

# Operations Report and Financial Statements

For the six months to 30 September 2013



## RESULTS FOR ANNOUNCEMENT TO THE MARKET

**Reporting Period:** 6 months to 30 September 2013  
**Previous Reporting Period:** 6 months to 30 September 2012

<b>Consolidated</b>	<b>Amount (\$000s)</b>	<b>Percentage Change</b>
Revenue	721	Increased 24%
Net surplus / (deficit) before tax & finance costs (interest & preference share costs)	(764)	Deficit decreased 2%
Finance Costs	0	No change
Net deficit	(764)	Decreased 9%
Interim Dividend- Ordinary shares	NIL	
Please read Operations Report for explanation of the above disclosure summary		

**OVERVIEW**

BLIS Technologies Ltd reports an operating loss of \$764K on turnover of \$721K for the six months to September 30. Turnover increased 24% from the \$580K reported in the previous corresponding period.

The operating loss although similar to the corresponding prior period was impacted by a decision to expense further development related costs on products which are now in commercial production. In the prior period \$190k of development costs were capitalised. The current period loss of \$764k represents a 21% improvement over the comparable period pre-capitalisation of development costs of a \$970k loss.

Also the prior reporting period included turnover of \$180k from the discontinued operations of BLIS Functional Foods ('BFF') and therefore the underlying increase in sales of ingredients and finished consumer products was significantly higher at 86%.

The result is due to only a slow increase in commercial sales volumes despite notable achievements, including overcoming regulatory hurdles, implementation of new product initiatives and opening further channels to market.

The recent capital raising has provided the Company with the capital base necessary to support its business strategies. In this respect, marketing alliances with Asia Pacific Partners and NZPR Group have been cemented through their participation. These trade partnerships have yet to contribute meaningful sales but are expected to deliver a significant boost to volumes in the ensuing six to eighteen months.

Together with the momentum that Stratum Nutrition is building in Europe and Asia and following resolution of United States market access issues we anticipate strong growth in our ingredients and finished consumer products sales over the next 12 to 18 months.

Sales will be further boosted when the nutritional plant is certified for export (expected in December 2013).

Overall expectations are for turnover for the year to 31 March 2014 to grow by in excess of 50% despite the discontinued operations of BLIS Functional Foods. Consequently our annual loss after taking into account the decision not to capitalise any further development costs on products which are now in commercial production is expected to reduce by about one-third.

**FINANCIAL**

The Company reports a consolidated net deficit for the six months to 30 September of \$764k (Sept 2012: \$780k) before tax and finance costs. It is a disappointing financial result reflecting access issues specific to the United States and increased operating costs largely as a result of a Board decision not to capitalise any further development costs on products which are now in commercial production as the Company focus moves further towards in-market support of its proprietary probiotic strains.

The Group revenue for the six months to 30 September was \$721k (Sept 2012: \$580k). Whilst sales to the United States remained insignificant, sales within New Zealand and to Asia and Europe have seen a significant lift in comparison to the previous year. New Zealand sales, excluding the discontinued operations of BFF, increased from \$130K to \$336K reflecting the introduction of new product by Pharmabroker, our distribution partner, and the success of our web-based sales initiatives.

Operations were substantially relocated from the Centre for Innovation at the University of Otago in Dunedin by May but laboratory facilities have been maintained in the interim.

No tax was payable and no dividend will be paid on ordinary shares.

Net consolidated cash outflow from operating activities was \$313k (Sept 2012: \$20k inflow). The September 2012 inflow reflected cash received for large sales at the end of the previous financial year).

Investment in the period totalled \$213k (Sept 2012: \$226k) reflecting the investment in the nutritional formulation operation and capitalisation of patent costs.

**CAPITAL RAISING**

Major capital raising initiatives were ratified at the Annual Shareholders Meeting being the placement of up to 300 million shares at 1 cent per share and a Share Purchase Plan (SPP) for the issue of up to 150 million shares at 1

cent per share. Subsequent to the half-year completion date of September 30, the capital raising has been concluded with a total of \$4.326 million raised through the placement of 293.460 million shares and the issue of 139.10 million shares pursuant to the SPP at 1 cent per share.

The placement was made to parties that included the existing major shareholder Edinburgh Equity Nominees Limited and new trade investors Asia Pacific Partners Limited (APPL) and NZPR Group and associated interests (NZPR).

Some 233.46 million placement shares were issued for a total of \$2.335 million before 30 September and reflected in the attached accounts.

The balance of 60.0 million placement shares and the 139.10 million shares under the SPP were issued subsequent to 30 September with the \$1.991 million raised not reflected in the attached accounts.

In aggregate these funds provide the Company with the capital base necessary to support its business strategies. They will enable the company to maintain its core competencies, foster its nutritional formulations business and leverage the execution of its branded ingredients strategy for advanced probiotics internationally.

## **COMMERCIALISATION PROGRESS**

The operating performance of the Company has yet to improve but major commercial developments initiated in conjunction with our commercial partners are anticipated to come to fruition over the next six to eighteen months. Other initiatives will take longer to bear fruit.

Earlier expectations for significant growth in ingredient sales in the nutraceutical sector are being met in Asia and Europe, but sales in North America are affected by the carryover of inventory and a market access issue that has now largely been resolved. Demand for ingredients in North America remains and meaningful sales through our distributor Stratum Nutrition are anticipated to resume prior to year end.

In the last six months further progress has been made in conjunction with Stratum Nutrition, Asia Pacific Partners and NZPR Group in advancing the plans of product formulators and distributors to launch products containing BLIS ingredients in major international markets. As a consequence, we anticipate ingredient and consumer product sales to increase materially in the nutraceutical sector although we do not anticipate significant sales into the food ingredient sector until the 2014-15 financial year..

The web-based delivery of our consumer products continues to prove successful with an immediate financial return along with development of a sound platform through which to educate formulators and consumers of the benefits of BLIS-based products.

## **BUSINESS DEVELOPMENT STRATEGY**

Our business development strategy is to support ingredient sales by exemplar in-market consumer products and nutritional formulations.

The Company's strategy is underpinned by five primary platforms:

1. Building dietary and food ingredient sales in key markets; these include North America, Asia and Europe with Stratum Nutrition, and in China with NZPR Group and Sinopharm;
2. Developing exemplar in-market consumer products and nutritional formulations
3. Building finished product sales through web marketing ([www.blis.co.nz](http://www.blis.co.nz)) and partnerships (retail products and nutritional formulations with Asia Pacific Partners in Asia and with our partners in China);
4. Developing long-term strategic partnerships with companies that have significant regional and global reach
5. Obtaining regulatory approval and intellectual property protection in defined markets.

The Company continues to explore additional strategic opportunities in food and finished product applications as well as personal care and animal health applications by developing long-term strategic partnerships.

### **Strategy 1: Building Ingredient Sales**

Our partnership with Stratum Nutrition (a division of Novus Nutrition Brands Inc) remains the core of ingredient sales. The BLIS ingredients marketed by Stratum Nutrition include BLIS K12™ and BLIS M18™. It is anticipated that China will ultimately be a significant market for ingredient sales through our partner, NZPR Group.

### **Strategy 2: Developing In-market Consumer Products**

The development and support of novel consumer products and the development of licensable intellectual property has been a key strategic investment for the company. Of immediate commercial significance, has been the development of technology to incorporate BLIS probiotics in powdered nutritional formulations. BLIS has been working with its partners, including Asia Pacific Partners and others to develop and market nutritional formulations containing BLIS K12™ such as beverages, yoghurt powders and other formulations. The formal approval (export accreditation) of our nutritional formulations plant (expected in December) will be a significant milestone in the implementation of this strategy. Upon receipt of export accreditation these products will be marketed in Australasia, Asia and parts of Europe. The Company will also undertake sub-contracting of nutritional formulations. On being accredited it will be the only plant in the South Island of New Zealand approved to process probiotics.

### **Strategy 3: Building Finished Product Sales**

Finished products have been an important part of the company strategy in New Zealand and Australia for many years with the channels to market recently complemented by our web-based offering. While the web has helped build sales, more importantly it serves a very valuable purpose in alerting potential new customers to the benefits of BLIS products.

Following refurbishment of the Dunedin facility, the Company will build its business in finished product sales, primarily based on lozenge products with production in Dunedin. This will expand the base of its business and support the marketing of these products in Asia, Middle East and Europe.

### **Strategy 4: Developing Long-term Strategic Partnerships**

While the relationship with Stratum Nutrition is a key partnership, the long-term strategy also involves strategic relationships with companies such as Nestlé Nutrition and other leading global and regional consumer product and technology companies, and relationships with potential manufacturers.

BLIS Technologies is establishing further relationships with companies operating in Asia and the Middle East, with our other commercial partners, Asia Pacific Partners and NZPR Group. The NZPR Group focus has been securing distribution networks in China and has recently appointed Sinopharm, the largest pharmaceutical company in China, to distribute our products.

### **Strategy 5: Obtaining Regulatory Approval and Intellectual Property Protection**

Our strategic investment in patent protection and in trademarks provides our partners with the confidence to invest in product development and marketing.

BLIS Technologies is confident that that it can retain its leadership position in the market through our emphasis on supporting research, along with the momentum created by the wide range of independent studies, that show the benefits of BLIS K12™ and BLIS M18™ in oral health applications

Regulatory activities continue to be some of the most important issues addressed by the company. Although no new approvals were obtained during the period under review, past approvals and supporting documentation have proved invaluable in addressing market access issues.

## **PRODUCT DEVELOPMENT**

Although the Board has determined not to capitalise any costs to development on products which are now in commercial production the Company will continue to monitor its product development activities and the Board may determine to capitalise certain costs in the future.

The Company product development focus has moved to the in-market support of its proprietary probiotic strains. These projects provide technically assistance to customer's particularly in Asia (Japan, China, SEA and Taiwan)

and more recently in Europe (e.g. Italy, Spain and Finland). The work continues to involve our scientific staff assisting customers with projects involving laboratory testing, production, quality assurance and regulatory aspects.

Other more technical work-streams include developing new BLIS M18™ lozenge and gum products for ASEAN IV countries (Malaysia region), nutritional ingredient formulations, and food formats (yoghurt).

A number of papers have been published by both The Company and external researchers, on the various aspects of the BLIS K12™ and BLIS M18™ strains in the previous 6 months (1 April 2013 to 30 September 2013<sup>1</sup>).

### **Clinical trials**

The Company continues to support and monitor clinical trials of its products. Locally, we have determined the success of different delivery formats with BLIS K12™, supporting our knowledge and development. Internationally, the two clinical trials, using BLIS K12™, by an Italian group demonstrating the effectiveness of BLIS K12™ in reducing the frequency of streptococcal sore throats in both adults and children have been followed up with trials examining the potential of BLIS M18™ to prevent dental caries (Italy) and to relieve periodontal disease (India). Another study on the persistence of BLIS M18™ in the oral cavity and its effect on general health is currently under way in Canada.

New Zealand has major issues with rheumatic fever and a group of University researchers has now received funding to provide assistance in trials that utilise BLIS K12™. While there is strong evidence for the potential efficacy of the strain, the requirements for a trial are complex and the costs very significant. As this is an independent study, the Company is not directly involved, but BLIS Technologies is providing the BLIS K12™ to be used in the trials.

BLIS Technologies is assisting The Salvation Army's fight against tonsillitis and rheumatic fever by providing young children and their families in the Otago and Southland area with free throat probiotic lozenges.

We are also in discussion with our partners, NZPR Group and Stratum Nutrition about further studies using BLIS K12™ and BLIS M18™.

### **STAFF**

Murray Kennedy (product technologist) has left the Company after six years. We wish him well in the future and thank him for his significant contribution. He has been replaced by a food technologist with considerable experience in commercial roles in product development in the food industry. The Company has also engaged a consultant with more than 20 years experience in the food and engineering industry as Operations Manager. His experience has been invaluable in commissioning the nutritional plant and he will manage the engineering and production functions within the Company. Full-time staff numbers remain unchanged at 11, although it is anticipated that further staff will be required particularly as our production operations ramp up.

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#### <sup>1</sup>References

##### **Papers published 31 March 2013 to 31 September 2013 relating to K12 and M18**

Barbour, A., K. Philip, et al. (2013). "Enhanced Production, Purification, Characterization and Mechanism of Action of Salivaricin 9 Lantibiotic Produced by *Streptococcus salivarius* NU10." PLoS ONE 8(10): e77751.

Bouwer, A. L., S. C. Saunderson, et al. (2013). "Rapid interferon-gamma release from natural killer cells induced by a streptococcal commensal." J Interferon Cytokine Res 33(8): 459-466.

Burton, J. P., B. K. Drummond, et al. (2013). "Influence of the probiotic *Streptococcus salivarius* strain M18 on indices of dental health in children: a randomized double-blind, placebo-controlled trial." J Med Microbiol 62(Pt 6): 875-884.

Burton, J. P., P. A. Wescombe, et al. (2013). "Persistence of the Oral Probiotic *Streptococcus salivarius* M18 Is Dose Dependent and Megaplasmid Transfer Can Augment Their Bacteriocin Production and Adhesion Characteristics." PLoS ONE 8(6): e65991.

## OUTLOOK

The focus for the Company remains building ingredient sales and achieving meaningful sales in China. This will be achieved by education of product formulators and ultimately the consumer on the benefits of BLIS oral probiotics.

Execution has proved frustratingly difficult but even with the hiatus in the United States recognition is building as is the momentum in ingredient sales in Asia and Europe. Revenue growth will be further supported by sales of finished retail products and nutritional formulations through new and existing channel partners and our successful web-based platform.

Accordingly although a further operating loss is anticipated in the current financial year our expectations are for the Company to move to profitable operations during the course of the 2015 financial year.



Peter Fennessy  
Chairman



Barry Richardson  
Chief Executive Officer

22<sup>th</sup> day of November 2013

***BLIS K12 and BLIS M18 are trade marks of BLIS Technologies Limited.***

**BLIS TECHNOLOGIES LIMITED**

**CONSOLIDATED INCOME STATEMENT**

For the 6 Months Ended 30 September, 2013

	Notes	6 mths 30 Sep 13 (Unaudited) \$'000s	6 mths 30 Sep 12 (Unaudited) \$'000s	12 mths 31 Mar 13 (Audited) \$'000s
<b>REVENUES</b>				
Trading revenue		713	563	1,121
Interest Received		8	9	22
Other Income		-	8	18
		<u>721</u>	<u>580</u>	<u>1,161</u>
<b>LESS</b>				
Distribution expenses		8	6	29
Marketing expenses		10	12	35
Occupancy expenses		70	76	153
Operating expenses		1,190	1,067	2,342
Other expenses		207	199	400
		<u>1,485</u>	<u>1,360</u>	<u>2,959</u>
<b>NET SURPLUS/ (DEFICIT) BEFORE TAX &amp; FINANCE COSTS</b>		(764)	(780)	(1,798)
LESS:				
Amortisation of transaction cost Convertible Preference Shares 3b		-	16	16
Dividend on Convertible Preference Shares		-	43	42
		<u>-</u>	<u>59</u>	<u>58</u>
<b>NET SURPLUS/(DEFICIT) BEFORE TAX</b>		(764)	(839)	(1,856)
Taxation expense		-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
<b>NET SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<u>(764)</u>	<u>(839)</u>	<u>(1,856)</u>
Total net surplus/(deficit) for the period is attributed to:				
Equity holders of the parent		(764)	(823)	(1,810)
Non-controlling interest		-	(16)	(46)
		<u>-</u>	<u>(16)</u>	<u>(46)</u>
		<u>(764)</u>	<u>(839)</u>	<u>(1,856)</u>
<b>Earnings/ (Loss) per Share:</b>				
Basic (cents per ordinary share)		(0.11)	(0.20)	(1.1)
Diluted (cents per ordinary share)		(0.11)	(0.20)	(0.38)



**BLIS TECHNOLOGIES LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the 6 Months Ended 30 September, 2013

	Notes	6 mths 30 Sep 13 (Unaudited) \$'000s	6 mths 30 Sep 12 (Unaudited) \$'000s	12 mths 31 Mar 13 (Audited) \$'000s
Surplus/(deficit) for the year		(764)	(839)	(1,856)
Other Comprehensive Income		-	-	-
<b>Total comprehensive income/(deficit) for the year, net of tax</b>		<u>(764)</u>	<u>(839)</u>	<u>(1,856)</u>
<b>Total comprehensive income (deficit) is attributed to:</b>				
Equity Holders of Parent		(764)	(823)	(1,810)
Non-controlling Interest		-	(16)	(46)
		<u>(764)</u>	<u>(839)</u>	<u>(1,856)</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the 6 months Ended 30 September, 2013

<b>EQUITY AT BEGINNING OF THE PERIOD</b>		3,490	(140)	(140)
Total Comprehensive Income (Deficit) for the Period		(764)	(823)	(1,810)
Increase in Share Capital	3a	2,335	4,174	5,486
Non-controlling Interest		-	(16)	(46)
		<u>5,061</u>	<u>3,195</u>	<u>3,490</u>
<b>EQUITY AT END OF PERIOD</b>		<u>5,061</u>	<u>3,195</u>	<u>3,490</u>

BLIS TECHNOLOGIES LIMITED

**CONSOLIDATED BALANCE SHEET**

As at 30 September, 2013

	Notes	30 Sep 13 (Unaudited) \$'000s	30 Sep 12 (Unaudited) \$'000s	31 Mar 13 (Audited) \$'000s
<b>CURRENT ASSETS</b>				
Cash and short term deposits		2,508	359	759
Accounts receivable		114	127	208
Prepayments		82	24	49
Inventory		160	266	230
		<u>2,864</u>	<u>776</u>	<u>1,246</u>
<b>LESS CURRENT LIABILITIES</b>				
Accounts Payable		348	330	337
		<u>348</u>	<u>330</u>	<u>337</u>
<b>WORKING CAPITAL</b>		<b>2,516</b>	<b>446</b>	<b>909</b>
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment		294	276	164
Intangible assets		2,251	2,389	2,417
Goodwill		-	84	-
		<u>2,545</u>	<u>2,749</u>	<u>2,581</u>
		<u>5,061</u>	<u>3,195</u>	<u>3,490</u>
<b>NON CURRENT LIABILITIES</b>				
Convertible Preference Shares	3b	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
<b>OWNERS' EQUITY</b>				
Share Capital	3	35,406	31,758	33,071
Reserves		(30,345)	(28,538)	(29,581)
Non controlling interest		-	(25)	-
<b>TOTAL EQUITY</b>		<u>5,061</u>	<u>3,195</u>	<u>3,490</u>

**CONSOLIDATED STATEMENT OF CASHFLOWS**

For the 6 Months Ended 30 September, 2013

	Note	6 mths 30 Sep 13 (Unaudited) \$'000s	6 mths 30 Sep 12 (Unaudited) \$'000s	12 mths 31 Mar 13 (Audited) \$'000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash was provided from (applied to):</b>				
Trading revenue & Other Income		807	1,177	1,161
Interest received		8	9	22
Payments to suppliers and employees		(1,128)	(1,140)	(2,310)
Net cash inflow (outflow) from operations before payments relating to Convertible Preference Shares (CPS)		(313)	46	(627)
Payment of withholding tax/dividend (CPS)		-	(26)	(26)
<b>Net cash inflow/ (outflow) from operating activities</b>	2	(313)	20	(653)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash was provided from (applied to):</b>				
Capitalised development costs		-	(184)	(360)
Capitalised patent costs		(60)	(27)	(71)
Capitalised website development		-	(6)	(23)
Purchase of Property, plant and equipment		(153)	(9)	(13)
<b>Net cash inflow (outflow) from investing activities</b>		(213)	(226)	(467)
<b>CASH FLOWS FINANCING ACTIVITIES</b>				
<b>Cash was provided from (applied to):</b>				
Issue of Ordinary Shares		2,335	-	1,314
Cost of raising capital		(60)	-	-
<b>Net cash inflow (outflow) from financing activities</b>		2,275	-	1,314
Net increase/ (decrease) in cash held		1,749	(206)	194
Add cash and short term deposits at start of period		759	565	565
<b>Balance at end of period</b>		<u>2,508</u>	<u>359</u>	<u>759</u>
<b>COMPRISED OF:</b>				
Cash and short term deposits		2,508	359	759
Bank Overdraft		-	-	-
<b>Total</b>		<u>2,508</u>	<u>359</u>	<u>759</u>

**NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS**

For the 6 Months Ended 30 September, 2013

**1. SUMMARY OF ACCOUNTING POLICIES**

**Statement of Compliance**

The unaudited interim consolidated financial statements presented are those of BLIS Technologies Limited and its subsidiary BLIS Functional Foods Limited (the Group). The principle activity of BLIS Technologies Limited (BLIS or the Company) is developing branded ingredients and healthcare products based on strain of bacteria that produce Bacteriocin-Like Inhibitory Substance (BLIS). The 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 are prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP) and comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for interim financial statements (NZ IAS 34). The interim financial statements should be read in conjunction with the Group annual report for the year ended 31 March 2013.

**Basis of Preparation**

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values 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 financial statements are presented in New Zealand dollars.

The same accounting policies and methods of computation are followed in these interim financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 March 2013.

## NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September, 2013

## 2. RECONCILIATION OF NET DEFICIT WITH CASHFLOWS FROM OPERATING ACTIVITIES

	6 mths 30 Sep 13 (Unaudited) \$'000s	6 mths 30 Sep 12 (Unaudited) \$'000s	12 mths 31 Mar 13 (Audited) \$'000s
<b>NET SURPLUS (DEFICIT) FOR THE PERIOD</b>	(764)	(839)	(1,856)
<b>Adjustments for non-cash items:</b>			
Depreciation	29	28	124
Amortisation of capitalised development costs	183	179	356
Amortisation of patents	25	20	44
Amortisation of website	12	6	12
Amortisation of transaction costs for Convertible Preference Shares	-	16	16
Ordinary Shares issued in lieu of dividend on CPS	-	-	174
Loss on sale of fixed assets	-	-	6
Impairment of goodwill and property, plant and equipment	-	174	97
	<u>249</u>	<u>423</u>	<u>(1,027)</u>
<b>Movement in working capital</b>			
Accounts receivable	94	606	525
Prepayments	(33)	21	(3)
Accounts payable	11	(43)	(36)
Inventories (net)	70	10	46
Convertible Preference Shares Dividend Payable	-	(158)	(158)
Cost of raising capital classified as Financing Activity	60	-	-
	<u>202</u>	<u>436</u>	<u>374</u>
<b>NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<u>(313)</u>	<u>20</u>	<u>(653)</u>

## 3 a) SHARE CAPITAL- ORDINARY SHARES

<b>Balance at beginning of period</b>	33,071	27,585	27,585
Shares issued in lieu of Dividend due on Cumulative Preference			
Shares (CPS)	-	173	173
Shares issued on conversion of CPS	-	4,000	4,000
Shares issued pursuant to Share Purchase Plan	-		709
Shares issued pursuant to Share Purchase Placement	2,335		604
<b>Balance at end of period</b>	<u>35,406</u>	<u>31,758</u>	<u>33,071</u>

**NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS**

For the 6 Months Ended 30 September, 2013

	6 mths 30 Sep 13 (Unaudited)	6 mths 30 Sep 12 (Unaudited)	12 mths 31 Mar 13 (Audited)
<b>NUMBER OF SHARES ON ISSUE</b>	<b>No, '000</b>	<b>No, '000</b>	<b>No, '000</b>
<b>Balance at beginning of period</b>	669,594	175,827	175,827
Shares issued in lieu of Dividend due on Cumulative Preference			
Shares (CPS)	-	12,990	12,990
Shares issued on conversion of CPS	-	298,063	298,063
Less: Shares held as treasury stock cancelled	-	(5,000)	(5,000)
Shares issued pursuant to Share Purchase Plan	-		101,286
Shares issued pursuant to Share Placement	233,460		86,428
	<hr/>	<hr/>	<hr/>
<b>Balance at end of period</b>	<b>903,054</b>	<b>481,880</b>	<b>669,594</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

On 6 September 2013, the company issued 213,459,662 ordinary shares pursuant to a share placement offer. The shares were issued at a price of \$0.01 per share.

Following its shareholder meeting giving approval for the Board to issue up to \$3 million of shares, and the issuing of 213,459,662 fully paid ordinary shares at \$0.01 per share, the Board approved to grant NZPR Group Limited (or nominee) a first right of refusal in relation to the issue of 50,000,000 of the shares remaining to be allocated. This first right of refusal expired on 30 September 2013 and although not exercised by that date a subscription agreement was received by the Company and 50,000,000 shares were issued to NZPR Group Limited's nominee on 22 November (refer Subsequent Events Note).

On 19 September 2013, the company issued 10,000,000 ordinary shares pursuant to a share placement offer. The shares were issued at a price of \$0.01 per share.

Prior to the end of the period, the company issued 10,000,000 ordinary shares pursuant to a share placement offer at a price of \$0.01 per share.

## NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September, 2013

## 3 b) CONVERTIBLE PREFERENCE SHARES

	6 mths 30 Sep 13 (Unaudited) \$'000s	6 mths 30 Sep 12 (Unaudited) \$'000s	12 mths 31 Mar 13 (Audited) \$'000s
<b>Balance at beginning of period</b>	-	4,000	4,000
<i>Cost of Raising CPS:</i>			
Opening Balance	-	(16)	(16)
Cost of raising CPS	-	-	-
Amortisation of transaction cost for CPS	-	16	16
	-----	-----	-----
	-	-	-
Dividend Payable	-	-	-
CPS converted to ordinary shares	-	(4,000)	(4,000)
	-----	-----	-----
<b>Balance at end of period</b>	-	-	-
	=====	=====	=====
Disclosed as:			
Current Liability	-	-	-
Non Current Liability	-	-	-
	-----	-----	-----
Closing Balance	-	-	-
	=====	=====	=====
<b>NUMBER OF SHARES ON ISSUE</b>	<b>No, '000</b>	<b>No, '000</b>	<b>No, '000</b>
<b>Balance at beginning of period</b>	-	4,000	4,000
Convertible Preference Shares converted to ordinary shares	-	(4,000)	(4,000)
	-----	-----	-----
<b>Balance at end of period</b>	-	-	-
	=====	=====	=====

**NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS**

For the 6 Months Ended 30 September, 2013

**4. CAPITAL COMMITMENTS, CONTINGENT LIABILITIES**

The budgeted capital commitments as at 30 September 2013 were \$10,000 (September 2012: \$10,000)

**5. INVESTMENT IN SUBSIDIARY**

Subsidiary	Percentage Held		Balance Date	Principal Activity
	2014	2013		
BLIS Functional Foods Limited	100%	90%	31 March	Non trading.

**6. SEGMENTAL REPORTING**

**6.1 Adoption of NZ IFRS 8 Operating Segments**

The Group is internally reported as a single operating segment to the chief operating decision-maker.

**6.2 Revenue from major products and services**

The Group's revenues from its major products and services were as follows:

	6 mths 30 Sep 13 (Unaudited) \$'000s	6 mths 30 Sep 12 (Unaudited) \$'000s	12 mths 31 Mar 13 (Audited) \$'000s
BLIS and BFF products	713	563	1,121
Other	8	17	40
Total revenue	<u>721</u>	<u>580</u>	<u>1,161</u>

On 23 March, 2013 BLIS Functional Foods Limited ceased trading.



**NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS**

For the 6 Months Ended 30 September, 2013

**6.3 Information about geographical areas**

The Group operates in 4 principal geographical areas: New Zealand (country of domicile), United States of America, Asia and Europe, and Australia. The Group's revenue from external customers and information about its assets by geographical location (of the customer) are detailed below:

	Revenue from external customers			Non-current assets		
	6 mths 30 Sept 2013 (Unaudited) \$'000	6 mths 30 Sept 2012 (Unaudited) \$'000	12 mths 2013 31 Mar 13 (Audited) \$'000	30 Sept 2013 (Unaudited) \$'000	30 Sept 2012 (Unaudited) \$'000	12 mths 2013 31 Mar 13 (Audited)
<b>Trading Revenue</b>						
New Zealand	336	310	672	2,547	2,749	2,581
United States of America	13	10	104	-	-	-
Asia/ Europe	301	112	217	-	-	-
Australia	34	102	103	-	-	-
Other	29	29	25	-	-	-
<b>Total Trading Revenue</b>	<b>713</b>	<b>563</b>	<b>1,121</b>			
<b>Other</b>						
Other	8	17	40	-	-	-
<b>Total Revenue</b>	<b>721</b>	<b>580</b>	<b>1,161</b>	<b>2,547</b>	<b>2,749</b>	<b>2,581</b>

Included in revenue are revenues of \$246k, \$225k and \$31k (September 2012: \$130k, \$92k and \$70k) which arose from sales to Group's three largest customers. Revenues for year ended 31 March 2013, \$209k, \$179k and \$104k arose from sales to Groups three largest customers.

**7. SUBSEQUENT EVENTS**

On 1<sup>st</sup> October 2013 the Company advised its shareholders that the company intended making an offer to its holders of ordinary shares under a Share Purchase Plan ("SPP"). The SPP enabled each eligible New Zealand based shareholder to apply for ordinary shares in BLIS up to \$15,000 per shareholder. The Board determined that the price per share for the SPP would be \$0.01. The SPP raised \$1.39 million with 139 million shares issued. The shares issued under the SPP will rank equal with all other ordinary shares on issue in BLIS and will participate equally in all distributions declared after the date of issue being 8 November 2013.

On 7 November 2013 the Board agreed to issue a further 60 million shares for \$0.6 million pursuant to subscription agreements held by the Company and the authorisation received from shareholders at the Annual Shareholders Meeting. The cash was received and the shares allotted on 22 November. The allotment included the issue of a further 50 million shares to NZPR Group's nominee.

**ADDITIONAL STOCK EXCHANGE INFORMATION**

For the 6 Months Ended 30 September, 2013

BLIS Technologies Limited (BLIS) appointed First NZ Capital Securities Limited (FNZC) to facilitate the sale of shares pursuant to the small shareholding plan (SSP) announced on 21 December 2012. FNZC was advised of the aggregate number of shares to be sold pursuant to the SSP by our share registrar LINK Market Services Limited (LINK) on 21 March 2013. This transfer resulted in the issuing of NIL balance statements by LINK. FNZC sold a total of 9,678,770 shares being the total number of shares held by shareholders with less than 25,000 shares as at 21 March 2013. These shares were sold between 21 March and 21 May for an aggregate gross consideration of \$109,164.10. After deduction of transaction fees the net consideration received was \$103,984.10 or \$0.0107 per share. LINK Market Services allocated the net proceeds pro-rata based on the number of shares transferred and remitted proceeds to individual holders on 30 May 2013.

The Company has previously invited both NZX and the Financial Markets Authority to confirm that certain share dealings immediately prior to the conversion of the Convertible Notes of the Company in May 2012 were conducted without breaching any NZX rules and/or securities legislation. The Company was informed that the both the NZX and FMA were investigating the relevant trades and will advise if they have any concerns. On 4 June 2013 the Company received advice from its solicitors that the FMA has reviewed the circumstances surrounding the share dealings and have determined that they will not be taking any further action in relation to this matter.