

Operations Report and Financial Statements

For the six months to 30 September 2015



RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting Period: 6 months to 30 September 2015
Previous Reporting Period: 6 months to 30 September 2014

Consolidated	Amount (\$000s)	Percentage Change
Revenue	2,732	Increased 139%
Net surplus / (deficit) before tax & finance costs (interest)	(405)	Deficit decreased 50%
Finance Costs	-	No change
Net deficit	(405)	Deficit decreased 50%
Interim Dividend- Ordinary shares	-	No change
Please read Operations Report for explanation of the above disclosure summary		

OVERVIEW

Blis Technologies Limited was formed to commercialise BLIS™ probiotic bacteria in consumer products targeted at oral health applications such as for ear, nose and throat health, halitosis (bad breath), gum and teeth health and immune support.

The Company reports a net deficit of \$405k on turnover of \$2,732k for the six months to September 30, 2015. Turnover increased 139% from the \$1,143k reported in the previous corresponding period while maintaining attractive operating margins across product lines. The net deficit is after provision of \$350k for the replacement cost of product supplied during the September half year which has been the subject of quality concerns (refer Subsequent Events Note 7).

The Company is on target to achieve an increase of over 100% in revenues for the current financial year. Subject to the final costs associated with replacement of product supplied in the September half year not exceeding the provision made the Company expects to report for the first time a modest annual surplus in earnings before interest expense, taxation, depreciation and amortisation to 31 March 2016.

Key Highlights for the Period Include:

- 139% revenue growth over corresponding prior period
- Reduction of 50% in the net deficit despite the provisioning for product replacement costs
- Health Canada approvals for substantial and specific label claims on products containing BLIS K12
- Increasing sales by our North American and European distributors
- Appointment of key staff in Quality Control, Business Development, and R&D support
- Launch of nutritional formulation product formats and increasing sales by the Company into Australasia.

Key Challenges for the Period:

- Resource utilisation for optimising profitable high level growth
- Regulatory changes increasing the already long lead times for product launches by key customers, including China.
- Increased costs to meet the Company's growth targets due to outsourcing of specialised personnel capabilities until these resources can be internalised, including brand and marketing management
- Production process and quality control in the face of customer demands for new product formulation and packaging

FINANCIAL

The Company reports a consolidated net deficit for the six months to 30 September of \$405k (Sept 2014: \$808k deficit) before tax and finance costs. This includes interest income of \$24k received for the period (\$63k 2014).

The financial result shows the benefits of broadening the scope of the business from the supply of healthcare ingredients to include the manufacture of part finished goods, consumer products and other food products.

Revenue from ingredient, consumer products, part finished goods and nutritional formulations are all higher than for the corresponding period last year. Total expenses of \$3,137k are \$1,186k higher than the corresponding prior period. Of the increase, \$350k is a provision for future costs of replacing product supplied into Europe during the period, \$366k relates to the increased direct costs of higher sales volumes and the balance is largely due to increased staff numbers and the outsourcing of specialist capabilities to manage quality control, brand management, production and increased sales support. The company is investing in the elevation of its brand value and awareness across markets as it steadily moves toward providing a fully BLIS branded consumer product range in concert with its international partners. This will provide the company with longer term value and a higher share of profit margins as we get closer to our ultimate customer.

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

Net consolidated cash outflow from operating activities was \$751k (Sept 2014: \$752k outflow).

Investment in the period totalled \$195k (Sept 2014: \$236k) reflecting further investment in the part finished and finished goods manufacturing and nutritional formulation operation and capitalisation of patent costs.

As at 30 September 2015 the company held a net working capital position of \$2,192k (Sept 2014: \$2,977k) which the directors believe provides a capital base sufficient to support its current business development strategies.

BUSINESS DEVELOPMENT STRATEGY PROGRESS

Our business development strategy is to support ingredient sales by 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, Europe and China;
2. Developing exemplar in-market products - consumer products and nutritional formulations;
3. Building consumer product sales through web marketing (www.blis.co.nz), partnerships and other direct sales channels.
4. Developing long-term strategic partnerships with companies that have significant regional and global reach.
5. Obtaining regulatory approval and intellectual property protection in defined markets.

The Company continues to explore additional strategic opportunities in food and finished product applications by developing long-term strategic partnerships.

Strategy 1: Building Ingredient Sales

BLIS currently has three key ingredient distributors, Stratum Nutrition (a division of Novus Nutrition Brands Inc.) for North America, Blue Stone Pharma for Europe and NZPR Group for China. Providing ongoing resourcing for technical sales support, regulatory compliance guidance, clinical study support and an ingredient product development pipeline are all important components of building international ingredient sales with our distribution partners.

Total ingredient revenues for half year to 30 September are up 118% on the corresponding period last year. Both Stratum Nutrition for the North American market and Blue Stone Pharma for Europe (and in particular Italy) continue to grow their respective markets. Clinical trials are an important pillar of support for new product launches and growing sales in all markets. Stratum Nutrition has agreed to undertake a clinical trial of BLIS K12™ within USA or Canada which will add further clinical evidence and support to the Italian trials which have consistently reinforced the efficacy of BLIS K12™ and BLIS M18™.

NZPR Group, our key partner in China, has engaged Sinopharm (the largest oral health and pharmaceutical company in China) to test-market consumer products with BLIS oral probiotics. The results of the test-market and three (3) clinical trials being carried out by Sinopharm are still in progress and will be important determinants when considering product launch plans. There were no sales to NZPR Group during the period and the company continued to provide technical support in anticipation of sales being achieved in the near future.

Our distributor for Japan is starting to provide a steady ingredient order flow with sales in the current period starting to reaching meaningful levels.

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 lozenges, nutritional formulations, honey, ice cream and yogurt are all examples of this.

Key highlights for the period were the growing sales of nutritional formulations containing BLIS K12™ including Toddler Powder, the in-house production and export of blister pack finished good orders for Poland, Romania and Greece as well as the ongoing supply of finished goods into New Zealand Pharmacies and for web sales. Having the in-house capacity to customise packaging with art work and finished product delivery formats improves quality control, shortens finished goods sales cycles and provides other product development opportunities

The gaining of full export accreditation of the nutritional formulations plant by the Ministry of Primary Industries allows the company to produce and export dry dairy products for human consumption from its facilities at 10 Birch

Street in Dunedin. The company will also act as a sub-contractor in the packaging of nutritional formulations for other parties to utilise any spare production capacity.

Strategy 3: Building Consumer Product Sales

The company provides products in customer-driven formats, such as ingredients, finished products (packaged or bulk), as lozenges (dietary supplements) and nutritional formulations (food products). Consumer products have been an important part of the company strategy in New Zealand and Australia for many years with the channels to market recently complemented by our web-based offering, www.blis.co.nz.

With the re-configuration of the Stratum distribution agreement from 1 April 2015, the company is now moving more toward its goal of growing BLIS branded consumer product sales internationally. The company is investing in the elevation of its brand value and awareness as it steadily moves toward offering a fully BLIS branded consumer product range in concert with its international partners. This will provide the company with longer term value and a higher share of profit margins as the company moves closer to its ultimate customer.

Australia holds significant potential to grow BLIS consumer product sales and the company is currently in early stage planning for product launches in 2016. South East Asia and Japan also offer immediate opportunities for the Company.

The BLIS branded finished goods product range now includes Throat Guard Daily BLIS K12™, Travel Guard BLIS K12™, Fresh Breath Kit BLIS K12™, BLIS M18™ and BLIS K12™ Powder for Toddlers.

Strategy 4: Developing Long-term Strategic Partnerships

To achieve full international potential, it is important to develop long-term strategic relationships with leading consumer product and technology companies capable of conducting significant clinical trials and of providing global and regional manufacturing, supply and distribution relationships.

The Company's relationship with Stratum Nutrition (a division of Novus Nutrition Brands Inc) dates back to 2012 and recently the exclusive distribution agreement was realigned to the North American markets only from 1 April 2015. Stratum Nutrition has agreed to fund a clinical trial of BLIS K12™ in North America or Canada which is an important part of the strategy behind growing sales across North America. Stratum Nutrition has also been instrumental in obtaining the Health Canada approval for label claims.

Blue Stone Pharma has an exclusive distribution agreement for Europe and has successfully launched consumer products containing BLIS K12™ into Pharmacy channels in Poland, Romania and Greece with planning for further product launches within Europe well advanced. The relationship with Blue Stone Pharma holds significant potential for the company. It has European consumer marketing resource and experience in technical and regulatory compliance issues, for BLIS probiotics, as well as being solely focused on growing consumer products containing BLIS probiotics.

China holds significant potential for the Company through NZPR Group (our China distributor) and its relationship with Sinopharm, the largest pharmaceutical and oral health company in China. Success however, is dependent on gaining regulatory approvals which is proving to be complex and challenging.

The Company's relationship with NZPR Group is long standing and highly valued, maintaining strong and loyal relationships will be the key component in the ultimate success of launching products containing BLIS in the China market.

The company has identified potential partners for the establishment of complementary ingredient manufacturing capabilities within Europe as part of its risk management plan for alternative supply options and also in anticipation of meeting future regional product demand on a timely and cost effectively basis.

Strategy 5: Obtaining Regulatory Approval and Intellectual Property Protection

Our strategic investment in patent protection and in trademarks provides our partners with the confidence to invest in product development and marketing. Blis Technologies retains its leadership position in the market through strong emphasis on supporting research, along with the momentum created by the wide range of independent studies that show the benefits of BLIS K12™ and BLIS M18™ in oral health applications.

Regulatory

Regulatory activities continue to be some of the most important issues addressed by the company.

Significantly, during the period Health Canada granted approval for manufacturers and marketers to make substantial and specific label claims on products which contain BLIS K12 ingredient. After reviewing supporting evidence and safety publications, Health Canada has approved claim language around promotes oral health, helps reduce halitosis, can help reduce incidence of Streptococcal pharyngitis/tonsillitis. Regulatory approvals such as this prepares the ground for increased sales and marketing efforts to follow.

Clinical trials

The company continues to support and monitor clinical trials of its products. Locally, we have determined the success of different delivery formats with BLIS K12™.

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™ used in the trials. The project is nearing completion following collaboration with schools that are actively involved in the Government-funded swab and treat intervention for rheumatic fever. The final reporting of the trial results are expected to be released during 2016.

A field study in the Eastern Bay of Plenty where Blis product is assessed in relation to rheumatic fever prevention is expected to be presented by the researchers in November.

OUTLOOK

Based on the half year results, forward orders and planned consumer product releases the company expects revenue for the full year to increase by over 100% to in excess of \$5.3m. Subject to the final cost of replacing product into Europe not exceeding the \$350k provision we expect to record a small full year surplus in earnings before interest expense tax depreciation and amortisation.

In August, after nine years leading the Company, Dr Barry Richardson announced his intention to resign to pursue other interests and would leave the company near the end of the financial year to facilitate a smooth transition.

Brian Watson has been appointed Chief Executive of Blis Technologies Limited and will take up his position in mid-February. Mr Watson is currently Group Manager Preparedness & Response at Fonterra. He has been with Fonterra since 2011 and prior to that held a number of management and marketing positions in the pharmaceutical industry.



Peter Fennessy
Chairman
20th day of November 2015



Anthony Offen
Executive Director

BLIS TECHNOLOGIES LIMITED

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

For the 6 Months Ended 30 September, 2015

	Notes	6 mths 30 Sep 15 (Unaudited) \$'000s	6 mths 30 Sep 14 (Unaudited) \$'000s	12 mths 31 Mar 15 (Audited) \$'000s
REVENUES				
Trading revenue	6.3	2,708	1,080	2,523
Interest received		24	63	108
		<u>2,732</u>	<u>1,143</u>	<u>2,631</u>
LESS				
Distribution expenses		4	8	14
Marketing expenses		25	46	66
Occupancy expenses		79	87	149
Operating expenses		2,479	1,589	3,322
Other expenses		200	221	453
Product replacement provision		350	-	-
		<u>3,137</u>	<u>1,951</u>	<u>4,004</u>
NET SURPLUS/(DEFICIT) BEFORE TAX		(405)	(808)	(1,373)
Income tax expense		-	-	-
		<u>(405)</u>	<u>(808)</u>	<u>(1,373)</u>
NET SURPLUS/(DEFICIT) FOR THE PERIOD		<u>(405)</u>	<u>(808)</u>	<u>(1,373)</u>
Surplus/(deficit) for the period is attributed to:				
Equity holders of the parent		(405)	(808)	(1,373)
		<u>(405)</u>	<u>(808)</u>	<u>(1,373)</u>
Earnings per Share:				
Basic (cents per ordinary share)		(0.04)	(0.07)	(0.12)
Diluted (cents per ordinary share)		(0.04)	(0.07)	(0.12)

BLIS TECHNOLOGIES LIMITED**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

For the 6 Months Ended 30 September, 2015

	Notes	6 mths 30 Sep 15 (Unaudited) \$'000s	6 mths 30 Sep 14 (Unaudited) \$'000s	12 mths 31 Mar 15 (Audited) \$'000s
Surplus/(deficit) for the year		(405)	(808)	(1,373)
Other Comprehensive Income		-	-	-
Total comprehensive income/(deficit) for the year		<u>(405)</u>	<u>(808)</u>	<u>(1,373)</u>

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

EQUITY AT BEGINNING OF THE PERIOD	4,803	6,176	6,176
Total Comprehensive Income (Deficit) for the Period	(405)	(808)	(1,373)
EQUITY AT END OF PERIOD	<u>4,399</u>	<u>5,368</u>	<u>4,803</u>

BLIS TECHNOLOGIES LIMITED

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

As at 30 September, 2015

	Notes	30 Sep 15 (Unaudited) \$'000s	30 Sep 14 (Unaudited) \$'000s	31 Mar 15 (Audited) \$'000s
CURRENT ASSETS				
Cash and short term deposits		1,234	2,687	2,146
Accounts receivable		1,435	469	464
Prepayments		28	29	73
Inventory		519	228	282
		<u>3,216</u>	<u>3,413</u>	<u>2,965</u>
LESS CURRENT LIABILITIES				
Accounts Payable		674	436	446
Product replacement provision		350	0	0
		<u>1024</u>	<u>436</u>	<u>446</u>
WORKING CAPITAL		2,192	2,977	2,519
NON CURRENT ASSETS				
Property, plant and equipment		708	537	616
Finite life intangible assets		1,499	1,854	1,668
		<u>2,207</u>	<u>2,391</u>	<u>2,284</u>
NET ASSETS		<u>4,399</u>	<u>5,368</u>	<u>4,803</u>
OWNERS' EQUITY				
Share capital	3	37,298	37,298	37,298
Retained earnings/(deficits)		(32,899)	(31,930)	(32,495)
TOTAL EQUITY		<u>4,399</u>	<u>5,368</u>	<u>4,803</u>



Peter Fennessy
Chairman



Anthony Offen
Executive Director

These Financial Statements have been authorised for issue 20th day of November 2015

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASHFLOWS

For the 6 Months Ended 30 September, 2015

	Note	6 mths 30 Sep 15 (Unaudited) \$'000s	6 mths 30 Sep 14 (Unaudited) \$'000s	12 mths 31 Mar 15 (Audited) \$'000s
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to):				
Receipts from customers		1,739	861	2,331
Interest received		22	48	105
Payments to suppliers and employees		(2,512)	(1,661)	(3,531)
		<u> </u>	<u> </u>	<u> </u>
Net cash inflow/ (outflow) from operating activities	2	(751)	(752)	(1,095)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to):				
Sale of property, plant & equipment		-	5	5
Capitalised patent costs		(35)	(32)	(83)
Purchase of property, plant and equipment		(160)	(209)	(343)
		<u> </u>	<u> </u>	<u> </u>
Net cash inflow (outflow) from investing activities		(195)	(236)	(421)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash inflow (outflow) from financing activities		-	-	-
		<u> </u>	<u> </u>	<u> </u>
Net increase/ (decrease) in cash held		(946)	(988)	(1,516)
		<u> </u>	<u> </u>	<u> </u>
Add cash and short term deposits at start of period		2,146	3,652	3,652
Foreign exchange differences		34	23	10
		<u> </u>	<u> </u>	<u> </u>
Balance at end of period		<u>1,234</u>	<u>2,687</u>	<u>2,146</u>
COMPRISED OF:				
Cash and short term deposits		1,234	2,687	2,146
		<u> </u>	<u> </u>	<u> </u>
Total		<u>1,234</u>	<u>2,687</u>	<u>2,146</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September, 2015

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

The unaudited condensed interim consolidated financial statements presented are those of Blis Technologies Limited and its non-trading subsidiary Blis Functional Foods Limited (the Group). The principle activity of Blis Technologies Limited (Blis or the Company) is developing healthcare products based on strain of bacteria that produce Bacteriocin-Like Inhibitory Substance (BLIS). The Company is a profit oriented entity, registered in New Zealand under the Companies Act 1993. The Company is an issuer for the purposes of the Financial Reporting Act 1993 and its annual financial statements comply with that Act.

The unaudited interim financial statements are prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP) and comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for interim financial statements (NZ IAS 34). The interim financial statements should be read in conjunction with the Group annual report for the year ended 31 March 2015.

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.

The condensed interim financial statements do not include all the information required for full financial statements.

The same accounting policies and methods of computation are followed in these interim financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 March 2015.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September, 2015

2. RECONCILIATION OF NET DEFICIT WITH CASHFLOWS FROM OPERATING ACTIVITIES

	6 mths 30 Sep 15 (Unaudited) \$'000s	6 mths 30 Sep 14 (Unaudited) \$'000s	12 mths 31 Mar 15 (Audited) \$'000s
NET SURPLUS (DEFICIT) FOR THE PERIOD	(405)	(808)	(1,373)
Adjustments for non-cash items:			
Depreciation	69	41	97
Amortisation of capitalised product development costs	165	195	389
Amortisation of patents	35	26	64
Amortisation of website	4	6	10
Foreign exchange loss/(gain)	(34)	(23)	(10)
Product replacement provision	350	0	0
	<u>589</u>	<u>245</u>	<u>550</u>
Movement in working capital			
Accounts receivable	(971)	(234)	(229)
Prepayments	45	16	(28)
Accounts payable	228	151	161
Inventories	(237)	(122)	(176)
	<u>(935)</u>	<u>(189)</u>	<u>(272)</u>
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	<u><u>(751)</u></u>	<u><u>(752)</u></u>	<u><u>(1,095)</u></u>

3 SHARE CAPITAL- ORDINARY SHARES

Balance at beginning of period	37,298	37,298	37,298
Balance at end of period	<u><u>37,298</u></u>	<u><u>37,298</u></u>	<u><u>37,298</u></u>
NUMBER OF SHARES ON ISSUE	000s	000s	000s
Balance at beginning of period	1,102,154	1,102,154	1,102,154
Balance at end of period	<u><u>1,102,154</u></u>	<u><u>1,102,154</u></u>	<u><u>1,102,154</u></u>

BLIS TECHNOLOGIES LIMITED

NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September, 2015

4. CAPITAL COMMITMENTS, CONTINGENT LIABILITIES

The capital commitments as at 30 September 2015 were \$0 (September 2014: \$14,000)

5. INVESTMENT IN SUBSIDIARY

Subsidiary	Percentage Held		Balance Date	Principal Activity
	2016	2015		
Blis Functional Foods Limited	100%	100%	31 March	Non trading

6. SEGMENTAL REPORTING

6.1 Adoption of NZ IFRS 8 Operating Segments

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

6.2 Revenue from major products and services

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

	6 mths 30 Sep 15 (Unaudited) \$'000s	6 mths 30 Sep 14 (Unaudited) \$'000s	12 mths 31 Mar 15 (Audited) \$'000s
Blis products	2,490	1,052	2,413
Other	242	91	218
Total revenue	<u>2,732</u>	<u>1,143</u>	<u>2,631</u>

Other revenues include interest received and contract manufacturing revenue of non Blis branded products.

NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September, 2015

6.3 Information about geographical areas

The Group operates in 4 principal geographical areas: Australasia, Asia (incl. China), Europe and North America. The Group's revenue from external customers and information about its assets by geographical location (of the customer) are detailed below:

	Revenue from external customers			Non-current assets		
	6 mths 30 Sept 2015 (Unaudited) \$'000	6 mths 30 Sept 2014 (Unaudited) \$'000	12 mths 2015 31 Mar 15 (Audited) \$'000	30 Sept 2015 (Unaudited) \$'000	30 Sept 2014 (Unaudited) \$'000	12 mths 2015 31 Mar 15 (Audited)
Trading Revenue						
Australasia	704	390	685	2,207	2,391	2,284
North America	496	258	664	-	-	-
Asia (incl. China)	284	127	241	-	-	-
Europe	1,166	263	831	-	-	-
Rest of World	58	42	102	-	-	-
Total Trading Revenue	2,708	1,080	2,523			
Other	24	63	108	-	-	-
Total Revenue	2,732	1,143	2,631	2,207	2,391	2,284

Included in revenue are revenues of \$1,150k, \$496k and \$316k (September 2014: \$514k, \$262k and \$135k) which arose from sales to Group's three largest customers. As at 30 September amounts due from these customers totalled \$877k, \$242k and \$1k. As at the date of this report the amounts due from these customers in relation to revenues derived in the period to 30 September are \$20k, \$0k and \$0k.

Revenues for year ended 31 March 2015, \$1,212k, \$508k and \$382k arose from sales to Groups three largest customers.

7. SUBSEQUENT EVENTS

On Monday 4th November, as a precautionary measure, the Company halted trading of its shares listed on the New Zealand Stock Exchange after speckled discolouration in samples of a blister-packed lozenge product was discovered in Europe. The Company is implementing a process to replace the affected product.

This particular formulation was contract manufactured by Blis specifically for one European customer. A quality control investigation revealed that under extreme humidity some speckling of product is possible. Investigations of retention samples held by the company in New Zealand show the product remains safe although cosmetically unacceptable.

Europe experienced a particularly hot and humid summer this year and the Company's Research and Development team is now working with the Company's European distributor to improve the methods of transporting and storage from the point of leaving New Zealand to getting to the end consumer. Improvements are being implemented in production, quality control and logistics. As a short term solution to meet ongoing demand some lozenges will be manufactured in Europe.

The underlying science behind the Company's products is unquestioned and backed by clinical trials.

There will be additional costs in terms of replacement of product and to that end a provision of \$350,000 has been recorded against these 30 September half year results.

NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September, 2015

8. ADDITIONAL STOCK EXCHANGE INFORMATION

There is no additional stock exchange information.