

BOTRY-ZEN LIMITED
INCOME STATEMENT
For the 6 Months Ended 30 September, 2009

| | Notes | 6 mths 30 Sep 09 (Unaudited) \$'000s | 6 mths 30 Sep 08 (Unaudited) \$'000s | 12 mths 31 Mar 09 (Audited) \$'000s |
|--|-------|---|---|--|
| REVENUES | | | | |
| Trading revenue | | 23 | 14 | 586 |
| Cost of Sales | 11 | 33 | (287) | (617) |
| Gross Profit / (Loss) | | <u>56</u> | <u>(273)</u> | <u>(31)</u> |
| Interest Received | | - | 2 | 2 |
| Other Income | | - | 2 | 6 |
| | | <u>56</u> | <u>(269)</u> | <u>(23)</u> |
| LESS | | | | |
| Distribution expenses | | 2 | 22 | 58 |
| Marketing expenses | | 89 | 57 | 123 |
| Occupancy expenses | | 68 | 77 | 154 |
| Administrative expenses | | 267 | 255 | 458 |
| Finance costs | | 137 | 303 | 436 |
| Other expenses | | 142 | 239 | 437 |
| | | <u>705</u> | <u>953</u> | <u>1,666</u> |
| NET SURPLUS/(DEFICIT) BEFORE TAXATION | | (649) | (1,222) | (1,689) |
| Taxation | | - | - | - |
| NET SURPLUS/(DEFICIT) FOR THE PERIOD | | <u>(649)</u> | <u>(1,222)</u> | <u>(1,689)</u> |
| Earnings per Share: | | | | |
| Basic (cents per share) | | (0.3) | (0.64) | (0.9) |
| Diluted (cents per share) | | (0.3) | (0.64) | (0.9) |

Calculated on a weighted average basis of the number of shares on issue.

BOTRY-ZEN LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the 6 Months Ended 30 September, 2009

| | Notes | 6 mths 30 Sep 09 (Unaudited) \$'000s | 6 mths 30 Sep 08 (Unaudited) \$'000s | 12 mths 31 Mar 09 (Audited) \$'000s |
|--------------------------------------|-------|---|---|--|
| Other comprehensive income | | - | - | - |
| Net Surplus/(Deficit) for the Period | | (649) | (1,222) | (1,689) |
| TOTAL COMPREHENSIVE INCOME | | <u>(649)</u> | <u>(1,222)</u> | <u>(1,689)</u> |

STATEMENT OF CHANGES IN EQUITY
For the 6 months ended 30 September, 2009

| | | | | |
|--|---|------------|------------|------------|
| EQUITY AT BEGINNING OF THE PERIOD | | 144 | 1,150 | 1,150 |
| Total comprehensive income | | (649) | (1,222) | (1,689) |
| Issue of ordinary shares | 5 | 1,000 | 707 | 707 |
| Share issue costs | 5 | (49) | (24) | (24) |
| EQUITY AT END OF PERIOD | | <u>446</u> | <u>611</u> | <u>144</u> |

BOTRY-ZEN LIMITED
BALANCE SHEET
As at 30 September, 2009

| | Notes | 6 mths 30 Sep 09 (Unaudited) \$'000s | 6 mths 30 Sep 08 (Unaudited) \$'000s | 12 mths 31 Mar 09 (Audited) \$'000s |
|--|-------|---|---|--|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and short term deposits | | 2 | 1 | - |
| Accounts receivable | | 36 | 26 | 154 |
| Prepayments | | 1 | 8 | - |
| Inventory | | 766 | 239 | 354 |
| GST Receivable | | 19 | 38 | - |
| | | <u>824</u> | <u>312</u> | <u>508</u> |
| NON CURRENT ASSETS | | | | |
| Property, plant and equipment | | 1,789 | 2,006 | 1,905 |
| Intangible Assets | | 20 | 23 | 22 |
| | | <u>2,633</u> | <u>2,341</u> | <u>2,435</u> |
| CURRENT LIABILITIES | | | | |
| Bank Overdraft | | 179 | 854 | 1,031 |
| Accounts Payable | | 188 | 276 | 310 |
| Redeemable Preference Shares | | - | - | - |
| | | <u>367</u> | <u>1,130</u> | <u>1,341</u> |
| NON CURRENT LIABILITIES | | | | |
| Term Loans | 4 | 1,820 | 600 | 950 |
| OWNERS EQUITY | | | | |
| Share Capital | 5 | 11,246 | 10,294 | 10,294 |
| Reserves | | (10,800) | (9,683) | (10,150) |
| | | <u>446</u> | <u>611</u> | <u>144</u> |
| TOTAL LIABILITIES & OWNERS EQUITY | | <u><u>2,633</u></u> | <u><u>2,341</u></u> | <u><u>2,435</u></u> |
| Net Tangible Assets per Share: | | | | |
| Basic (cents per share) | | 0.2 | 0.28 | 0.65 |

BOTRY-ZEN LIMITED
STATEMENT OF CASHFLOWS
For the 6 Months Ended 30 September, 2009

| | Note | 6 mths 30 Sep 09 (Unaudited) \$'000s | 6 mths 30 Sep 08 (Unaudited) \$'000s | 12 mths 31 Mar 09 (Audited) \$'000s |
|---|------|---|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash was provided from (applied to): | | | | |
| Trading revenue | | 138 | 21 | 472 |
| Interest received/(paid) | | - | 1 | (433) |
| Other Income | | - | 2 | - |
| Payments to suppliers and employees | | (966) | (1,023) | (1,664) |
| Interest on Borrowings | | (117) | (99) | - |
| Goods & Services Taxation (Paid)/Received | | (18) | (29) | 6 |
| Net cash inflow (outflow) from operating activities | 3 | <u>(963)</u> | <u>(1,127)</u> | <u>(1,619)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Cash was provided from (applied to): | | | | |
| Purchase of Property, plant and equipment | | (5) | (20) | (55) |
| Sale of Property, plant and equipment | | - | - | - |
| Net cash inflow (outflow) from investing activities | | <u>(5)</u> | <u>(20)</u> | <u>(55)</u> |
| CASH FLOWS FINANCING ACTIVITIES | | | | |
| Cash was provided from (applied to): | | | | |
| Issues of shares | | 1,000 | 707 | 707 |
| Term Loans | | 870 | 600 | 950 |
| Issue Expenses | | (49) | (24) | (24) |
| Redeemable Preference Shares | | - | (6) | (6) |
| Net cash inflow (outflow) from financing activities | | <u>1,821</u> | <u>1,277</u> | <u>1,627</u> |
| Net increase/(decrease) in cash held | | 853 | 130 | (47) |
| Add cash and short term deposits at start of period (overdraft) | | (1,030) | (983) | (983) |
| Foreign exchange gain | | - | - | - |
| Balance at end of period (overdraft) | | <u><u>(177)</u></u> | <u><u>(853)</u></u> | <u><u>(1,030)</u></u> |
| COMPRISED OF: | | | | |
| Cash and short term deposits | | 2 | 1 | - |
| Overdraft | | (179) | (854) | (1,030) |
| | | <u>(177)</u> | <u>(853)</u> | <u>(1,030)</u> |

BOTRY-ZEN LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the 6 Months Ended 30 September, 2009

1. **SUMMARY OF ACCOUNTING POLICIES**

Statement of Compliance

Botry-Zen Limited (“Botry-Zen or Company”) is a profit oriented entity, registered in New Zealand under the Companies Act 1993. The Company is an issuer for the purposes of the Financial Reporting Act 1993 and its annual financial statements comply with that Act.

The unaudited interim financial statements have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards 34 (“NZ IAS-34”) “Interim Financial Reporting”.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost.

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies adopted by the Company have been applied in preparing the interim financial statements for the six months ended 30 September, 2009, the comparative information presented in these interim financial statements for the six months ended 30 September, 2008, and in the preparation of the previous full year financial statements at 31 March, 2009.

The information is presented in New Zealand dollars.

Changes in Accounting Policies

NZ IAS 1 – Presentation of Financial Statements

(effective for annual periods beginning on or after 1 January 2009)

The revised standard has introduced a number of terminology changes (including revised titles for interim financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has no impact on the reported results or financial position of the Company.

NZ IAS 8 – Operating Segments

(effective for annual periods beginning on or after 1 January 2009)

NZ IFRS 8 is a disclosure standard that has resulted in a reassessment of the Company’s reportable segments (refer note 6) but has no impact on the reported results or financial position of the Company.

BOTRY-ZEN LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the 6 Months Ended 30 September, 2009

3. RECONCILIATION OF NET PROFIT AFTER TAXATION WITH NET CASHFLOWS FROM OPERATING ACTIVITIES

| | 6 mths 30 Sep 09 (Unaudited) \$'000s | 6 mths 30 Sep 08 (Unaudited) \$'000s | 12 mths 31 Mar 09 (Audited) \$'000s |
|--|---|---|--|
| NET PROFIT (LOSS) FOR THE PERIOD | (649) | (1,222) | (1,689) |
| Adjustments for non-cash items: | | | |
| Amortisation of intangible assets | | | 3 |
| Depreciation | 123 | 136 | 271 |
| Net loss/(gain) on sale of Property, plant and equipment | - | 44 | 43 |
| Movement in working capital | | | |
| Accounts receivable | 118 | 20 | (108) |
| Prepayments | (1) | 13 | 22 |
| Accounts payable | (123) | (20) | 15 |
| GST | (19) | (38) | - |
| Inventories | (412) | (60) | (176) |
| NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES | <u>(963)</u> | <u>(1,127)</u> | <u>(1,619)</u> |

4. TERM LOANS

Total loans received from Melic Innovators Ltd amount to \$1,070,000 and are for a term of 3 years and will bear interest at the prevailing Bank of New Zealand Overdraft base rate plus a margin payable of 1.75%. The purposes of the loans are to reduce bank indebtedness and provide working capital.

A term loan was confirmed with the BNZ in June 09 for \$750,000 for an initial period of 180 days at an interest rate of 11.54%. This loan has an extended term approved by the BNZ.

5. SHARE CAPITAL

| | | | |
|---|---------------|---------------|---------------|
| Balance at beginning of period (207,456,139) | 10,294 | 9,611 | 9,611 |
| Shares issued (45,454,545) | 1,000 | 707 | 707 |
| Share issue costs | (48) | (24) | (24) |
| Balance at end of period (252,910,684) | <u>11,246</u> | <u>10,294</u> | <u>10,294</u> |

At 30 September 2009 there were 252,910,684 shares on issue (31 March 2009:207,456,139; 30 September 2008: 207,456,139).

BOTRY-ZEN LIMITED**NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS**

For the 6 Months Ended 30 September, 2009

6. OPERATING SEGMENTS

The following is an analysis of the Company's revenue and results from continuing operations by reportable segments.

| | Segment Revenue | | | Segment Profit | | |
|--|---|---|--|---|---|--|
| | 6 mths 30 Sep 09 (Unaudited) \$'000s | 6 mths 30 Sep 08 (Unaudited) \$'000s | 12 mths 31 Mar 09 (Audited) \$'000s | 6 mths 30 Sep 09 (Unaudited) \$'000s | 6 mths 30 Sep 08 (Unaudited) \$'000s | 12 mths 31 Mar 09 (Audited) \$'000s |
| Armour-Zen | 6 | 4 | 308 | 34 | (143) | (9) |
| Botry-Zen | 17 | 10 | 278 | 22 | (130) | (22) |
| Total for Continuing Operations | <u>23</u> | <u>14</u> | <u>586</u> | <u>56</u> | <u>(273)</u> | <u>(31)</u> |
| Other income | | | | - | 4 | 8 |
| Distribution expenses | | | | 2 | 22 | 58 |
| Marketing expenses | | | | 89 | 57 | 123 |
| Occupancy expenses | | | | 68 | 77 | 154 |
| Administration expenses | | | | 267 | 255 | 458 |
| Finance costs | | | | 137 | 303 | 436 |
| Other expenses | | | | 142 | 239 | 437 |
| Total for Continuing Operations | | | | <u>(649)</u> | <u>(1,222)</u> | <u>(1,689)</u> |

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the six months to 30 September 09 (31 March 2009: Nil, 30 September 2008: Nil).

7. RELATED PARTY TRANSACTIONS

Stephen Higgs and Tim Dunn have been appointed as Chairperson and Director respectively. Polson Higgs, of which Stephen Higgs and Tim Dunn are partners, provide accounting services to Botry-Zen Limited in the form of monthly management reports and business advice. Invoices for the six month period to 30 September 2009 totalled \$35,412 plus GST (31 March 2009: \$101,110, September 2008: \$42,569).

Michael Mellon is a director of Melic Innovators Limited which has provided debt financing to Botryzen Limited. Michael Mellon is a new director to the Board of Botry-Zen. At 30 September 2009 total lendings by Melic Innovators Limited were \$1,070,000 (31 March 2009: \$950,000, 30 September 2008: \$600,000). Interest charges to Melic Innovators Limited for the period to 30 September 2009 totalled \$72,827 (31 March 2009: \$59,991, 30 September 2008: \$7,209)

8. CAPITAL COMMITMENTS, CONTINGENT LIABILITIES

There were no capital commitments or contingent liabilities as at 30 September, 2009 (2008: \$Nil).

BOTRY-ZEN LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the 6 Months Ended 30 September, 2009

9. CYCLICALITY OF OPERATIONS

The interim financial statements for the six months ended 30 September, 2009 will not reflect a half year's trading as the company's main trading period is from October to February.

10. TRADING STOCK

Trading stock is valued at the lesser of cost or net realisable value.

11. COST OF SALES

The company's cost of sales is a positive amount this period. This has arisen due to an under estimation of closing stock at 31 March 2009.

12. GOING CONCERN

The financial statements have been prepared using the going concern assumption.

While a significant loss has been recorded for the period to 30 September 2009, the Company has prepared forecasts which indicate that cash generated as a result of operations and issuance of share capital and/or debt financing will enable the Company to continue operating for a period of 12 months from the date these financial statements are approved.

The Directors believe the going concern assumption is valid and have reached this conclusion having regard to the circumstances which they consider likely to affect the Company during the period of one year from the date of these financials are approved, and to circumstances which they believe will occur after that date which could affect the validity of the going concern assumption. The cashflow forecasts prepared by the Directors support the carrying value of the property, plant and equipment and intangible assets.

While the Directors believe in the company's ability to continue as a going concern, there is significant uncertainty as to whether the Company will be able to raise additional cash by way of new capital and/or debt financing. In the event it cannot raise additional cash, it is likely the company will not be able to continue as a going concern.

Even in the event the planned share and/or debt issuance raises sufficient cash to enable the Company to operate for the next financial year, there remains uncertainty as to whether the Company can achieve the sales and cash flows predicted within the timeframe set out in the Board of Directors' plans prior to utilisation of current and any future available cash resources. Accordingly there is uncertainty as to whether the Company can continue as a going concern and, therefore, whether they will be able to pay their debts as and when they become due and payable.

If the Company were unable to continue in operational existence, and pay debts as and when they become due and payable, adjustments would have to be made to reflect the situation that assets may need to be realised and liabilities extinguished, other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. This situation would likely impact significantly the carrying value of property, plant and equipment and intangible assets in particular.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

