International Financial Reporting Standards (IFRS) continued	Income statement reconciliation for the year ended 31 December 2006			
	Note	UK GAAP \$,000	Adjustments \$,000	IFRS \$,000
Revenue		13,679		13,679
Cost of sales		(7,565)		(7,565)
Gross profit		6,114		6,114
Goodwill amortisation	(i)	(36)	36	-
Administrative expenses	(ii)	(8,976)	(4)	(8,980)
Operating loss		(2,898)	32	(2,866)
Finance revenue and similar income		275		275
Finance costs and similar charges		(335)		(335)
Loss before taxation		(2,958)	32	(2,926)
Taxation		(72)		(72)
Loss for the period		(3,030)	32	(2,998)
Attributable to:				
Equity holders of the parent		(3,060)	32	(3,028)
Minority interest		30		30
		(3,030)	32	(2,998)

All amounts relate to continuing activities.

Notes to the unaudited financial information

continued

3. First-time adoption of International Financial Reporting Standards (IFRS) continued	Balance sheet reconciliation at 1 January 2006			
	Note	UK GAAP \$,000	Adjustments \$,000	IFRS \$,000
	Assets			
	Non-current assets			
		2,769		2,769
		790		790
		<u>3,559</u>		<u>3,559</u>
	Current assets			
		1,582		1,582
		2,989		2,989
		252		252
		894		894
		<u>5,717</u>		<u>5,717</u>
		<u>9,276</u>		<u>9,276</u>
	Liabilities			
	Current liabilities			
		2,813	51	2,864
		285		285
		234		234
		<u>3,332</u>	<u>51</u>	<u>3,383</u>
	Non-current liabilities			
		523		523
		–		–
		<u>523</u>		<u>523</u>
		<u>3,855</u>	<u>51</u>	<u>3,906</u>
		<u>5,421</u>	<u>(51)</u>	<u>5,370</u>
	Capital and reserves attributable to equity holders of the company			
		542		542
		10,847		10,847
		11,195		11,195
		51		51
		(17,404)	(51)	(17,455)
		<u>5,231</u>	<u>(51)</u>	<u>5,180</u>
		190		190
		<u>5,421</u>	<u>(51)</u>	<u>5,370</u>
	Minority interest			
		190		190
		<u>5,421</u>	<u>(51)</u>	<u>5,370</u>

Notes to the unaudited financial information

continued

3. First-time adoption of International Financial Reporting Standards (IFRS) continued	Balance sheet reconciliation at 30 June 2006			
	Note	UK GAAP \$,000	Adjustments \$,000	IFRS \$,000
Assets				
Non-current assets				
Intangible assets	(i)	2,741	18	2,759
Tangible assets		812		812
Total non-current assets		<u>3,553</u>	<u>18</u>	<u>3,571</u>
Current assets				
Inventories		2,476		2,476
Trade and other receivables		2,613		2,613
Short-term investments		258		258
Cash and cash equivalents		10,563		10,563
Total current assets		<u>15,910</u>		<u>15,910</u>
Total assets		<u>19,463</u>	<u>18</u>	<u>19,481</u>
Liabilities				
Current liabilities				
Trade and other payables	(ii)	2,859	63	2,922
Short-term borrowings		1,576		1,576
Provisions		227		227
Total current liabilities		<u>4,662</u>	<u>63</u>	<u>4,725</u>
Non-current liabilities				
Long-term borrowings		506		506
Provisions		–		–
Total non-current liabilities		<u>506</u>		<u>506</u>
Total liabilities		<u>5,168</u>	<u>63</u>	<u>5,231</u>
Total net assets		<u>14,295</u>	<u>(45)</u>	<u>14,250</u>
Capital and reserves attributable to equity holders of the company				
Share capital		730		730
Share premium		21,761		21,761
Merger reserve		11,181		11,181
Share option reserve		76		76
Retained earnings		(19,647)	(45)	(19,692)
		<u>14,101</u>	<u>(45)</u>	<u>14,056</u>
Minority interest		194		194
Total equity		<u>14,295</u>	<u>(45)</u>	<u>14,250</u>

Notes to the unaudited financial information

continued

3. First-time adoption of International Financial Reporting Standards (IFRS) continued		Balance sheet reconciliation at 31 December 2006			
		Note	UK GAAP \$,000	Adjustments \$,000	IFRS \$,000
Assets					
Non-current assets					
	Intangible assets	(i)	2,701	36	2,737
	Tangible assets		1,008		1,008
	Total non-current assets		<u>3,709</u>	<u>36</u>	<u>3,745</u>
Current assets					
	Inventories		2,468		2,468
	Trade and other receivables		6,942		6,942
	Short-term investments		436		436
	Cash and cash equivalents		4,446		4,446
	Total current assets		<u>14,292</u>		<u>14,292</u>
	Total assets		<u>18,001</u>	<u>36</u>	<u>18,037</u>
Liabilities					
Current liabilities					
	Trade and other payables (ii)		3,166	56	3,222
	Short-term borrowings		314		314
	Provisions		282		282
	Total current liabilities		<u>3,762</u>	<u>56</u>	<u>3,818</u>
Non-current liabilities					
	Long-term borrowings		414		414
	Provisions		-		-
	Total non-current liabilities		<u>414</u>		<u>414</u>
	Total liabilities		<u>4,176</u>	<u>56</u>	<u>4,232</u>
	Total net assets		<u>13,825</u>	<u>(20)</u>	<u>13,805</u>
Capital and reserves attributable to equity holders of the company					
	Share capital		731		731
	Share premium		21,826		21,826
	Merger reserve		11,174		11,174
	Share option reserve		118		118
	Retained earnings		(20,244)	(20)	(20,264)
			<u>13,605</u>	<u>(20)</u>	<u>13,585</u>
	Minority interest		220		220
	Total equity		<u>13,825</u>	<u>(20)</u>	<u>13,805</u>

Notes to the unaudited financial information

continued

- 3. First-time adoption of International Financial Reporting Standards (IFRS)**
continued
- Adjustments**
- Explanations of the adjustments made to the UK GAAP income statement and balance sheets are as follows:
- Note*
- (i) IFRS 3 "Business Combinations" has been applied to acquisitions completed after the date of transition, 1 January 2006. As a result, the carrying value of goodwill in the UK GAAP balance sheet at 31 December 2005 is brought forward to the IFRS opening balance sheet. The effect of IFRS has been to reverse the goodwill amortisation charge for the June 2006 and December 2006 reporting periods.
- (ii) In accordance with IAS 19 administrative expenses have been adjusted to reflect accrued entitlement to short-term compensated absences.
- 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 \$2,896,000 (loss for the six months ended 30 June 2006 – \$2,323,000 and loss for the year ended 31 December 2006 – \$3,028,000) and the weighted average number of shares in issue during the period of 41,394,679 (six months ended 30 June 2006 – 33,327,537 and year ended 31 December 2006 – 36,838,918). 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. Financial instruments**
- On 12 April 2007, the Company entered into a revolving credit agreement that provides for up to \$2,000,000 in borrowings. The agreement matures one year from the date it was entered into. Interest is at prime plus 8%. A facility fee of 4% was payable upon closing. As of 30 June 2007 \$139,000 in borrowings was outstanding under the agreement. As of the date of this report, there were no borrowings outstanding under the agreement. Borrowings under the agreement are based on the eligible accounts receivable and inventory of certain of the Group's US subsidiaries. They are secured by substantially all of the assets of those subsidiaries and are guaranteed by Plant Health Care, Inc.

Notes to the unaudited financial information

continued

6. Operating loss

	<i>Six months to 30 June 2007</i>	<i>Six months to 30 June 2006 as restated</i>	<i>Year ended 31 December 2006 as restated</i>
	<i>\$,000</i>	<i>\$,000</i>	<i>\$,000</i>
Operating loss is arrived at after charging:			
Depreciation	145	123	248
Amortisation	108	32	2
	<u>145</u>	<u>123</u>	<u>248</u>
Exceptional costs			
– Share-based payment expense	20	25	68
– Employee termination costs	171	–	–
– Placement costs	–	63	63
– Provision for plant relocation	175	100	250
	<u>175</u>	<u>100</u>	<u>250</u>
	<u>366</u>	<u>188</u>	<u>381</u>

7. Asset purchase agreement

On 28 February 2007, the Company acquired certain of the assets of Eden Bioscience Corporation for a total consideration of \$2,200,000 plus the assumption of certain liabilities associated with these assets. \$1,500,000 was paid at closing and \$700,000 was due under a secured promissory note bearing interest at a rate of 5% per annum. \$506,000 was paid on the note during the period. The balance outstanding at 30 June 2007 was \$194,000 and is due on 31 December 2007. Costs attributable to the purchase were \$245,000.

Details of the fair value of the assets acquired and liabilities assumed were as follows:

<i>Provisional fair value of assets acquired</i>	<i>\$,000</i>
Inventories	902
Tangible assets	686
Intangible assets	448
Accrued expenses	(102)
Onerous lease provision	(736)
	<u>1,198</u>
Goodwill	1,247
Cost of acquisition	<u>2,445</u>

