

BOTRY-ZEN LIMITED

CHAIRMAN'S INTERIM REPORT

For the six months to 30 September 2006

The Company has reported an operating deficit for the six months of \$700,176, this comparing favourably with the period's \$785,006 deficit forecast. For the similar period last year the net deficit position was \$780,610. That outcome was against a budgeted deficit of \$718,288. Overall, Company policy of carefully managing operating expenditure within a realistic range has been closely maintained.

The Director's Annual Report for the year ended 31st March 2006 presented detailed comment around the key words, Product, Market and Timing. Expanding Company comment on these I am pleased to now confirm that the newly commissioned Dunedin manufacturing plant and equipment is operating to specification, this allowing us to present commercial quantities of product to the local market this season.

As previously advised, our key product, BOTRY-Zen has been developed through what has been a lengthy and challenging research programme. We must also report that the follow-through manufacturing steps have presented a considerable number of significant technical hurdles, and these have unavoidably, caused timing delays in several areas of operation.

Despite the fact that we are substantially behind our original production schedule, we have, with the assistance of external specialists, overcome the technical difficulties at the manufacturing facility here in Dunedin. We are proud of the progress made in this area of activity.

The manufacturing platform for our second product ARMOUR-Zen (previously referred to as BZ II) is currently being installed at the Dunedin plant and this new 'late season' biological control will be (given the successful completion of the final

registration steps) widely applied across grapes and kiwifruit from December this year.

ARMOUR-Zen offers growers another form of crop protection where the *Botrytis cinerea* infection penetrates the fruit in the final stages of the season and it therefore very successfully complements the BOTRY-Zen early to mid-season benefits.

Market placement of our products within New Zealand (across all the available crop options) through this season is a priority and with registration pending in Germany and Austria, we expect to be commercially active in those markets, also with both products, BOTRY-Zen and ARMOUR-Zen, from April next year.

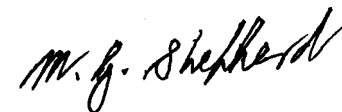
The European registration steps will allow us to be present there ahead of the anticipated time-line and through in-market visits during August and September we now have distribution arrangements in place with a Frankfurt-based agricultural product marketing company.

From a timing perspective our commercial entry to the above markets could not come at a more opportune moment as both grower and consumer interest in the reduction of chemical utilisation in agriculture continues to gather momentum. The Company is receiving an increasing number of approaches seeking access to our biological products. A significant proportion of the interest shown is being driven by the growing awareness of the successful BOTRY-Zen field trials held recently in Germany.

The New Zealand wine industry focus on sustainable grape growing is continuing to expand and it is widely recognised that our Company products are a particularly 'good fit' with the key objectives of that programme.

At the time of writing this report the new local growing season has just commenced and our distributors are well advanced in following up the field interest expressed by wine industry members at this year's Romeo Bragato Conference in Queenstown.

Your Directors and management are now in the process of assessing the best options to permit us to move forward with the wider development steps associated with a further expansion (to maximum capacity) of the Dunedin facility as well as the longer term off-shore planning process.



Dr Max Shepherd
Chairman

29 November 2006



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INTERIM REPORT 2006

Financial Information

Statement of financial performance for the 6 months ended 30 September 2006

	Sep-06 (6 months) \$000 Unaudited	Mar-06 (12 months) \$000 Audited	Sep-05 (6 months) \$000 Unaudited
Trading Revenue	2	-	-
Interest Revenue	48	78	14
Other Revenue	-	199	13
Total Revenue	50	277	27

Operating surplus/(deficit)	(700)	(1,579)	(781)
Surplus/(deficit) before taxation	(700)	(1,579)	(781)
Provision for taxation	-	-	-
Net surplus/(deficit) for the period	(700)	(1,579)	(781)

Statement of financial position as at 30 September 2006

	Sep-06 \$000 Unaudited	Mar-06 \$000 Audited	Sep-05 \$000 Unaudited
Current assets			
Cash and short term deposits	332	2,619	101
Accounts receivable and prepayments	112	205	29
Inventory	312	-	-
Taxation refund	-	-	-
	756	2,824	130
Non-current assets			
Property, plant and equipment	2,157	660	341
	2,157	660	341
Total assets	2,913	3,484	471
Less:			
Current liabilities			
Accounts payable and accruals	273	144	243
Total liabilities	273	144	243
Net assets	2,640	3,340	228
Shareholders' equity			
Share capital	8,911	8,911	5,001
Retained earnings	(6,271)	(5,571)	(4,773)
Total shareholders' equity	2,640	3,340	228

Statement of movements in equity for the 6 months ended 30 September 2006

	Sep-06 (6 months) \$000 Unaudited	Mar-06 (12 months) \$000 Audited	Sep-05 (6 months) \$000 Unaudited
Opening equity	3,340	1,009	1,009
Total recognised revenue and expenses			
Net surplus/(deficit) for the period	(700)	(1,579)	(781)
Contributions from owners			
Ordinary shares issued during the period	-	3,910	-
Closing equity	2,640	3,340	228

Statement of cash flows for the 6 months ended 30 September 2006

	Notes	Sep-06 \$000 Unaudited	Mar-06 \$000 Audited	Sep-05 \$000 Unaudited
Cash flows from operating activities				
<i>Cash was provided from:</i>				
Interest received		77	62	28
Other receipts		-	-	25
Sales receipts		1	81	-
		78	143	53
<i>Cash was applied to:</i>				
Payments to suppliers and employees		(854)	(1,897)	(681)
GST Paid		(41)	(49)	-
		(895)	(1,946)	(681)
Net cash flow from (used in) operating activities	1	(817)	(1,803)	(628)
Cash flows from investing activities				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment		60	-	-
		60	-	-
<i>Cash was applied to:</i>				
Purchase of property, plant and equipment		(1,573)	(360)	(12)
		(1,573)	(360)	(12)
Net cash flow from (used in) investing activities		(1,513)	(360)	(12)
Cash flows from financing activities				
<i>Cash was provided from:</i>				
Issue of Ordinary Shares		-	3,910	-
Partly-paid Redeemable shares (convertible to ordinary)		1	-	-
Net cash flow from financing activities		1	3,910	-
Net increase/(decrease) in cash held		(2,329)	1,747	(640)
Opening cash		2,619	741	741
Foreign Exchange Gain		42	131	-
Cash balance as per statement of financial position		332	2,619	101

Notes to the financial statements for the 6 months ended 30 September 2006

	Sep-06 (6 months) \$000 Unaudited	Mar-06 (12 months) \$000 Audited	Sep-05 (6 months) \$000 Unaudited
1. Reconciliation of net surplus/(deficit) after taxation with the cash flow from operating activities			
Reported surplus/(deficit) after taxation	(700)	(1,579)	(781)
Add/(less) non-cash items:			
Depreciation	21	57	28
Gain on Sale of Property, Plant & Equipment	(6)	-	-
Foreign Exchange Gain	(42)	(131)	-
Movements in working capital:			
Accounts payable and accruals	129	14	113
Income tax refunds due	-	-	-
Accounts receivable and prepayments	93	(164)	12
Stock on hand	(312)	-	-
Net cash flow from (used in) operating activities	(817)	(1,803)	(628)

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 2006. 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.

In December 2002, the New Zealand Accounting Standards Review Board announced that all New Zealand reporting entities will be required to comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for periods beginning on or after 1 January 2007, with the option to adopt early for periods beginning on or after 1 January 2005.

Botry-Zen Limited's first annual financial statements prepared under NZ IFRS will be for the year ended 31 March 2008. The Company will manage the transition to NZ IFRS by undertaking an analysis of key impacts. The Company has begun to evaluate the Company's existing accounting policies and the potential impacts of adopting NZ IFRS, to ensure the transition occurs within the required time frames.

Whilst the implementation of NZ IFRS has no impact on the entity's underlying economic strength, risk management practices or cash flows,

it may result in key material differences in the financial statements. As at 30 September 2006 the Company began a detailed review of the NZ IFRS standards, with a view to determine the impacts on the financial statements that are expected to arise on transition. The Company has not yet completed an exercise to quantify the effects of the differences and therefore currently are unable to provide reliable estimatable information about the impacts on the financial statements which arise from transitioning to NZ IFRS.

During the transition project, where the financial impact of NZ IFRS can be reliably estimated and will have a material impact, disclosure will be made in subsequent financial statements. The actual impact of adopting NZ IFRS may vary from the information presented and this variation may be material.

In the first year of compliance, entities are required to restate their comparative financial statements to reflect the new standards. The majority of adjustments required on transition to NZ IFRS will be to equity.

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

