

BLIS TECHNOLOGIES LIMITED

**Annual Report
for the Year Ended 31 March 2014**

BLIS TECHNOLOGIES LIMITED
ANNUAL FINANCIAL REPORT
For the Year Ended 31 March 2014

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BLIS TECHNOLOGIES LIMITED
COMPANY DIRECTORY
As at 31 March 2014

Company Number	DN/1042367
Issued Capital	1,102,153,565 Ordinary Shares
Registered Office	BLIS Technologies Limited 10 Birch Street Dunedin 9016
Shareholders	Listed on the New Zealand Stock Exchange Main Board
Share Registrar	Link Market Services Limited P O Box 384 Ashburton
Directors	P F Fennessy (Chairman) A P Offen (Deputy Chairman) C E Dawson A J McKenzie B H Wallace
Chief Executive:	B C Richardson
Auditors	Deloitte P O Box 1245 Dunedin
Bankers	Bank of New Zealand Dunedin Westpac Banking Corporation Dunedin
Solicitors	Anderson Lloyd Private Bag 1959 Dunedin 9054 Downie Stewart Lawyers P O Box 1345 Dunedin
Website	www.blis.co.nz
Facebook	https://www.facebook.com/BLISTechnologiesLtd?ref=ts Blis Technologies Limited

BLIS TECHNOLOGIES LIMITED
OPERATIONS REPORT

For the Year Ended 31 March 2014

FINANCE

	Group	Group	
	FY 2014	FY 2013	Change
	\$000	\$000	\$000
Revenue			
New Zealand	494	672	(178)
United States of America	106	104	2
Asia and Europe	540	217	323
Australia	53	103	(50)
Other	70	25	45
Trading Revenue	1,263	1,121	142
Other Revenue	59	40	19
Total Revenue	1,322	1,161	161
<i>Net Deficit before depreciation, amortisation, capitalisation of costs, finance and tax</i>	<i>(1,148)</i>	<i>(1,693)</i>	<i>545</i>
Depreciation and amortisation of assets	(493)	(536)	43
Capitalisation of Development & Patent Costs	100	431	(331)
Finance Costs			
Amortisation of transaction costs for Convertible Preference Shares	-	(16)	16
Dividend- Convertible Preference Shares	-	(42)	42
Net Deficit	(1,541)	(1,856)	315

The Group recorded a net deficit of \$1,541k (2013:\$1,856) in line with the revised guidance provided by Directors in March 2014.

The financial result is disappointing and reflects costs associated with the broadening of the scope of the business from the supply of healthcare ingredients to include the manufacture of part and finished goods and other food products. Due to delays in installation and accreditation of the associated nutraceutical manufacturing facilities no corresponding revenue was generated until late March. Further, the relocation of laboratory facilities from the Otago University Centre for Innovation did not proceed as planned due to local government consenting issues thereby denying the Company the opportunity to contain occupancy costs.

Revenues from ingredient sales although up significantly also disappointed due to delays supplying product into North America caused by stringent border control protocols.

Revenues from the supply of part and finished goods exceeded expectations due to the success of the Company web site and the launch of new product formats in New Zealand.

Revenues

The Group's trading revenue increased from \$1,121k to \$1,263k. The former included a full years trading from BLIS Functional Foods accounting for \$407k.

The apparent reduction in NZ sales was due to nil revenue from BLIS Functional Foods Ltd ('BFF') which is no longer trading. New Zealand revenue (exclusive of BFF) increased from \$265k to \$494k.

No licensing income was earned during the year.

Costs

The Board determined 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.

Accordingly aggregate costs capitalised to Development, Patent and the Website reduced to \$100k (2013: \$431k), while depreciation and amortisation reduced by \$36k to \$493K.

Cash Flows

	FY 2014	FY 2013	Change
	\$000	\$000	\$000
Operating Activities			
Group Net cash outflow before payment of dividend on Convertible Preference Shares	(976)	(627)	(359)
Payment of Dividend	-	(26)	26
Net Cash Outflow from Operating Activities	(976)	(653)	(333)
Investing Activities			
Capital Expenditure (net)	(348)	(467)	119
Net Cash Outflows from Investing Activities	(348)	(467)	119
Financing Activities			
Issue of ordinary shares during the year	4,227	1,314	2,913
Net Cash Inflows from Financing Activities	4,227	1,314	2,913
Bank Balance Year End	3,652	759	2,893

The Group recorded a Net Cash Outflow from Operating Activities of \$976k (2013: \$653k). The increase in Net Cash Outflow largely reflects the Board decision regarding capitalisation of development costs.

Investment expenditures included patent costs and expenditure on the building at Birch Street, and purchase of plant and equipment.

During the year, the Company raised \$4,227k (2013:\$1,314k) through a Share Purchase Plan and associated Placement.

Aggregate cash flows resulted in an increase of \$2,893k to the cash balances held as at 31 March to \$3,652k (2013: \$759k).

Capital

The Company concluded a successful Share Purchase Plan and Private Placement of shares in late 2013. The funds were sought to 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. A net \$4,227k was raised in support of the commercialisation of BLIS products in New Zealand and international markets.

As a result of the capital raising the Company now has the capital base necessary to support its business strategies and has secured key trade partners as investors. These strategies will continue to be supported by investment in the underlying science of the Company's proprietary probiotic strains and regulatory approval processes.

COMMERCIALISATION PROGRESS

The significant change to the shareholder base to include trade partners and the additional equity received from shareholders through the Share Purchase Plan provides the Company with financial stability.

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

Expectations for significant growth in ingredient sales in the nutraceutical sector are being met in Asia and Europe and this trend is expected to continue with increasing business development in these sectors. Sales in North America have been badly affected by a market access issue that remains subject to a final resolution. However, demand for ingredients in North America remains and meaningful sales are anticipated in the current year.

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 local and international markets. As a consequence, we anticipate ingredient sales to increase materially in the nutraceutical sector. Sinopharm, our partner in China is still in the early phase of their commercial strategy with plans for market launches in China and studies to support market development through clinical trials.

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. However regulatory issues in a number of markets mean that expansion of web sales requires careful management.

Following its investment in production capabilities within the former BLIS Functional Foods (ice-cream) plant, BLIS now has approval to manufacture and export finished consumer products, and lozenge-based formulations. The nutritional formulation plant, which is able to produce milk and non-milk based formulations and to pack them in sachets for food and other products, is now operational. The Company is in the final stages of the process for approval to export milk-based formulations to specific markets.

BUSINESS DEVELOPMENT STRATEGY

Profitable operations in the short term require the successful implementation of current BLIS commercial activities. The business development strategy reflects our focus on near-term commercial objectives.

Strategy

Our business development strategy is to support ingredient sales through exemplar in-market consumer products and nutritional formulations. The business development strategy is based on five primary platforms:

1. Building dietary and food ingredient sales in North America, Asia and Europe (with Stratum Nutrition), and establishing such sales in China (with NZPR Group);
2. Developing exemplar in-market products - consumer products and nutritional formulations;
3. Building finished product sales through web marketing (www.blis.co.nz) and partnerships (retail products and nutritional formulations with Asia Pacific Partners in Asia and the Middle East, our partners in China and other BLIS customers in Europe);
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.

Strategy 1: Building Ingredient Sales

Customers of Stratum Nutrition (a division of Novus Nutrition Brands Inc.) currently account for all ingredient sales. Stratum Nutrition market BLIS K12™ and BLIS M18™ worldwide other than in China. It is anticipated that China will ultimately be a significant market for ingredient sales through our partner, NZPR Group in association with Sinopharm.

The Company has experienced market access issues in North America in the last 18 months consequent upon a labelling error on documentation that was beyond the control of BLIS and Stratum Nutrition. This resulted in major delays with entry of ingredients into the USA and has required support from legal counsel to resolve. In order to work through the issue the Company has had to follow a defined process that is cumbersome and lengthy and has caused significant delays in delivery of ingredients into North America. This issue which has delayed business development in the United States and caused concern with customers is now in the final stages of resolution. Sound progress is being made in Europe with ingredient sales supported by the results of Italian clinical trials supporting the efficacy of BLIS K12™ and BLIS M18™. A third clinical trial, independent of two earlier Italian trials, confirming their results has given a major product formulator improved confidence to proceed with further market development.

Products containing the BLIS K12™ and BLIS M18™ ingredients have now been released in Italy, Israel, Finland and Russia with other markets to follow.

Ingredient sales in Asia have shown significant growth, with the major markets being Japan, Taiwan and Malaysia.

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. The development of the technology to incorporate BLIS K12™ in ice cream and yogurt was an example of this. While we are still seeking licensing partners for the ice cream technology, the Company has established its own nutritional formulations plant in Dunedin to progress related opportunities.

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, NZPR Group and others to develop and market nutritional formulations containing BLIS K12™; these products include beverages, yoghurt powders and other formulations.

The full export accreditation of our nutritional formulations plant, originally expected in December, is now anticipated in the June quarter. The Approval of the Food Safety Plan was a significant milestone in the implementation of this strategy but Registered Manufacturing Plant status is required for implementation of our business strategy. The delay in full accreditation is due to additional audit requirements imposed to ensure access to the Chinese market and the complexity of the export accreditation process itself. The Company has undergone several plant audits and dealt with

issues arising but the decision to grant accreditation and the timing of such is outside the control of the Company. Upon receipt of full export accreditation, finished products will be marketed in Australasia, Asia and parts of Europe. The Company will also act as a sub-contractor in the packaging of nutritional formulations for other parties. Upon full accreditation, the BLIS plant will be the only one in the South Island of New Zealand approved to process probiotics for export.

Additional staff members with commercial expertise in production and processing operations have already been appointed.

Strategy 3: Building Finished Product Sales

While much of the international focus is on ingredient sales, we have found that the investment in developing exemplar products and sales of finished products often provides a practical introduction to a new market. In this respect, finished products have been an important part of the company strategy in New Zealand and Australia for many years with channels to market recently complemented by our web-based offering.

The web-site and finished product sales are important contributors to the strategy. While the web-site has helped build sales, more importantly it serves a very valuable purpose in alerting potential new customers to the benefits of BLIS products. We have also found that finished products provide a ready solution to new market assessments in that potential partners can assess the opportunity for products in their own markets.

Following refurbishment of the Dunedin facility, the Company is now building its business in finished product sales, primarily based on lozenge products and nutritional formulations 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. The Company expects to complete installation and commissioning of equipment for the production and packaging of lozenge products in blister packs and bottles in the June quarter. This equipment is in addition to existing facilities for nutritional formulations which are packed in sachets for local and export markets. These products also include contract products in addition to BLIS nutritional formulations which contain BLIS K12™ as an ingredient.

BLIS is working with its partners such as Asia Pacific Partners, NZPR Group, and others to develop these business opportunities.

Strategy 4: Developing Long-term Strategic Partnerships

Our 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 in 2013 appointed Sinopharm, the largest pharmaceutical company in China, to distribute our products.

Sinopharm has now commenced a pilot study releasing finished product through pharmacy stores in three cities and is planning clinical trials to support its market development strategy in China.

Strategy 5: Obtaining Regulatory Approval and Intellectual Property Protection

Regulatory approvals are proving more and more important for the company. These take many forms from safety such as GRAS to clinical evidence, depending on the specific market requirements. While many of these regulatory approvals are expensive, they also act as barriers to entry for competitors.

Protection of our Intellectual Property is a critical strategic investment; this includes investment in patent protection and in trademarks and together with regulatory approaches and clinical evidence, they provide 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 continue to show the benefits of BLIS K12™ and BLIS M18™ in oral health applications.

REGULATORY ACTIVITY

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.

The Company is reviewing its regulatory strategy to ensure the future protection of its business in key markets such as Europe, North America, and China.

INTELLECTUAL PROPERTY

During this period an additional eleven patents have been granted resulting in a total of 60 granted patents across four families with a number of patents from the BLIS K12 treatment of malodour, BLIS Q24 and BLIS K12 lantibiotic families still in various stages of progress. The eleven newly-granted patents reflect the validation of the European patent for BLIS Q24 in specific countries within the European geographic area. The Company is monitoring and actively managing newly filed patents by potential competitors that have the potential to restrict our freedom to operate.

As part of the Company's commercial focus, additional trademarks have been obtained in geographical areas of importance to strengthen the Company's position with new and existing commercial partners.

PRODUCT DEVELOPMENT

Overview

Although the Board has determined it is inappropriate to capitalise any costs to development in the period under review, the Company will continue to monitor its product development activities and the Board may determine, relative to the appropriate financial reporting criteria, 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 technical assistance to customers particularly in Asia (Japan, China, SEA and Taiwan) and more recently in Europe (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). Locally, we have determined the success of different delivery formats with BLIS K12™, supporting our knowledge and underpinning our investment in product development.

A number of significant papers have been published by both the Company and external researchers, on various aspects of the BLIS K12™ and BLIS M18™ strains during the financial year^[1-6].

Clinical trials

The Company continues to support and monitor clinical trials of its products.

Internationally, three BLIS K12™ clinical trials which demonstrated the effectiveness of BLIS K12™ in reducing the frequency of streptococcal, and for the first time, viral, sore throats in both adults and children are being followed up with further trials. These include a large multi-centre study on BLIS K12™ (Italy), an examination of 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. Two new studies looking at the impact of BLIS K12™ on *Candida albicans* and halitosis are in the planning phase in China as part of collaboration with Peking University and as a major step on the pathway to product rollout in China through the NZPR Group and Sinopharm.

New Zealand has major issues with rheumatic fever which can be a serious complication of streptococcal sore throat. As part of the response to this issue, a team of University of Otago researchers have received funding from the Health Research Council (HRC) Partnership programme, which includes funding support from the HRC, Ministry of Health, Cure Kids and the Heart Foundation, to carry out a trial evaluating the effectiveness of BLIS K12™ in approximately 1,500 at-risk New Zealand children. While there is strong evidence for the potential efficacy of the strain, the requirements of a trial of this magnitude are complex and the costs very significant. As this is an independent study, the Company is not directly involved, but is responsible for providing the BLIS K12™ to be used in the trials. The project has commenced and is currently in the process of putting in place the infrastructure necessary to carry out the trial in collaboration with schools that are actively involved in the Government-funded swab and treat intervention for rheumatic fever. The trial is projected to be completed by mid-2015 with final reporting during 2016.

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1. Di Pierro, F., et al., Use of *Streptococcus salivarius* K12 in the prevention of streptococcal and viral pharyngotonsillitis in children. *Drug, Healthcare and Patient safety*, 2014. **6**: p. 1-6.
 2. Burton, J.P., et al., Persistence of the Oral Probiotic *Streptococcus salivarius* M18 Is Dose Dependent and Megaplasmid Transfer Can Augment Their Bacteriocin Production and Adhesion Characteristics. *PLoS ONE*, 2013. **8**(6): p. e65991.
 3. Burton, J.P., et al., 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*, 2013. **62**(Pt 6): p. 875-84.
 4. Bouwer, A.L., et al., NK cells are required for dendritic cell-based immunotherapy at the time of tumor challenge. *J Immunol*, 2014. **192**(5): p. 2514-21.
 5. Bouwer, A.L., et al., Rapid interferon-gamma release from natural killer cells induced by a streptococcal commensal. *J Interferon Cytokine Res*, 2013. **33**(8): p. 459-66.
 6. Barbour, A., K. Philip, and S. Muniandy, Enhanced production, purification, characterization and mechanism of action of salivaricin 9 lantibiotic produced by *Streptococcus salivarius* NU10. *PLoS One*, 2013. **8**(10): p. e77751.

As part of its social responsibility policy, BLIS Technologies is assisting The Salvation Army by providing young children and their families in the Otago and Southland area with free throat probiotic lozenges.

STAFF

The focus of the Company has changed from the earlier research company focus with manufacturing undertaken by subcontract to one which has a strong "in-house" production focus. The appointment of an Operations Manager and a Food Technologist both with considerable commercial experience has been of significant benefit in assisting the staff to make this transition to a more commercially-oriented environment.

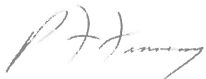
Directors and the Chief Executive wish to acknowledge the significant contribution by staff during the past twelve months. It has been a year of significant change and without their dedication and support, the Company would have been unable to make the progress that it has building a commercial foundation for the business. Full-time staff numbers remain unchanged at 12, although it is anticipated that further staff will be required particularly as our production operations ramp up.

OUTLOOK

The focus for the Company is to achieve profitable operations by building ingredient sales internationally and achieving meaningful sales in China in addition to growing the finished product sales based on lozenges and nutritional formulations. 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 provided outstanding market access issues are resolved our expectations remain for the Company to move to profitable operations during the course of the 2015 financial year.



Peter Fennessy
Chairman



Barry Richardson
Chief Executive Officer

23rd day of May 2014

BLIS TECHNOLOGIES LIMITED
DIRECTORS' REPORT
For the Year Ended 31 March 2014

Statement of Affairs of the Company and Group

The results of operations for the year and the financial position of the Company and Group are detailed in the accompanying financial statements.

Principal Activities

The principal activities of the Company are research, development and commercialisation of healthcare products based on strains of bacteria that produce Bacteriocin Like Inhibitory Substances (BLIS), the supply of healthcare ingredients and the manufacture of part and finished goods and other food products for sale in domestic and international markets.

Dividend

The Directors recommend that no dividend be paid.

Auditors

It is proposed that the auditors, Deloitte, continue in office in accordance with Section 200(1) of the Companies Act 1993.

Particulars of Notices or Statements Given to or Approved By the Board

Interests Register

Directors have declared interest in the following transactions with the Group during the year:

- Mr C E Dawson disclosed his interests through his role as Chief Executive of Otago Innovation Limited, a wholly owned subsidiary of the University of Otago. University of Otago has been involved in commercial transactions with the Company, the terms of which the other directors considered fair and reasonable to the Company and its existing shareholders.

Directors' Remuneration

	Year Ended 31 March 2014
Directors' remuneration is as follows:	\$
C E Dawson	10,000
P F Fennessy	20,000
A J McKenzie	10,000
A P Offen	10,000
B H Wallace	10,000

Directors' Loans

There were no loans from the Company to Directors.

Use of Company Information

The Board received no notices during the year from directors requesting to use the Company and Group information received in their capacity as directors which would not have been otherwise available to them.

BLIS TECHNOLOGIES LIMITED
DIRECTORS' REPORT cont.
For the Year Ended 31 March 2014

Employees' Remuneration

Employees receiving remuneration or benefits exceeding \$100,000 were as follows:

Remuneration	Year Ended 31 March 2014	Year Ended 31 March 2013
\$110,000 – 120,000	1	-
\$120,001 – 130,000	-	1
\$210,000 – 220,000	-	1
\$270,001 – 280,000	1	-

Donations

Donations of products were made by the Company during the year ended 31 March 2014. The retail value of the products donated totalled \$15,814 (2013: \$9,645).

Directors

The persons holding office as Directors of the Company as at 31 March 2014 are set out below. No persons ceased to hold office as a Director of the Company during the accounting period ending 31 March 2014:

P F Fennessy (Chairman)
C E Dawson
A P Offen
B H Wallace
A J McKenzie

Share Dealing

During the year the following Directors (or the associated entity in which the Director has a relevant interest) acquired or disposed of equity securities in the Group ("FPO" means fully paid ordinary share):

Associated Entity	Director	Class of Share	Acquired/ (Sold) Ordinary Shares	Consideration \$	Note	Date
CE & AC Dawson	C E Dawson	F.P.O.	1,500,000	15,000		8 November 2013
PF&M Fennessy Family Trust	P F Fennessy	F.P.O.	1,500,000	15,000		8 November 2013
Edinburgh Equity Nominee Ltd	A P Offen	F.P.O.	25,000,000	250,000		6 September 2013
Edinburgh Equity Nominee Ltd	A P Offen	F.P.O.	(202,931,743)	0	1,2	14 November 2013
Edinburgh Equity Limited	A P Offen	F.P.O.	63,688,842	0	1	14 November 2013
Edinburgh Equity Limited	A P Offen	F.P.O.	(5,431,454)	(65,177)		14 November 2013
SIL Long Term Holdings Ltd	A J McKenzie	F.P.O.	1,500,000	15,000		8 November 2013
Sinclair Long Term Holdings Ltd	A J McKenzie	F.P.O.	139,242,901	0	2	14 November 2013
Sinclair Long Term Holdings Ltd	A J McKenzie	F.P.O.	5,431,454	65,177		14 November 2013
Pinot Trust	A J McKenzie	F.P.O.	5,100,000	51,000		5 March 2014
Morgan Wallace Ltd	B H Wallace	F.P.O.	400,000	4,000		8 November 2013
Morgan Wallace Ltd	B H Wallace	F.P.O.	(441,394)	(9,879)		25-28 November 2013
B H Wallace	B H Wallace	F.P.O.	(643,859)	(14,226)		25-28 November 2013
Bevan Wallace Family Trust	B H Wallace	F.P.O.	800,000	8,000		8 November 2013
Bevan Wallace Family Trust	B H Wallace	F.P.O.	(360,359)	(8,225)		25-28 November 2013
Lee & Wallace Holdings Ltd	B H Wallace	F.P.O.	(286,299)	(6,551)		25-28 November 2013
Wallace Family Trust	B H Wallace	F.P.O.	(310,359)	(7,095)		25-28 November 2013

BLIS TECHNOLOGIES LIMITED
DIRECTORS' REPORT cont.
For the Year Ended 31 March 2014

1. 14 November 2013 – off market transfer of 63,688,842 shares held by Edinburgh Equity Nominee Limited to Edinburgh Equity Limited for nil consideration, being the number of shares held by Edinburgh Equity Nominee Limited as nominee for Edinburgh Equity Limited.
2. 14 November 2013 – off market transfer of 139,242,901 shares held by Edinburgh Equity Nominee Limited to Sinclair Long Term Holdings Limited for nil consideration, being the number of shares held by Edinburgh Equity Nominee Limited as nominee for Sinclair Long Term Holdings Limited.

BLIS Functional Foods Limited

The Company has a wholly owned subsidiary called BLIS Functional Foods Limited which was incorporated on 28 February 2011. The directors of this subsidiary as at 31 March 2014 are Anthony Offen and Barry Richardson (the CEO of the Company). Alan Evan McConnon ceased to be a director of this company on 10 April 2013. No remuneration (or other benefit) was paid by the subsidiary to these Directors during the year ended 31 March 2014.

There are no employees of BLIS Functional Foods Limited who received remuneration in excess of \$100,000 in the year ended 31 March 2014 and no donations were made in the last accounting period by this company. No amounts have been paid to the auditor by the subsidiary for the year ended 31 March 2014.

BLIS TECHNOLOGIES LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of BLIS Technologies Limited ("the Company") are pleased to present to shareholders the financial statements for BLIS Technologies Limited and Group for the year ended 31 March 2014.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Company and Group as at 31 March 2014 and the results of its operations and cash flows for the year ended on that date.

The Directors consider the financial statements of the Company and Group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

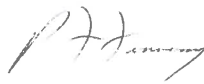
The Directors believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Company and Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The Financial Statements are signed on behalf of the Board by:



Anthony Offen
Director



Peter Fennessy
Director

23rd day of May 2014

BLIS TECHNOLOGIES LIMITED
INCOME STATEMENT
For The Year Ended 31 March 2014

	Notes	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
REVENUES					
Trading revenue	2a	1,263	1,121	1,263	714
Interest Received		59	22	59	65
Other Income		-	18	-	72
		<u>1,322</u>	<u>1,161</u>	<u>1,322</u>	<u>851</u>
LESS					
Distribution expenses		21	29	21	3
Impairment of loan to subsidiary		-	-	-	478
Marketing expenses		48	35	48	24
Occupancy expenses		148	153	148	72
Operating expenses	2b, 4, 5	2,203	2,342	2,203	1,682
Other expenses		443	400	443	400
		<u>2,863</u>	<u>2,959</u>	<u>2,863</u>	<u>2,659</u>
OPERATING PROFIT/(DEFICIT) BEFORE TAX AND FINANCE COSTS	2b	(1,541)	(1,798)	(1,541)	(1,808)
Amortisation of transaction cost for Convertible Preference Shares	13	-	16	-	16
Dividend on Convertible Preference Shares		-	42	-	42
SURPLUS/(DEFICIT) BEFORE TAX		<u>(1,541)</u>	<u>(1,856)</u>	<u>(1,541)</u>	<u>(1,866)</u>
Income tax expense	3	-	-	-	-
SURPLUS/(DEFICIT) FOR THE YEAR		<u>(1,541)</u>	<u>(1,856)</u>	<u>(1,541)</u>	<u>(1,866)</u>
Surplus/(deficit) for the year is attributable to:					
Equity holders of the parent		(1,541)	(1,810)		
Non-controlling Interest		-	(46)		
		<u>(1,541)</u>	<u>(1,856)</u>		
Earnings per Share:					
Basic (cents per share)	17	(0.18)	(0.34)		
Diluted (cents per share)	17	(0.18)	(0.34)		

The accompanying notes form part of these financial statements.

BLIS TECHNOLOGIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 March 2014

	Notes	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Surplus/(deficit) for the year		(1,541)	(1,856)	(1,541)	(1,866)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME/ (DEFICIT) FOR THE YEAR		<u>(1,541)</u>	<u>(1,856)</u>	<u>(1,541)</u>	<u>(1,866)</u>
Total Comprehensive Income/(Deficit) is attributed to:					
Equity holders of the parent		(1,541)	(1,810)	(1,541)	(1,866)
Non-controlling Interest	14	-	(46)	-	-
		<u>(1,541)</u>	<u>(1,856)</u>	<u>(1,541)</u>	<u>(1,866)</u>

The accompanying notes form part of these financial statements.

BLIS TECHNOLOGIES LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2014

GROUP	Notes	Share capital	Retained earnings	Total attributable to Company	Non-controlling interest	Total attributable to Group
		\$'000	\$'000	\$'000	\$'000	\$'000
OPENING EQUITY - 1 APRIL 2012		27,585	(27,715)	(130)	(10)	(140)
Surplus/ (deficit) for the year		-	(1,810)	(1,810)	(46)	(1,856)
Other comprehensive income		-	-	-	-	-
Total comprehensive income			(1,810)	(1,810)	(46)	(1,856)
Equity contributions and distributions						
Issue of share capital	17	5,486	-	5,486	-	5,486
Changes in ownership interest						
Transfer to retained earnings on buy-out of non-controlling interest		-	(56)	(56)	56	-
CLOSING EQUITY - 31 MARCH 2013		33,071	(29,581)	3,490	-	3,490
Surplus/ (deficit) for the year		-	(1,541)	(1,541)	-	(1,541)
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	(1,541)	(1,541)	-	(1,541)
Equity contributions and distributions						
Issue of share capital	17	4,227	-	4,227	-	4,227
CLOSING EQUITY - 31 MARCH 2014		37,298	(31,122)	6,176	-	6,176

BLIS TECHNOLOGIES LIMITED
STATEMENT OF CHANGES IN EQUITY cont.
For the year ended 31 March 2014

PARENT	Notes	Share capital	Retained earnings	Total attributable to Company
		\$'000	\$'000	\$'000
OPENING EQUITY - 1 APRIL 2012		27,585	(27,715)	(130)
Surplus/ (deficit) for the year		-	(1,866)	(1,866)
Other comprehensive income		-	-	-
Total comprehensive income			(1,866)	(1,866)
Equity contributions and distributions				
Issue of share capital	17	5,486	-	5,486
CLOSING EQUITY - 31 MARCH 2013		33,071	(29,581)	3,490
Surplus/ (deficit) for the year		-	(1,541)	(1,541)
Other comprehensive income		-	-	-
Total comprehensive income		-	(1,541)	(1,541)
Equity contributions and distributions				
Issue of share capital	17	4,227	-	4,227
CLOSING EQUITY - 31 MARCH 2014		37,298	(31,122)	6,176

BLIS TECHNOLOGIES LIMITED
BALANCE SHEET
As At 31 March 2014

	Notes	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
ASSETS					
CURRENT ASSETS					
Cash and short term deposits	6	3,652	759	3,652	759
Accounts receivable	7	235	208	235	208
Prepayments		45	49	45	49
Inventory	8	106	230	106	230
		<u>4,038</u>	<u>1,246</u>	<u>4,038</u>	<u>1,246</u>
LESS CURRENT LIABILITIES					
Accounts Payable	12	<u>285</u>	<u>337</u>	<u>285</u>	<u>337</u>
		285	337	285	337
WORKING CAPITAL	17	3,753	909	3,753	909
NON CURRENT ASSETS					
Advances to Subsidiary	9	-	-	-	-
Property, plant and equipment	10	375	164	375	164
Finite Life Intangible Assets	11	2,048	2,417	2,048	2,417
Investment in Subsidiary	16	-	-	-	-
		<u>2,423</u>	<u>2,581</u>	<u>2,423</u>	<u>2,581</u>
NET ASSETS		<u>6,176</u>	<u>3,490</u>	<u>6,176</u>	<u>3,490</u>
OWNERS EQUITY					
Share Capital	17	37,298	33,071	37,298	33,071
Retained earnings/(deficits)		<u>(31,122)</u>	<u>(29,581)</u>	<u>(31,122)</u>	<u>(29,581)</u>
Equity attributable to equity holders of parent		6,176	3,490	6,176	3,490
Non-controlling Interest	14	-	-	-	-
TOTAL EQUITY		<u>6,176</u>	<u>3,490</u>	<u>6,176</u>	<u>3,490</u>

The accompanying notes form part of these financial statements.



BLIS TECHNOLOGIES LIMITED
STATEMENT OF CASHFLOWS
For The Year Ended 31 March 2014

		Group		Company	
	Notes	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from/ (applied to):					
Trading revenue & other income		1,253	1,661	1,253	1,260
Interest received		42	22	42	65
Payments to suppliers and employees		(2,271)	(2,300)	(2,271)	(1,650)
Net cash inflow/(outflow) from operations before payments relating to Convertible preference shares (CPS)		(976)	(617)	(976)	(335)
Payment of withholding tax/dividend (CPS)		-	(26)	-	(26)
Net cash inflow/ (outflow) from operating activities	23	(976)	(643)	(976)	(351)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from /(applied to):					
Sale of Property, plant & equipment		2	-	2	-
Funding of subsidiaries		-	-	-	(286)
Capitalised development costs		-	(360)	-	(360)
Capitalised patent costs		(100)	(71)	(100)	(71)
Capitalised website development		-	(23)	-	(23)
Purchase of Property, plant and equipment		(250)	(13)	(250)	(13)
Net cash inflow (outflow) from investing activities		(348)	(467)	(348)	(753)
CASH FLOWS FINANCING ACTIVITIES					
Cash was provided from/ (applied to):					
Issue of Ordinary Shares		4,227	1,314	4,227	1,314
Net cash inflow/ (outflow) from financing activities		4,227	1,314	4,227	1,314
Net increase/(decrease) in cash held		2,903	204	2,903	210
Add cash and short term deposits transferred from subsidiary		-	-	-	22
Add cash and short term deposits at start of period		759	565	759	537
Foreign exchange differences		(10)	(10)	(10)	(10)
Balance at end of period		3,652	759	3,652	759
COMPRISED OF:					
Cash and short term deposits		3,652	759	3,652	759
		3,652	759	3,652	759

The accompanying notes form part of these financial statements.



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2014

1. SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

BLIS Technologies Limited (the "Company") is a profit-oriented entity incorporated and domiciled in New Zealand. The principal activity of the Company is developing healthcare products based on strains of bacteria that produce Bacteriocin-Like Inhibitory Substances (BLIS).

The financial statements represented are those for Blis Technologies Limited and Group (the "Group").

BLIS Technologies Limited is an issuer for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act and the Companies Act 1993. The Company is listed on the New Zealand Stock Exchange Main Board.

Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for profit-oriented entities.

The financial statements comply with International Financial Reporting Standards ("IFRS").

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 thousands of New Zealand dollars.

Critical Judgements in Applying Accounting Policies

In the application of NZ IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty and Key Judgements

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Key Sources of Estimation Uncertainty and key judgements include:

- Estimating the remaining useful life of intangible assets. If the useful life does not reflect the actual consumption of the benefits of the assets, the Directors could be over or under estimating the amortisation charge required as an expense in the income statement. Refer Note 11.



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

1. SUMMARY OF ACCOUNTING POLICIES Cont.

- If the product groupings to which the development expenditure relate are not economically viable in the future the development expenditure asset could be overstated. Refer Note 11.
- The group determines whether goodwill and finite life intangibles are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which goodwill and indefinite life intangibles are allocated. Determining the recoverable amounts of goodwill and intangible assets requires judgement in relation to the effects of uncertain future events at balance date. Assumptions are required with respect to future cashflows and discount rates used. Refer Note 11 for sensitivities and assumptions used.
- Capitalisation of development expenditure. The company uses an allocation methodology to capitalise certain costs, including payroll expenditure, to the intangible assets. Various assumptions relating to the applicability of individual costs and group of costs to the development activities are recognised as part of this methodology.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be measurable under the circumstances.

The Board has determined it is inappropriate 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.

Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied unless otherwise stated.

Basis of Consolidation

The Group financial statements incorporate the financial statements of the Company and all entities controlled by the Company (its subsidiaries) that comprise the Group, being Blis Technologies Limited (the parent entity) and its subsidiary Blis Functional Foods Limited. Subsidiaries are entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. Consistent accounting policies are employed in the preparation and presentation of the group financial statements.

The results of subsidiaries acquired or disposed of during the year are included in the Group Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interests share of changes in equity since the date of combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investments in subsidiaries are recorded at cost in the parent company's financial statements.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition related costs are included directly in the income statement.



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

1. SUMMARY OF ACCOUNTING POLICIES Cont.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under NZ IFRS-3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with NZ IFRS-5 *Assets held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition of a subsidiary is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the acquiree over the fair value of the identifiable net assets recognised.

If after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets in the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The interest of the non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Property, Plant and Equipment

All items of Property, Plant and Equipment are stated at cost less accumulated depreciation, and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of a purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment.

Depreciation is calculated on a straight line basis so as to write off the net cost of the asset over its expected useful life to its estimated residual value. The following estimates of useful lives are used in the calculation of depreciation:

Leasehold improvements	1 - 10 years
Furniture and fittings	5 - 10 years
Plant and equipment	1 - 10 years

Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisations are charged on a straight-line basis over their estimated useful lives. The estimated useful lives, residual values and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

1. SUMMARY OF ACCOUNTING POLICIES Cont.

Intellectual Property

The cost of intellectual property is written off until such time as it becomes clear that future economic benefits attributable to that expenditure will flow to the company and there is sufficient evidence to support the probability of the expenditure generating sufficient future economic benefits.

Intellectual property including patents, trademarks and licenses are considered finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life of the intangible asset being 8 to 18 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Website

Following the initial investment, which is recorded at cost and amortised over 3 years, the cost of further website development is expensed as incurred.

Internally-generated Intangible Assets – Capitalised Development Expenditure

Following commencement of commercial production expenditure on research activities is now recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. The useful life of internally-generated intangible assets is 8 years.

Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

1. SUMMARY OF ACCOUNTING POLICIES Cont.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately unless the asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revenue Recognition

Revenue is measured at the fair value of the consideration received.

Sale of Goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other Income

Grant income is recognised when the Group has met all of the requirements established by the grant. Grant income that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future required costs are recognised as income of the period in which it becomes receivable.

License income is recognised by reference to the stage of completion of the transaction at balance date.

Foreign Exchange

In the course of normal trading activities, the Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Accounts receivable, Accounts payable and the United States Dollar (USD) denominated bank account balances are translated at closing rate for the month as sourced from the Reserve Bank of New Zealand.

For transactions in USD, the Group forecasts all its cash inflow and matches to known outflows that will be transacted in USD. The USD denominated bank account is used as a means to hedge these outflows.

Taxation

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible

BLIS TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS cont.

For the Year Ended 31 March 2014

1. SUMMARY OF ACCOUNTING POLICIES Cont.

temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at reporting date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Goods and Services Tax (GST)

All items in the balance sheet are stated exclusive of GST, with the exception of receivables and payables, which include GST. All items in the income statement are stated exclusive of GST.

The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

a) Cash & Short Term Deposits

Cash and short term deposits comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

b) Accounts Receivable

Accounts receivable are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

c) Equity Instruments

Equity instruments issued by the Group are recorded at the proceeds received.

d) Other Financial Liabilities

Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest/dividend expense recognised on an effective interest basis.

e) Accounts Payable

Accounts payable are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

1. SUMMARY OF ACCOUNTING POLICIES Cont.

Employee Benefits

Provision is made for benefits accruing to employees in respects of wages and salaries, annual leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provision made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Statement of Cash Flow

For the purpose of the cashflow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments net of outstanding bank overdrafts.

The cash flow statement is prepared exclusive of GST, which is consistent with the method used in the income statement.

Definition of terms used in the cash flow statement:

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of the Group and those activities relating to the cost of servicing the Group's equity.

New financial reporting standards effective in the reporting period

The accounting policies adopted are consistent with those of the previous financial year, except that the Company and Group have adopted the following new and amended New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) from 1 April 2013.

New consolidation standards

A package of three new standards was issued on consolidation, joint arrangements, associates and associated disclosures was released which became effective in the current year.

- NZ IFRS 10 Consolidated Financial Statements
- NZ IFRS 11 Joint Arrangements
- NZ IFRS 12 Disclosure of Interests in Other Entities

The new standards provide a revised definition of control together with accompanying guidance to identify when a controlling interest in another entity exists. The new definition of control contains three key elements:

- power over an investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

However the new standards do not result in any change to the mechanics of consolidation and the accounting for any controlling interests and changes in control remains the same.

The Directors have reviewed the composition of the Group and its relationship with other entities, in light of the revised definition of control and has not identified additional subsidiaries, joint ventures or associates which had not previously been recognised.



BLIS TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS cont.

For the Year Ended 31 March 2014

New financial reporting standards effective in the reporting period – cont.

The Company and Group have adopted all other mandatory standards and interpretations. None of these standards and interpretations had a material impact on the financial statements.

Impact of accounting standards issued but not yet effective

A number of new standards and interpretations have been issued but are not yet effective for the current year-end. The reported results and financial position of the Parent and Group is not expected to change on adoption of these pronouncements as they do not result in any changes to the Parent and Group's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements.

The Parent and Group do not intend to adopt any of the new pronouncements before their effective dates.



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

2. SURPLUS/(DEFICIT) FROM OPERATIONS

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
(a) Trading Revenue				
Trading revenue consisted of the following items:				
Sale of goods – domestic sales	494	672	494	255
Sale of goods – export sales	769	449	769	449
	<u>1,263</u>	<u>1,121</u>	<u>1,263</u>	<u>714</u>

(b) Operating Profit/(Deficit) Before Tax & Finance Costs

This includes the following specific expenses:

Employee benefits (net of capitalised development) (i)	878	697	878	547
Directors' fees	60	30	60	30
Cost of goods sold	585	527	585	336
Research and development costs	485	652	485	559
Amortisation of finite life intangible assets (Note 11)	468	412	468	412
Patent and trademark costs immediately expensed	18	11	18	11
Operating leases - minimum lease payments (ii)	127	130	127	78
Depreciation of property, plant and equipment (note 10)	24	124	24	109
Goodwill impairment (note 15)	-	84	-	-

- (i) During the year the Group and Company did not capitalise any costs as development (2013: \$205,278) relating to employee benefits.
- (ii) Operating lease rentals include rental streams associated with the laboratory utilised by the development team and administration.

BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

3. INCOME TAXES

(a) Income tax recognised in profit or loss

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Deficit before tax	(1,541)	(1,856)	(1,541)	(1,866)
Income tax expense (benefit) calculated at 28%	(432)	(520)	(432)	(522)
Dividend on Convertible Preference Shares	-	12	-	12
Non-deductible items	129	184	129	278
Temporary differences excluding tax losses not recognised	(41)	(23)	(41)	(22)
Tax losses not recognised	344	347	344	254
Income Tax Expense	-	-	-	-

(b) Income Tax Recognised Directly In Equity

There was no current or deferred tax charged/ (credited) directly to equity during the period.

(c) Current tax assets and liabilities

Current tax assets:

Current tax refundable	-	3	-	3
	-	3	-	3

Current tax payables:

Current tax payable	-	-	-	-
	-	-	-	-

(d) Deferred tax balances

The Group has unrecognised deferred income tax assets in relation to temporary differences of \$382,183 (2013: \$410,667). Furthermore, the Group has unrecognised deferred income tax assets of up to \$4,532,320 (2013: \$4,167,810) in respect of tax losses amounting to up to \$16,186,858 (2013: \$14,885,034) that may be able to be carried forward and offset against future taxable income (subject to meeting the requirements of the Income Tax Act 2007). Due to share placements occurring during the 2014 year, the Company is seeking clarification from the Inland Revenue Department, in relation to a large proportion of the losses, whether the losses will continue to be available due to the application of the continuity provisions contained within the Income Tax Act 2007.

(e) Imputation credit account balances

Balance at beginning of the year	3	3	3	3
Income tax paid	3	-	3	-
R & D tax credit	-	-	-	-
Taxation refund (net)	(6)	-	(6)	-
Prior period adjustment	-	-	-	-
Balance at End of Year	-	3	-	3

BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

4. REMUNERATION OF AUDITORS

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Audit of the financial statements – current year	33	32	33	32
Audit related and other assurance Services – current year	6	15	6	15
Audit related and other assurance Services – prior year	23	-	23	-
Tax compliance services– current year	2	15	2	15
Tax compliance services– prior year	28	-	28	-
	<u>92</u>	<u>62</u>	<u>92</u>	<u>62</u>

The auditor of BLIS Technologies Limited is Deloitte.

Audit related and other assurance services include technical assistance with accounting matters and share register audits.

5. KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of the Chief Executive Officer and other senior management, being the key management personnel of the entity, is set out below:

Short-term employee benefits	389	338	389	338
	<u>389</u>	<u>338</u>	<u>389</u>	<u>338</u>

6. CASH AND SHORT TERM DEPOSITS

Cash	194	127	194	127
Short term deposits	3,458	632	3,458	632
	<u>3,652</u>	<u>759</u>	<u>3,652</u>	<u>759</u>

Short Term Deposits

Short term deposits include \$75,000 held in a bank account as a bond for the New Zealand Stock Exchange.

The carrying amount of cash and cash equivalents approximates their fair value.

7. ACCOUNTS RECEIVABLE

Accounts receivable	212	180	212	180
Accrued Interest	17	-	17	-
Goods and services tax (GST) receivable	6	28	6	28
	<u>235</u>	<u>208</u>	<u>235</u>	<u>208</u>

Trade debtors and other receivables are non-interest bearing and receipt is normally on 30 days terms. Therefore the carrying value of trade debtors and other receivables approximates its fair value.



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

	Group		Company	
8. INVENTORIES	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Raw Materials	98	175	98	175
Work in Progress	4	37	4	37
Finished Goods	4	18	4	18
	<u>106</u>	<u>230</u>	<u>106</u>	<u>230</u>

No inventories have been pledged as security over borrowings and other liabilities.

9. ADVANCES TO SUBSIDIARY

Advances made to Blis Functional Foods Limited, a subsidiary of the Parent Company were made, under a revolving credit facility for \$550,000. An annual interest rate of 10% was applied. The loan was secured under a General Security Agreement over the subsidiary's property. Provision for full impairment of these advances of \$478,000 was made in March 2013 when the subsidiary ceased trading and the Parent Company assumed responsibility for the debts of the subsidiary.



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

10. PROPERTY, PLANT & EQUIPMENT

Group

	2014									
	Cost 1 April 2013	Additions/ Transfers	Disposals	Cost 31 March 2014	Accumulated depreciation 1 April 2013	Depreciation expense	Accumulated depreciation reversed on disposal	Transfer	Accumulated depreciation 31 March 2014	Book Value 31 March 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Leasehold Improvements	116	25	-	142	(116)	(3)	-	-	(119)	23
Furniture and Fittings	71	-	-	71	(65)	(1)	-	-	(66)	5
Plant and Equipment	606	225	15	816	(448)	(21)	-	-	(469)	347
Total Property, Plant and Equipment	793	250	15	1,029	(629)	(25)	-	-	(654)	375

	2013									
	Cost 1 April 2012	Additions/ Transfers	Disposals	Cost 31 March 2013	Accumulated depreciation 1 April 2012	Depreciation expense	Accumulated depreciation reversed on disposal	Transfer	Accumulated depreciation 31 March 2013	Book Value 31 March 2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Leasehold Improvements	246	(102)	28	116	(73)	(83)	5	35	(116)	-
Furniture and Fittings	71	-	-	71	(64)	(1)	-	-	(65)	6
Plant and Equipment	510	115	19	606	(394)	(40)	21	(35)	(448)	158
Total Property, Plant and Equipment	827	13	47	793	(531)	(124)	26	-	(629)	164

No impairment losses were recorded in 2014 or 2013.

BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

10. PROPERTY, PLANT & EQUIPMENT Cont.

Company

2014

	Cost 1 April 2013 \$'000	Additions/ Transfers \$'000	Disposals \$'000	Cost 31 March 2014 \$'000	Accumulated depreciation 1 April 2013 \$'000	Depreciation expense \$'000	Accumulated depreciation reversed on disposal \$'000	Transfer \$'000	Accumulated depreciation 31 March 2014 \$'000	Book Value 31 March 2014 \$'000
Leasehold Improvements	116	25	-	142	(116)	(3)	-	-	(119)	23
Furniture and Fittings	71	-	-	71	(65)	(1)	-	-	(66)	5
Plant and Equipment	606	225	15	816	(448)	(21)	-	-	(469)	347
Total Property, Plant and Equipment	793	250	15	1,029	(629)	(25)	-	-	(654)	375

2013

	Cost 1 April 2012 \$'000	Additions/ Transfers \$'000	Disposals \$'000	Cost 31 March 2013 \$'000	Accumulated depreciation 1 April 2012 \$'000	Depreciation expense \$'000	Accumulated depreciation reversed on disposal \$'000	Transfer \$'000	Accumulated depreciation 31 March 2013 \$'000	Book Value 31 March 2013 \$'000
Leasehold Improvements	219	(102)	-	117	(71)	(81)	-	35	(117)	-
Furniture and Fittings	70	-	-	70	(64)	(1)	-	-	(65)	5
Plant and Equipment	418	188	-	606	(385)	(27)	-	(35)	(447)	159
Total Property, Plant and Equipment	707	86	-	793	(520)	(109)	-	-	(629)	164

No impairment losses were recorded in 2014 or 2013.

BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

11. FINITE LIFE INTANGIBLE ASSETS

Group and Company

	Patents \$'000	Capitalised Development \$'000	Website Development \$'000	Total \$'000
Gross Carrying Amount				
Balance at 1 April 2013	607	3,115	69	3,791
Additions from patent acquisition costs	100	-	-	100
Additions from internal developments	-	-	-	-
Additions from website development	-	-	-	-
Balance at 31 March 2014	707	3,115	69	3,891
Accumulated amortisation and impairment				
Balance at 1 April 2013	158	1,186	30	1,374
Amortisation expense	54	390	25	469
Balance at 31 March 2014	212	1,575	55	1,843
Net Book Value at 31 March 2014	495	1,539	14	2,048
Gross Carrying Amount				
Balance at 1 April 2012	536	2,755	46	3,337
Additions from patent acquisition costs	71	-	-	71
Additions from internal developments	-	360	-	360
Additions from website development	-	-	23	23
Balance at 31 March 2013	607	3,115	69	3,791
Accumulated amortisation and impairment				
Balance at 1 April 2012	114	830	18	962
Amortisation expense	44	356	12	412
Balance at 31 March 2013	158	1,186	30	1,374
Net Book Value at 31 March 2013	449	1,929	39	2,417

No impairment losses have been recorded in the current period (2013: Nil).

The Company has determined it is inappropriate to capitalise any further development costs on products that are now in commercial production or website development costs.

Capitalised development expenditure relates to costs incurred in relation to the development of ingredient, intermediate and food products containing BLIS, and the associated regulatory approval processes.

For the purposes of preparing these accounts the Board reviewed the intangible assets and have determined that there is no impairment of any intangible assets.

The calculation of the recoverable amounts has been determined based on a value in use calculation that uses cash flow projections based on the financial forecasts prepared by management covering a five-year period.

The recoverable amount calculations are most sensitive to assumptions regarding growth rates, contribution margins and the required rate of return. Annual sales growth rates of between 27% to 51% (2013: 19% to 125%), contribution margins of 64% to 71% (2013: 65% to 70%) and post-tax discount rates of 20% (2013: 20%) have been applied in these projections. Cashflows beyond the five year period have been extrapolated using a steady 2% (2013: 2%) growth rate. The recoverable amount is very sensitive to each of these assumptions. If sales growth and/or contribution margins fall short of projections, it is likely that the recoverable amount of the capitalised development expenditure will be less than carrying value.



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
12. ACCOUNTS PAYABLE				
Accounts payable	238	261	238	261
Employee entitlements	44	59	44	59
Directors' Fees	3	17	3	17
	<u>285</u>	<u>337</u>	<u>285</u>	<u>337</u>

13. CONVERTIBLE PREFERENCE SHARES (CPS)

Group and Company	2014	2014	2013	2013
	No. of Shares	\$'000	No. of Shares	\$'000
Balance at the beginning of the year (i) (ii)	-	-	4,000,000	4,000
Converted to ordinary shares	-	-	(4,000,000)	(4,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at the end of the year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less cost of raising CPS				
Balance at the beginning of the year		-		16
Amortisation of transaction cost for Convertible Preference Shares		-		(16)
		<u>-</u>		<u>-</u>
Balance at the end of the year		-		-

- (i) On 8 May, 2009, the Company issued 3,000,000 \$1 mandatory convertible cumulative preference shares (CPS). The CPS carry rights to a 10% gross dividend payable semi-annually. The CPS converted to ordinary shares on 8 May, 2012. On the basis the conversion to ordinary shares was not at a fixed ratio, the CPS were recognised as a liability for financial reporting purposes.
- (ii) Edinburgh Equity Nominee Limited, a related party, was the underwriter with respect to the CPS issue and pursuant to the underwriting agreement was issued an option to subscribe for 1,000,000 preference shares at \$1.00 each by 31 March 2010. Edinburgh Equity Nominee Limited exercised this option on 29 March 2010. The 1,000,000 preference shares issued pursuant to the exercise of this option ranked equally with the existing preference shares on issue excluding entitlement to the May 2010 dividend.

On 8 May, 2012 the Cumulative Preference Shares converted into 298,062,787 Ordinary Shares in accordance with the prospectus dated 30 March 2009. Ninety five percent of the prevailing Ordinary Share price over the previous 20 business days was used for the conversion, being \$0.01342 per Ordinary Share.

Immediately prior to the conversion BLIS satisfied the final distribution of \$200,000 (gross) payable in respect of the Cumulative Preference Shares after provision for withholding taxes by issuing further Ordinary Shares using the same Ordinary Share price of \$0.01342 per Ordinary Share. A further 12,990,194 Ordinary Shares were issued by BLIS to satisfy the distribution.

The 311,052,981 Ordinary Shares issued under the conversion and dividend rank equally with all other Ordinary Shares on issue in the Company and participate equally in all distributions declared after the date of issue.

BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

14. NON-CONTROLLING INTEREST

Group	2014 \$'000	2013 \$'000
Balance at the beginning of the year	-	(9)
Share of net surplus/deficit for the year	-	(46)
Transfer to retained earnings on buy-out of non-controlling interest (Note 19)	-	55
	<u> </u>	<u> </u>
Balance at the end of the year	<u> </u>	<u> </u>

On 23 March, 2013 the shares held by the non-controlling interest were transferred to Blis Technologies Limited for nominal consideration.

15. GOODWILL

Group

Gross carrying amount

Balance at the beginning of the year	-	84
Goodwill impairment	-	(84)
	<u> </u>	<u> </u>
Balance at the end of the year	<u> </u>	<u> </u>

16. INVESTMENT IN SUBSIDIARY

Subsidiary	Percentage Held		Balance Date	Principal Activity
	2014	2013		
Blis Functional Foods Limited	100%	100%	31 March	Non-trading

On 23 March, 2013 Blis Functional Foods Limited ceased trading and is a dormant subsidiary. It was previously involved with the production, distribution and sale of ice cream and yoghurt.



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

17. SHARE CAPITAL

Group & Company	2014 No. of Shares	2014 \$'000	2013 No. of Shares	2013 \$'000
Balance at the beginning of the year	669,593,903	33,071	175,826,655	27,585
Shares issued in lieu of Dividend due on Cumulative Preference Shares	-		12,990,194	173
Shares issued on conversion of Cumulative Preference Shares	-		298,062,787	4,000
Cancellation of Treasury Stock 9 May 2012	-		(5,000,000)	-
Shares issued pursuant to Share Purchase Plan To eligible shareholders on 25 October 2012	-		101,285,696	709
Placement offer on 25 October 2012	-	-	86,428,571	604
Share issued pursuant to Share Purchase Plan To eligible shareholders on 08 November 2013	139,100,000	1,391	-	-
Placement offer settled on 06 September 2013	213,459,662	2,135	-	-
Placement offer settled on 19 September 2013	10,000,000	100	-	-
Placement offer settled on 01 October 2013	10,000,000	100	-	-
Placement offer settled on 22 November 2013	60,000,000	600	-	-
Cost of Raising Capital	-	(99)	-	-
Balance at the end of the year	<u>1,102,153,565</u>	<u>37,298</u>	<u>669,593,903</u>	<u>33,071</u>

All 1,102,153,565 ordinary shares are issued and fully paid ordinary shares and carry equal voting rights. All issued shares participate equally in any dividend distribution or any surplus on winding up of the company. Changes to the Companies Act in 1993 abolished the authorised capital and par value concept in relation to share capital from 1 July 1994. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

On 06 September 2013, 213,459,662 shares were issued pursuant to a share placement offer. The shares were issued at a price of \$0.01 per share.

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

On 01 October 2013, 10,000,000 shares were issued pursuant to a share placement offer. The shares were issued at a price of \$0.01 per share.

On 08 November 2013, 139,100,000 shares were issued pursuant to a share purchase plan offered to eligible shareholders. The shares were issued at a price of \$0.01 per share.

On 22 November 2013, 60,000,000 shares were issued pursuant to a share placement offer. The shares were issued at a price of \$0.01 per share.

The Company converted all of the Cumulative Preference Shares which it had on issue as at 5pm 8 May 2012 into a further 298,062,787 Ordinary Shares in accordance with its prospectus date 30 March 2009. Ninety five percent of the prevailing Ordinary Share price over the previous 20 business days was used for the conversion, being \$0.01342 per Ordinary Share. Immediately prior to the conversion BLIS satisfied the final distribution of \$200,000 (gross) payable in respect of the Cumulative Preference Shares after provision for withholding taxes by issuing further Ordinary Shares using the same Ordinary Share price of \$0.01342 per Ordinary Share. A further 12,990,194 Ordinary Shares were issued by the Company to satisfy the distribution.



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

17. SHARE CAPITAL Cont.

The 311,052,981 Ordinary Shares issued under the conversion and dividend rank equally with all other Ordinary Shares on issue in the Company and participate equally in all distributions declared after the date of issue.

The Company cancelled 5,000,000 Ordinary Shares which it was holding as Treasury Stock on 9 May 2012.

On 25 October 2012, 101,285,696 shares were issued pursuant to a share purchase plan offered to eligible shareholders and 86,428,571 shares were issued pursuant to a share placement offer. The shares were issued at a price of \$0.0070 per share,

	Group	
	2014	2013
	Cents per Share	Cents per Share
Basic earnings per share	(0.18)	(0.34)
The earnings and weighted average number of ordinary issued shares used in the calculation of basic earnings per share are as follows:		
	\$'000	\$'000
Net deficit	(1,541)	(1,810)
Weighted average number of ordinary shares for the purpose of basic earnings per share	892,953,055	530,277,718

	2014	2013
	Cents per Share	Cents per Share
Diluted earnings per share	(0.18)	(0.34)
The earnings and weighted average number of issued ordinary shares used in the calculation of diluted earnings per share are as follows:		
	\$'000	\$'000
Net deficit	(1,541)	(1,810)
Weighted average number of ordinary shares for the purpose of diluted earnings per share	892,953,055	530,277,718

	2014	2013
	Cents per Share	Cents per Share
Net tangible asset/(liability) per share at year end	0.37	0.16
The net tangible assets and number of issued ordinary shares used in the calculation of net tangible asset per share are as follows:		
	\$'000	\$'000
Net tangible assets	4,128	1,073
Number of ordinary shares held at 31 March 2014	1,102,153,565	669,593,903



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

17. SHARE CAPITAL Cont.

Net tangible assets

As at 31 March 2014 the net tangible asset per share was 0.37 cents. Net tangible assets per share is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS. It is required to be disclosed by NZX listing requirements.

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Total assets	6,461	3,827	6,461	3,827
Less intangible assets	(2,048)	(2,417)	(2,048)	(2,417)
Less total liabilities	(285)	(337)	(285)	(337)
Net tangible assets	4,128	1,073	4,128	1,073
Number of shares outstanding ('000)	1,102,153	669,594	1,102,153	669,594
Net tangible assets per share	0.37 cents	0.16 cents	0.37 cents	0.16 cents

18. RELATED PARTY TRANSACTIONS

During the period the following transactions were entered into with related parties:

Mr C E Dawson is Chief Executive Officer of Otago Innovation Limited, a wholly owned subsidiary of the University of Otago. During the period the University of Otago provided rental space, goods and services to BLIS Technologies Limited. The total value of these services was \$95,016 (2013: \$80,831). \$3,875 was owing at 31 March 2014 (2013: \$5,326).

During the year, BLIS products were sold to the following related parties:

Associated Entity	Director	2014	2013
P F Fennessy	P F Fennessy	\$1,856	\$833
B H Wallace	B H Wallace	\$369	\$333
A J McKenzie	A J McKenzie	\$283	\$104
Edinburgh Equity Nominee Ltd	A P Offen	-	\$185

19. COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments

As at 31 March 2014 there is \$23,904 of capital expenditure commitments (2013: \$Nil).

(b) Lease Commitments

Non-cancellable operating lease commitments are as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Less than 1 year	67	55	67	55
1 - 5 years	238	95	238	95
Longer than 5 years	167	-	172	-



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or contingent liabilities at 31 March 2014 (2013: \$Nil).

21. GOING CONCERN

The financial statements have been prepared based on an assumption of going concern.

The Group and the Company have recorded a net deficit of \$1,541,000 (2013: \$1,856,000) and \$1,541,000 (2013: \$1,866,000), respectively, for the year ended 31 March 2014.

The Directors believe the going concern assumption is valid, reaching such a conclusion after having regard to the circumstances which they consider reasonably likely to affect the Group and Company during the period of one year from the date these financials statements are approved.

Specifically, the Company held cash reserves of \$3,651,805 as at 31 March 2014 which is considered more than sufficient to offset an anticipated near term operating deficit and to meet its capital expenditure and working capital requirements.

Based on Management Budgets and Plans the Group and Company will be able to meet financial obligations for at least the next 12 months.

While the Directors believe that there is no material uncertainty in respect of the Group or Company's ability to continue as a going concern for the period assessed above, due to the level of its current cash holdings, there remains uncertainty as to whether the Company can achieve commercial sales levels sufficient to deliver the cash flow required to operate as a going concern, following utilisation of current and any future available cash resources. In the event it fails to achieve future profitability as planned the Group and Company may not be able to continue as a going concern.

If the Group and Company were unable to continue as a going concern, and pay debts as, and when, they become due and payable, adjustments to the carrying value of assets would have to be made to reflect the situation. In such circumstances 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 in particular on the carrying value of Property, plant and equipment and Intangible assets.

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

22. SEGMENTAL REPORTING

22.1 Adoption of NZ IFRS 8 Operating Segments

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

22.2 Revenue from major products and services

	Group	
	2014	2013
	\$'000	\$'000
The Group's revenues from its major products and services were as follows:		
BLIS products	1,263	1,121
Other	59	40
Total Revenue	1,322	1,161



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

22.3 Information about geographical areas

The Group operates in 4 principal geographical areas; New Zealand (country of domicile), United States of America, Asia/Europe and Australia.

The Group's revenue from external customers and information about its assets by geographical location (of the customer) are detailed below:

Trading Revenue	Group		Group	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
	Revenue from External Customers		Non-current Assets	
New Zealand	494	672	2,423	2,581
United States of America (USA)	106	104	-	-
Asia/Europe	540	217	-	-
Australia	53	103	-	-
Other	70	25	-	-
Total Trading Revenue	1,263	1,121	2,423	2,581
Other	59	40	-	-
Total Revenue	1,322	1,161	2,423	2,581

Included in revenue are revenues of \$596,627, \$377,934 and \$50,433 (2013: \$209,470, \$179,382 and \$103,943) which arose from sales to company's three largest customers.

23. RECONCILIATION OF NET DEFICIT WITH CASH FLOWS FROM OPERATING ACTIVITIES	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Net Surplus /(Deficit) for the year	(1,541)	(1,856)	(1,541)	(1,866)
Adjustments for non-cash items:				
Amortisation of capitalised development costs	390	356	390	356
Amortisation of patents	54	44	54	44
Amortisation of website development	25	12	25	12
Amortisation of transaction costs for Convertible Preference Shares	-	16	-	16
Ordinary shares issued in lieu of dividend on CPS	-	174	-	174
Depreciation	24	124	24	109
Foreign Exchange Loss	10	10	10	10
Loss/(Gain) on sale of fixed asset	13	6	13	-
Impairment of loan to subsidiary	-	-	-	478
Impairment of goodwill and property, plant and equipment	-	97	-	-
Increase in working capital on wind up of subsidiary operations	-	-	-	7
	(1,025)	(1,017)	(1,025)	(660)
Movements in working capital				
Accounts receivable	(27)	525	(27)	458
Prepayments	4	(3)	4	(5)
Inventories	124	46	124	(13)
Accounts payable	(52)	(36)	(52)	27
Convertible preference share dividend payable	-	(158)	-	(158)
	49	374	49	309
Net cash inflow/ (outflow) from operating activities	(976)	(643)	(976)	(351)



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

24. FINANCIAL INSTRUMENTS

All of the Group's financial assets are recognised as loans and receivables measured at amortised cost. The Group does not have any financial assets recognised as held to maturity, designated at fair value or available for sale. All of the Group's financial liabilities are measured at amortised cost.

(a) Financial Risk Management Objectives

Exposure to credit, interest rate, foreign currency and liquidity risks arises in the normal course of the Group's business.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Specific risk management objectives and policies are set out below:

(b) Capital Risk Management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity.

The capital structure of the Group comprises issued capital and retained earnings as disclosed in the Statement of Changes in Equity.

The Group's Board of Directors reviews the capital structure on a regular basis.

The Group is not subject to externally imposed capital requirements.

The Group's overall strategy remains unchanged from 2013.

(c) Market Risk

Market risk is the potential for change in the value of financial instruments caused by a change in the value, volatility or relationship between market risks and prices. Market risk arises from the mismatch between assets and liabilities. The Group's activities expose it primarily to market risk associated with changes in foreign currency rates and interest rates as set out below. These risks are measured using sensitivity analysis. The mechanisms for managing these risks are set out below. There have been no changes during the year to the Group's exposure to such risks or the manner in which the risks are measured and managed.

(d) Interest Rate Risk

The Group is exposed to interest rate risk as from time to time it borrows funds at floating interest rates and also invests cash in short term deposits at fixed interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Investments at fixed interest rates expose the Group to fair value interest rate risk. The Group does not hedge this risk. Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. The Group does not hedge this risk.



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

24. FINANCIAL INSTRUMENTS Cont.

(e) Foreign Exchange Risk

In the course of normal trading activities, the Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group does not hedge this risk.

The carrying amount of the Group's foreign currency denominated monetary assets are as follows:

	Group & Company	
	2014	2013
	\$'000	\$'000
Australian Dollar	11	-
United States Dollar	173	167

The table expresses foreign currency amounts in New Zealand dollar equivalents using the exchange rates at 31 March 2014 and 31 March 2013. The rates applied at 31 March 2014 were:

NZ\$1: A\$0.9364 (2013: A\$0.8014), and
 NZ\$1: US\$0.8664 (2013: US\$0.8369)

(f) Other Price Risk

The Group is not exposed to substantial other price risk arising from financial instruments.

(g) Credit Risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. Financial instruments which potentially subject the Group to credit risk, principally consist of bank balances and Accounts receivable. The Board monitors and manages the exposure to credit risk.

The maximum exposures to credit risk at balance date are:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash and short term deposits	3,652	759	3,652	759
Accounts receivable	212	180	212	180
	<u>3,864</u>	<u>939</u>	<u>3,864</u>	<u>939</u>

Ageing Receivables Breakdown

Group and Company 2014	Gross amounts	Impairment	Net Balance
Ageing analysis of trade receivables	receivable		
	\$'000	\$'000	\$'000
0 - 30 days (not past due)	123	-	123
31 - 60 days	1	-	1
61 - 90 days	79	-	79
Greater than 90 days	9	-	9
Total past due	89	-	89
Total of trade debtors	212	-	212



BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

24. FINANCIAL INSTRUMENTS Cont.

Group and Company 2013	Gross amounts receivable	Impairment	Net Balance
Ageing analysis of trade receivables	\$'000	\$'000	\$'000
0 - 30 days (not past due)	134	-	134
31 - 60 days	34	-	34
61 - 90 days	11	-	11
Greater than 90 days	1	-	1
Total past due	46	-	46
Total of trade debtors	180	-	180

At 31 March 2014, Accounts receivable include an amount of \$80,533 (2013:\$94,266) due from one customer (all paid subsequent to year end), and all of the Group's bank accounts are held with Bank of New Zealand and Westpac Banking Corporation Limited. Otherwise the Group does not have any other concentrations of credit risk. The Group does not require any collateral or security to support financial instruments.

(h) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities (if required) by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The maturity profiles of the Company and Group's interest bearing investments and borrowings are disclosed later in this note.

Liquidity and Interest Risk Tables

The following tables detail the Group and Company's remaining contractual maturity for non-derivative financial assets and financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets and financial liabilities including interest that will accrue to those assets or liabilities except where the Group/Company is entitled and intends to repay a liability before its maturity.

Group & Company

	Weighted Average Effective Interest Rate %	Less than 1 year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-4 Years \$'000	4-5 Years \$'000	5+ Years \$'000	Interest	Total '000\$
31 March 2014									
Financial assets:									
Cash and short term deposits	4.03	3,652	-	-	-	-	-	-	3,652
Accounts receivable	-	235	-	-	-	-	-	-	235
Total	-	3,887	-	-	-	-	-	-	3,887
Financial liabilities:									
Accounts payable	-	285	-	-	-	-	-	-	285
Total	-	285	-	-	-	-	-	-	285

BLIS TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS cont.
For the Year Ended 31 March 2014

24. FINANCIAL INSTRUMENTS Cont.

(h) Liquidity Risk Management cont.

Group & Company

	Weighted Average Effective Interest Rate %	Less than 1 year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-4 Years \$'000	4-5 Years \$'000	5+ Years \$'000	Interest	Total \$'000
31 March 2013									
Financial assets:									
Cash and short term deposits	3.40	759	-	-	-	-	-	-	759
Accounts receivable		208	-	-	-	-	-	-	208
Total	-	967	-	-	-	-	-	-	967
Financial liabilities:									
Accounts payable	-	337	-	-	-	-	-	-	337
Total	-	337	-	-	-	-	-	-	337

(i) Sensitivity Analysis

The Group is exposed to foreign currency risk arising from license revenue and sales denominated in currencies other than the Group's functional currency, arising from normal trading activities.

The majority of foreign currency related exposures relate to accounts receivable. The Group is mainly exposed to the Australian Dollar, and the United States Dollar.

Exposures to movements in these foreign currency rates are not considered material at balance date. However the year end exposure (and sensitivity to foreign currency rate movements at this time) does not reflect the risk and exposure during the course of the year. The Group's sensitivity to foreign currency rate movements has not changed during the year.

Exposure to movement in floating interest rates in respect of cash on deposit and the overdraft facility is also not considered material at balance date.

(j) Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.



BLIS TECHNOLOGIES LIMITED
STATEMENT OF CORPORATE GOVERNANCE
For the Year Ended 31 March 2014

Board and Management are committed to ensuring that the Company maintains Corporate Governance structures which ensure that the Company operates efficiently and effectively in the best interests of the Company, but at the same time recognises that certain elements of international “best practice” corporate governance are not appropriate for a small company.

This statement of Corporate Governance provides a summary of the Company’s Corporate Governance processes, and the Code of Conduct contained in the Board of Directors Operations Manual.

The Company’s Corporate Governance policies meet the nine principles of corporate governance issued by the Securities Commission. The nine principles are:

- Ethical standards
- Board composition and performance
- Use of Board Committees where this would enhance effectiveness
- Reporting and disclosure
- Remuneration of Directors and Executives
- Risk management
- Quality and independence of the external audit process
- Shareholder relations
- Shareholder interest

Financial Statements

The Directors are responsible for ensuring that the Company’s financial statements give a true and fair view of the financial position of the company and its financial performance and cash flows for the year. The external auditors are responsible for expressing an opinion on the financial statements, based on their review and assessment of the conclusions drawn from evidence obtained in the course of the audit.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

Role of the Board of Directors

Directors are elected by the shareholders to govern the Company in the Company’s best interests. The Board is the overall and final body of responsibility for all decision making within the Company.

The Directors have a diverse range of expertise and experience, and are committed to use this to benefit the company. The Board is responsible to shareholders for charting the direction of the company by participating in the setting of objectives, strategy and key policy areas. The Board is then responsible for monitoring management’s running of the business to ensure implementation is in accordance with the agreed framework. The Board delegates the conduct of the day-to-day affairs of the company to the Chief Executive Officer within this framework.

The primary responsibilities of the Board include:

- establishing the long-term goals of the company and strategic plans to achieve those goals;
- succession planning for the Chief Executive Officer and the Board;
- risk management in order to protect its employees, assets, earnings and reputation;
- reviewing and adopting a plan and operating budget produced annually;
- monitoring environmental, social and financial performance;
- ensuring that the company has implemented adequate systems of internal controls including internal financial controls together with appropriate monitoring of compliance activities;
- appointing and monitoring the Chief Executive Officer and other executive managers and determining their remunerations;
- communicating with shareholders and other stakeholders; and
- approving the annual and half-year financial statements.

The Directors appoint a chair from amongst their members. The Board supports separation of the role of Chairman and Chief Executive Officer. The Chairman’s role is to provide leadership and to manage the Board effectively.

BLIS TECHNOLOGIES LIMITED

STATEMENT OF CORPORATE GOVERNANCE cont.

For the Year Ended 31 March 2014

The Chief Executive Officer is not a Director, and where necessary, the Board will meet without the Chief Executive Officer being present.

The Board receives reports from management and has access to all of the information necessary for it to effectively discharge its duties.

Board Membership & Independence

The Constitution currently sets the size of the Board at a minimum of three and at least two Directors must be resident in New Zealand. The Board currently comprises five Directors, comprising a Chairman, Deputy Chairman and three Directors appointed for their mix of commercial and technical skills. The Board aims to meet on at least six occasions in the financial year. Under the Company's constitution, one third of all Directors must retire every year, but can be re-elected at an Annual Meeting if eligible.

All five Directors are non-executive members and three are Independent members. The independent directors are Mr P F Fennessy, Mr C E Dawson, and Mr B H Wallace. A Director is "Independent" when they are not an executive officer of the Company and do not have a 'Disqualifying Relationship' (as defined in the NZSX Listing Rules) where for instance he or she has any direct or indirect interest or relationship with the Company which could reasonably influence, in a material way, that Director's decisions relating to the Company. The Board will consider all relevant circumstances when determining independence.

The Company has no requirement for Directors to hold shares in the Company but actively encourages them to do so.

The Board as a whole is involved with recommending candidates to act as Directors to shareholders. When considering candidates for nomination, the Board will consider, amongst other things, the individual's experience, qualifications and skills in comparison to the experience, qualifications and skills of other Directors, whether that individual is "Independent" and whether that individual would be able to work effectively with other Directors. The Board has the ability to appoint an individual to fill a casual vacancy on the Board until the Company's next Annual General Meeting.

The procedures for the appointment and removal of Directors are governed by the Company's Constitution and the NZSX Listing Rules. One third of the Company's Directors (rounded, if necessary, to the nearest number) are required to retire and may stand for re-election at every Annual Meeting, with those Directors to retire being those who have been in office longest since they were elected or deemed to be elected.

Total Directors' remuneration is fixed and may only be increased by shareholders at the Company's Annual Meeting, upon the recommendation of the Board as a whole. Within that limit, the Board is responsible for determining the remuneration paid to each Director.

Code of Conduct

As part of the Board's commitment to the highest standard of conduct, the Company has adopted a code of conduct as part of a Directors' Operations Manual to guide Directors and management in carrying out their duties and responsibilities. The Directors' Operations Manual covers such matters as:

- Corporate governance matters;
- Role of the Board and composition of the Board;
- Director responsibilities;
- Appointment of, responsibilities of and remuneration of a Chief Executive Officer;
- Confidentiality and the safeguarding of company information;
- Compliance with laws and regulations;
- Shareholder participation.
- Code of ethics

BLIS TECHNOLOGIES LIMITED
STATEMENT OF CORPORATE GOVERNANCE cont.
For the Year Ended 31 March 2014

Newly-elected Directors are required to familiarise themselves with and comply with the Directors' Operations Manual. Training is also provided to new and existing Directors where this is required to enable Directors to fulfil their responsibilities.

Conflicts of Interest

As part of the Code of ethics contained in the Board Operations Manual there is a procedure to be followed where Directors are faced with a conflict of interest. At all times a Director must be able to act in the interests of the organisation as a whole and in accordance with all relevant laws, including the NZSX Listing Rules. The interests and associates, individual shareholders and the personal interests of the Director and their family must not be allowed to prevail over those of the Company and its shareholders generally.

Audit, Risk Management and Internal Financial Control

The Board has overall responsibility for risk management and the Company's system of internal financial control, for liaising with the Company's external auditors, and for ensuring the integrity of the Company's financial reporting. The Board constantly monitors the operational and financial aspects of the Company's activities and has established procedures and policies that are designed to provide effective internal financial control. Annual budgets and business plans are prepared, and agreed by the Board. Monthly management accounts are prepared and reviewed by the Board throughout the year to monitor performance against budget.

The Board has established an audit committee to assist the Board in discharging its responsibilities relative to financial reporting, related regulatory conformance and liaising with the external auditors. The terms of reference for the audit committee are set out in the Director's Operations Manual. Membership of the audit committee comprises three directors, the majority of whom are independent and the chair of the Board shall not be the chair of the audit committee. The current members of the audit committee are Tony Offen (Chairman) non-independent, Bevan Wallace (independent) and Colin Dawson (independent).

The Board considers the recommendations of the audit committee and advice of external auditors and other external advisors on the operational and financial risks that face the Company. The Board ensures that recommendations made by the audit committee, external auditors and other external advisers are investigated and, where considered necessary, action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

Given the size of the Company an internal audit function is not considered necessary.

NZX Corporate Best Practice Code

Given the size and composition of the Board, there are no significant benefits in delegating matters in relation to the Board nomination and director remuneration processes.

Other than on these points, the Company's Corporate Governance processes do not materially differ from the principles set out in the NZX Corporate Governance Best Practice Code.

BLIS TECHNOLOGIES LIMITED
ADDITIONAL STOCK EXCHANGE INFORMATION
For the Year Ended 31 March 2014

The Company's ordinary shares are listed on the NZX Limited Main Board (NZSX).

As at 28 March 2014 the total number of issued ordinary shares in the Company was 1,102,153,565.

1. Substantial Security Holders

The Company's register of the disclosure by substantial security holders, kept in accordance with section 35C of the Securities Markets Act 1988 recorded that as at 28 March 2014 the following shareholders have a relevant interest in 5% or more of the ordinary shares in the Company:

Name	Number of Voting Securities Ordinary Shares
Sinclair Long Term Holdings Limited	144,674,355
NZPR Group Livestock Limited	100,000,000
Xu Qi Wu & Yao Hong Shen	65,000,000
Edinburgh Equity Limited	58,257,388

2. Spread of Security Holders at 28 March 2014 - Ordinary Shares

	Number of Security Holders	
1 – 50,000	473	35.40%
50,001 – 100,000	262	19.61%
100,001 – 150,000	101	7.56%
150,001 – 200,000	93	6.96%
200,001 – 300,000	104	7.78%
300,001 – 500,000	96	7.19%
500,001 – 1,000,000	92	6.89%
1,000,001 – 5,000,000	89	6.66%
5,000,001 and above	26	1.95%
Total number of holders	1,336	100.00%

BLIS TECHNOLOGIES LIMITED**ADDITIONAL STOCK EXCHANGE INFORMATION cont.****For the Year Ended 31 March 2014****3. Twenty Largest Equity Security Holders**

The names of the 20 largest holders of each class of quoted equity security as at 28 March 2014 are listed below.

Top 20 Shareholders	Number of Issued Ordinary Shares	Percentage Issued
Sinclair Long Term Holdings Limited	144,674,355	13.13%
NZPR Group Livestock Limited	100,000,000	9.07%
X Qi Wu & Yao Hong Shen	65,000,000	5.90%
Edinburgh Equity Limited	58,257,388	5.29%
Mingchun Qiu	54,374,769	4.93%
Asia Pacific Partners Limited	31,500,000	2.86%
Michael Herbert Bird	30,000,000	2.72%
New Zealand Central Securities Depository Limited	29,942,751	2.72%
Hui Ai Adriana Tong & Morlan Tong	29,000,000	2.63%
Stephen Patrick Ward & Julie Patricia Ward & James Michael Ward	26,774,672	2.43%
Mark Alexander Stevens & Wendy Joanne Stevens & WMC Trustees Limited	24,094,577	2.19%
SIL Long Term Holdings Limited	22,928,571	2.08%
Custodial Services Limited	18,188,530	1.65%
Bevan Hugh Wallace	7,500,000	0.68%
University Of Otago	6,700,000	0.61%
Graeme Alan Hoy	6,698,181	0.61%
Vivienne Louise Cowan	5,850,263	0.53%
Peter Francis Fennessy & Mary Elizabeth Fennessy	5,798,182	0.53%
Alan James Phillips & Helen Marie Phillips	5,520,307	0.50%
Richard Mark Keenan	5,500,000	0.50%
	678,302,546	61.56%

BLIS TECHNOLOGIES LIMITED**ADDITIONAL STOCK EXCHANGE INFORMATION cont.****For the Year Ended 31 March 2014****4. Directors' Shareholdings**

The following table sets out, for the purposes of the disclosures required under NZSX Listing Rule 10.4.5 (c) of the NZSX Listing Rules, the relevant interests of Directors and associated persons of the Directors in equity securities of the Company as at 31 March 2014.

Name of Director		Number of Equity Securities in which a relevant interest is held by the Director	Number of Equity Securities in which a relevant interest is held by an associated person (and not included in the previous column)
C E Dawson	Ordinary	5,133,474 (1)	-
P F Fennessy	Ordinary	5,798,182 (2)	-
A P Offen	Ordinary	58,257,388 (3)	-
A J McKenzie	Ordinary	173,964,129 (4)	-
B H Wallace	Ordinary	14,250,000 (5)	-
B C Richardson (Chief Executive)		17,903,624 (6)	-

Note that particular shareholdings can appear under more than one director.

- 1) The number of equity securities in which Mr C E Dawson holds a beneficial interest includes 5,133,474 ordinary shares, owned jointly with Mrs A C Dawson.
- 2) The number of equity securities in which Mr P F Fennessy holds a relevant interest includes 5,798,182 ordinary shares, in which the PF & ME Fennessy Family Trust has a relevant interest.
- 3) The number of equity securities in which Mr A P Offen holds a relevant interest includes 58,257,388 ordinary shares, in which Edinburgh Equity Limited has a relevant interest. Mr Offen is a director of Edinburgh Equity Limited and has a relevant interest in shares in the company.
- 4) The number of equity securities in which Mr A J McKenzie holds a relevant interest includes:
 - 144,674,355 ordinary shares, in which Sinclair Long Term Holdings Limited has a relevant interest.
 - 1,099,346 ordinary shares, in which A J McKenzie & Co Limited has a relevant interest.
 - 22,928,571 ordinary shares, in which SIL Long Term Holdings Limited has a relevant interest. Mr McKenzie is a non beneficial director of SIL Long Term Holdings Limited
 - 5,100,000 ordinary shares, in which Pinot Trust has a relevant interest. Mr McKenzie is a non-beneficial Trustee of Pinot Trust.
 Mr A J McKenzie also has a beneficial interest in 161,857 ordinary shares owned personally.
- 5) The number of equity securities in which Mr B H Wallace holds a relevant interest includes:
 - 3,250,000 ordinary shares, in which the Bevan Wallace Family Trust has a relevant interest,
 - 2,500,000 ordinary shares, in which the Wallace Family Trust has a relevant interest,
 - 750,000 ordinary shares, in which Morgan Wallace Limited has a relevant interest,
 - 250,000 ordinary shares, in which Lee & Wallace Holdings Limited has a relevant interest.
 Mr B H Wallace also has a beneficial interest in 7,500,000 ordinary shares owned personally.
- 6) The number of equity securities in which Mr B C Richardson holds a relevant interest includes 17,903,624 ordinary shares, owned jointly with Mrs J V Richardson (held on account at Custodial Services).

5. Credit Rating

The Company does not currently have a credit rating.

6. NZX matters

No waivers were granted by NZX (or relied upon) with respect to the Company during the period 1 April 2013 to 31 March 2014.

BLIS TECHNOLOGIES LIMITED

ADDITIONAL STOCK EXCHANGE INFORMATION cont.

For the Year Ended 31 March 2014

The NZX did not exercise any of its powers set out in Listing Rule 5.4.2 in relation to the Company during the period 1 April 2013 to 31 March 2014.

Small Shareholding Plan

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 the Company's 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 under the SSP 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 2013 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 allocated the net proceeds pro-rata based on the number of shares transferred and remitted proceeds to individual holders on 30 May 2013.

FMA Review

The Company has previously invited both NZX and the Financial Markets Authority (FMA) 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 would investigate the relevant trades and advise if they had any concerns.

On 4 June 2013 the Company received advice from its solicitors that the FMA had reviewed the circumstances surrounding the share dealings and determined that they would not be taking any further action in relation to this matter.

7. Diversity Policy

As at 31 March 2014 all 5 of the Directors of the Company were male. The Chief Executive Officer and Chief Financial Officer were also male.

As at 31 March 2013 all 5 of the Directors of the Company and the Chief Executive Officer and Chief Financial Officer were male.

The Company does not have a Gender Diversity policy for the board and management as at 31 March 2014.

8. Independence of Directors

As at 31 March 2014, the following Directors are considered by the Board to be Independent (as defined by the NZSX Listing Rules): Mr P F Fennessy, Mr C E Dawson, and Mr B H Wallace

As at 31 March 2014, the following Directors are considered by the Board to not be Independent: Mr A P Offen and Mr A J McKenzie



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BLIS TECHNOLOGIES LIMITED**

Report on the Financial Statements

We have audited the financial statements of BLIS Technologies Limited and group on pages 13 to 44, which comprise the consolidated and separate balance sheet of BLIS Technologies Limited, as at 31 March 2014, the consolidated and separate income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor and the provision of taxation compliance services we have no relationship with or interests in BLIS Technologies Limited or any of its subsidiaries. The principals and employees of our firm deal with BLIS Technologies Limited on normal terms within the ordinary course of trading activities of the business of BLIS Technologies Limited. The firm has no other relationship with, or interest in, BLIS Technologies Limited.

Opinion

In our opinion, the financial statements on pages 13 to 44:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of BLIS Technologies Limited and group as at 31 March 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2014:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by BLIS Technologies Limited as far as appears from our examination of those records.

Deloitte
23 May 2014
Dunedin, New Zealand