

Chairman's Interim Report

FOR THE SIX MONTHS TO 30 SEPTEMBER 2003



The company has reported an operating deficit of \$676,000 (before tax) for the period, this being comparable in positive terms with the six month position budgeted at the start of the year, a \$684,000 deficit.

The six months to September has been a particularly active period with the highlight being the successful development of the new product formulation, a dry granulated BOTRY-Zen, with an eight month plus shelf life.

Given that the level of the product development work has been quite extraordinary, the company is pleased to be able to report that operating expense levels have been held within the budgeted range. (This may not be the case through the second half of the year when marginal expense over-run related directly to new commercial activities is anticipated).

As budgeted to September, minimal revenue flow was recorded, this reflecting the company's clear focus for the period on the vital Research and Development programme.

In the current New Zealand growing season the new granulated product will be thoroughly field-tested across grape, kiwifruit, citrus, flower and berry crops, this being a pre-requisite in extending the registration status the company already enjoys.

Plant scale-up steps are now being undertaken to prepare for commercial release in Italy and New Zealand from next May and off-shore partnering arrangements are in the final stages of negotiation to prepare for the Italian programme. The company is evaluating the possibilities of licensing contract manufacturing of BOTRY-Zen in Germany in order to expand the Italian market opportunity.

The international patent covering the BOTRY-Zen technology has been advanced to National Phase Entry stage, this representing the final step in what has been a successful, but lengthy, international examination process.

Field trial work on five grape-land sites in California has produced comparable favourable results to those previously experienced in New Zealand but in the Italian trialling activity, because of exceptionally warm dry European weather patterns, our product was not able to be fully tested against heavy/moderate *Botrytis* pressure.

Ongoing research work undertaken during recent months has presented, beside the product formulation gains already mentioned, positive results with sticking/wetting agents, tank mixing compatibility options and possible late season companion product opportunities. Further work is scheduled on the advances made to date in these areas.

The company is fortunate to continue to receive excellent co-operation and support from the key stakeholders, New Zealand Winegrowers and HortResearch and the parties have recently agreed on a variation to the Head Agreement to widen the commercial utilisation of BOTRY-Zen across crops threatened with *Sclerotinia* infection. The original Agreement addressed *Botrytis* fighting crop application and the addition of the ability to now attack *Sclerotinia* infections, particularly in kiwifruit, significantly increases the company's target market range both within New Zealand and off-shore.

To this point the company has had, overall, to dedicate resources and effort towards the completion of a wide array of preparatory and "platform building" tasks. This has been vital and necessary in order to prepare for the forthcoming commercial development, a new phase in the company's growth that your directors believe is close at hand.

A handwritten signature in black ink that reads "M. G. Shepherd".

Dr Max Shepherd, Chairman

10 November 2003



interim
report
2003

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Financial Information

STATEMENT OF FINANCIAL PERFORMANCE FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2003

	Sep-03 \$000 Unaudited	Mar-03 \$000 Audited	Sep-02 \$000 Unaudited
Interest revenue	47	168	95
Other revenue	28	36	14
Total revenue	75	204	109
Operating surplus/(deficit)	(676)	(1,067)	(455)
Surplus/(deficit) before taxation	(676)	(1,067)	(455)
Provision for taxation	-	-	-
Net surplus/(deficit) for the period	(676)	(1,067)	(455)

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2003

	Sep-03 \$000 Unaudited	Mar-03 \$000 Audited	Sep-02 \$000 Unaudited
Current assets			
Cash and short term deposits	1,383	2,230	2,690
Accounts receivable and prepayments	14	51	26
Taxation refund	7	7	152
	<u>1,404</u>	<u>2,288</u>	<u>2,868</u>
Non-current assets			
Property, plant and equipment	1,043	886	862
	<u>1,043</u>	<u>886</u>	<u>862</u>
Total assets	2,447	3,174	3,730
<i>Less:</i>			
Current liabilities			
Accounts payable and accruals	81	132	76
Total liabilities	81	132	76
Net assets	2,366	3,042	3,654
Shareholders' equity			
Share capital	5,001	5,001	5,001
Retained earnings	(2,635)	(1,959)	(1,347)
Total shareholders' equity	2,366	3,042	3,654

STATEMENT OF MOVEMENTS IN EQUITY FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2003

	Sep-03 \$000 Unaudited	Mar-03 \$000 Audited	Sep-02 \$000 Unaudited
Opening equity	3,042	4,109	4,109
Total recognised revenue and expenses			
Net surplus/(deficit) for the period	(676)	(1,067)	(455)
Contributions from owners			
Ordinary shares issued during the period	-	-	-
Closing equity	<u>2,366</u>	<u>3,042</u>	<u>3,654</u>

STATEMENT OF CASH FLOWS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2003

	Notes	Sep-03 \$000 Unaudited	Mar-03 \$000 Audited	Sep-02 \$000 Unaudited
Cash flows from operating activities				
<i>Cash was provided from:</i>				
Interest received		73	168	37
Other receipts		22	-	-
Sales receipts		15	79	16
		<u>110</u>	<u>247</u>	<u>53</u>
<i>Cash was applied to:</i>				
Payments to suppliers and employees		(751)	(1,094)	(518)
		<u>(751)</u>	<u>(1,094)</u>	<u>(518)</u>
Net cash flow from (used in) operating activities	1	(641)	(847)	(465)
Cash flows from investing activities				
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment		(205)	(357)	(279)
		<u>(205)</u>	<u>(357)</u>	<u>(279)</u>
Net cash flow from (used in) investing activities		(205)	(357)	(279)
Cash flows from financing activities				
Net cash flow from financing activities		-	-	-
Net increase/(decrease) in cash held		(846)	(1,204)	(744)
Opening cash		2,229	3,434	3,434
Cash balance as per statement of financial position		1,383	2,230	2,690

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2003

	Sep-03 \$000 Unaudited	Mar-03 \$000 Audited	Sep-02 \$000 Unaudited
1. Reconciliation of net surplus/(deficit) after taxation with the cash flow from operating activities			
Reported surplus/(deficit) after taxation	(676)	(1,067)	(455)
<i>Add/(less) non-cash items:</i>			
Depreciation	48	88	33
<i>Movements in working capital:</i>			
Accounts payable and accruals	(51)	83	27
Income tax refunds due	-	75	(7)
Accounts receivable and prepayments	38	(27)	(64)
Stock on hand	-	-	1
Net cash flow from (used in) operating activities	(641)	(847)	(465)

STATEMENT OF ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with FRS-24: Interim Financial Statements, and should be read in conjunction with the annual report for the year ended 31 March 2003. The disclosure required in the interim financial statements is less extensive than that required for an annual financial report. However, the accounting policies applied are consistent with those used in the annual financial statements.

There have been no significant changes to the operational or financial circumstances of the Company since the previous annual report.