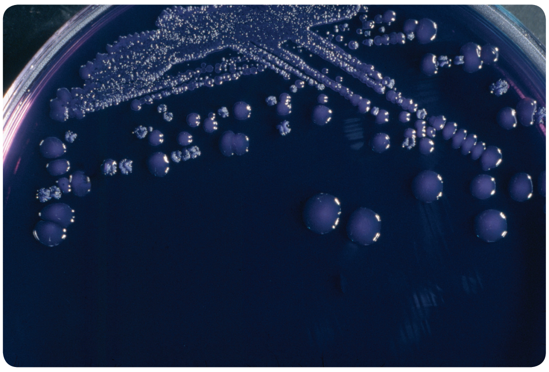
2016 Annual Report
BLIS Technologies Ltd

BLIS Technologies



From culture to commercial application

The cover photograph shows large, smooth, glistening bacterial colonies of BLIS K12 growing on an agar plate. Each colony represents one single bacterial cell that has multiplied many times.

Blis Technologies' science captures the oral health potential of colonies just like these, and transforms that potential into actual consumer health benefits via its range of commercially available products.

BLIS K12 and its companion strain BLIS M18 are the key ingredients in our range of finished good consumer products sold in pharmacy and online at www.blis.co.nz.

A key highlight for the year was 123% growth in trading revenue with strong year-on-year sales growth by our North American and European distributors

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COMPANY DIRECTORY

AS AT 31 MARCH 2016

Company Number	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)** **V M Aris** **G S Boyd** **A J McKenzie** **B H Wallace (Chairman Audit Committee)**
Chief Executive	**B D Watson**
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

OPERATIONS REPORT

FOR THE YEAR ENDED 31 MARCH 2016

OVERVIEW	FY 2016 $000	FY 2015 $000	CHANGE $000
Revenue			
Australasia	1164	685	479
Asia, including China	753	241	512
Europe	2117	831	1286
North America	1470	664	806
Other	124	102	22
Trading revenue	**5,628**	**2,523**	**3,105**
Other revenue	33	108	(75)
Total revenue	**5,661**	**2,631**	**3,030**
Net deficit before depreciation, amortisation, capitalisation of costs, finance and tax	(347)	(897)	550
Depreciation and amortisation of assets	(556)	(559)	3
Capitalisation of development and patent costs	87	83	4
Net deficit	**(816)**	**(1,373)**	**557**

The Group reports a net deficit of $816k (2015: $1,373k deficit) on total revenue of $5,661k (2015: $2,631k) for the twelve months to 31 March 2016 which is in line with the revised market guidance provided by directors in late February.

Trading revenue for the year increased by $3,105k (123%) resulting in a $550k reduction in the net deficit before depreciation, amortisation and capitalised costs when compared to the previous year. Trading revenues for the second half of the year were 8% higher than reported for the first half ($2,920k compared with $2,708k). The Company expects to achieve trading revenues in excess of $8m for the 2017 financial year and record a net profit after tax.

Key highlights for the year included:

- 123% growth in trading revenue over the previous year
- Health Canada approvals for substantial and specific label claims on products containing BLIS K12®
- US Federal Drug Administration (FDA) provides Generally Recognised as Safe (GRAS) Letter of No Objection for BLIS K12®
- Strong year-on-year sales growth by our North American and European distributors
- Appointment of key staff in quality control, business development and R&D support
- Overcoming the production and supply chain issues behind the replacement of product sold into Europe.

Key challenges for the year were:

- Managing the costs that are required to meet the Company's growth targets
- Resourcing to ensure the Company maintains production and supply standards over increased product flow
- Managing our resources and utilising them to ensure the prospect of profitable high level growth
- Dealing with regulatory changes and challenges that increase lead times for product launches by key customers, including China
- Growing our capability through new people and internal changes to help facilitate future strategic initiatives.

During the year Dr Barry Richardson announced his retirement (effective from 31 March 2016) after nine years as Chief Executive. Mr Brian Watson was appointed as Chief Executive taking up the role on 15 February 2016.

FINANCIAL

The Company reports a consolidated net deficit for the twelve months to 31 March 2016 of $816k (March 2015: $1,373k). This includes interest income of $33k for the period (March 2015: $108k).

Reporting a further annual net deficit is disappointing and is the result of higher costs, including those associated with replacing product into Europe. However, the benefits from long-term investment in regulatory approvals and the more recent broadening of the business to include the manufacture of part-finished goods, consumer products and other food products are now flowing through.

Year-on-year revenues continue to grow and the Company recorded an operating cash surplus for the final quarter of the year and expects to report its first net surplus for the year to 31 March 2017.

Revenue from ingredients, consumer products, part-finished goods and nutritionals are all higher than for the previous year. Significantly, both Europe and North American revenues continue to grow being $2,117k (up 155%) and $1,470k (up 121%) respectively. Trading revenues for Australasia are $1,164k (70%) up on last year, and sales into Asia have increased, but China remains slow, which is due to the long cycles to meet regulatory requirements and restrictions on product formats.

Sales of $421k (2015:$128k) were achieved for nutritional formulations during the financial year highlighting the benefits of maintaining RMP status for the production facilities. Revenue for the year includes contract manufacturing income of non-BLIS branded product available to the Company due to the RMP status of the production facilities of $124k (2015: $102k).

Total expenses of $6,477k are $2,473k higher than for the previous year. Of the increase, $827k relates to the direct costs of producing higher sales volumes and confirms robust contribution margins.

There was a significant increase in overheads for the year, some of which we would not expect to recur. These include costs incurred in relation to replacement of the compromised product sold into Europe and additional management support by Mr Tony Offen as an Executive Director over the transition period for the Chief Executive role (from October 2015 when Dr Barry Richardson took on specific projects to assist the board following his announcement to retire and Mr Brian Watson taking over in February 2016).

There were also ongoing increased costs required to meet the Company's growth targets as noted under challenges above and in ensuring that the Company is resourced to meet its strategic objectives. This has involved outsourcing of specialised personnel capabilities until these resources can be internalised, including appointments for Quality Control Manager, Chief Financial Officer, and Brand and Marketing Manager.

CASH FLOWS

	FY 2016 $000	FY 2015 $000	Change $000
Operating activities			
Trading income and other revenue received	4,918	2,436	2,482
Payments to suppliers and employees	(5,429)	(3,531)	(1,898)
Net cash outflow from operating activities	(511)	(1,095)	584
Investing activities			
Capital expenditure (net)	(408)	(421)	13
Net cash outflows from investing activities	**(408)**	**(421)**	**13**
Financing activities			
Issue of ordinary shares during the year	-	-	-
Net cash inflows from financing activities	-	-	-
Bank balance year end	**1,209**	**2,146**	**(937)**

The company recorded a net cash outflow from operating activities of $511k (2015: $1,095k).

Capital expenditure in the period totalled $408k (March 2015: $421k) reflecting the ongoing investment in the manufacturing business for both part-finished and finished goods, and in the nutritional formulation plant, capitalisation of patent costs and fit-out of the Glasgow Street business centre to enable the company to consolidate on two sites (Birch Street for manufacturing and Glasgow Street for the business centre and laboratory).

Aggregate cash flows for the year resulted in a decrease of $937k (March 2015: a decrease of $1,506k) to the cash balances held as at 31 March 2016 to $1,209k (March 2015: $2,146k).

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

At 31 March 2016, the Company held a net working capital position of $1,927k (March 2015: $2,519k) which the directors believe is sufficient to support implementation of its current business strategies.

BUSINESS DEVELOPMENT STRATEGY

BLIS Technologies Limited was formed to commercialise probiotic bacteria that have bacteriocin activity.

A core function of the Board is to regularly review strategy and to monitor performance against key outcomes. Some key outcomes of our recent strategy review have highlighted certain particular aspects as follows.

We re-affirmed the purpose of the company as leadership in the commercial applications of BLIS™-producing microbes.

We defined key outcomes in three key areas: positioning our products, our supply chain and the pipeline of new products, each of which is outlined in more detail below.

The appointment of Brian Watson as the new Chief Executive in February 2016 is a key step in increasing our focus in these directions. Mr Watson's related experience and overall leadership qualities convinced the Board that he had the background and credentials to lead the Company through its next stage of development. Mr Watson has strong sales and marketing credentials, and experience which are also important for the company now. Previously, Mr Watson was Group Manager Preparedness & Response at Fonterra and prior to that held a number of management and marketing positions in the pharmaceutical industry.

Positioning

Developing a closer relationship with customers and consumers as a means of future-proofing the business

We are moving our focus towards being a supplier of BLIS™-branded finished goods (including prominent co-branding) to help ensure that Blis Technologies is recognised as the source. Our value proposition to our customers and consumers is that we understand their needs so that we can deliver a real health benefit. Therefore, we will seek to engage more directly in the consumer relationship.

Supply chain

Developing internal expertise and processes as a means of managing the supply chain is a critical aspect in controlling key facets of the business

We see the company as the core source of knowledge about our BLIS™ products. Therefore, we will invest more in developing the internal expertise and processes all through our supply chain: this goes from the organism to fermentation to formulation to end-products, including regulatory aspects and clinical efficacy right through to the consumer.

Product pipeline

Utilising our knowledge of the science to develop new product opportunities

The science and technology-base (from research and development through to the end-product) is at the core of the business and our science and clinical base underpin our brand.

Our library of defined bacteriocin-producing organisms provides the core resource that underpins future product opportunities.

Our well-defined processes, from evaluation through intellectual property management and regulatory know-how, provide the means to prioritise and source a pipeline of bacteriocin producers and potential products targeted at key human health concerns.

IMPLEMENTATION OF THE STRATEGY

Positioning

Our branded finished goods strategy has a focus on developing clear value propositions to ensure effective positioning of BLIS™ probiotics across a mix of channels globally. This approach requires direct relationships with all parts of the supply chain in order to control key facets of our business, ensuring the quality of our product offer and protection of our intellectual property, key contributors to our BLIS™ brand.

Our ingredient strategy based on a branded raw material remains an important contributor to revenue and is controlled by having direct relationships with the specified distributor within a defined territory. The ingredient is used under licence and there is no direct relationship with the end product formulator or marketer.

Thus long-term strategic relationships are at the heart of this positioning. Blis currently has three key distributors: Stratum Nutrition (a division of Novus Nutrition Brands Inc.) for North America, NZPR Group for China, and Bluestone Pharma for Europe and Middle East.

Outside of these areas, Blis manages the territories directly. The Company has developed close relationships with its in-market partners and is committed to providing ongoing resources for technical sales support, guidance with respect to regulatory compliance and clinical studies, and in development of new product opportunities. The close and historical nature of the in-market partnerships provides an opportunity for the company in conjunction with its partners to proactively develop product offerings in branded finished goods alongside existing branded ingredient sales in a way that will meet our strategic goals and those of our partners.

US-based Stratum Nutrition has been the exclusive distributor of BLIS™ ingredients in North America since 2012. Stratum has grown ingredient sales into North America by 121% over last year, largely due to customer sales of products containing BLIS K12™. A significant contributor to the growth is the increased awareness of BLIS K12™ in the industry following the Health Canada approval and the FDA Letter of Non-objection for its Generally Recognised as Safe (GRAS) status. A growing number of products containing BLIS M18™ are now being launched and we anticipate further growth across both BLIS K12™ and BLIS M18™ in the North American markets.

NZPR Group, our key partner in China for BLIS™ ingredients, 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 clinical trials being carried out by Sinopharm are anticipated to be available by the third quarter of the 2017 financial year. These results will have a bearing on the timing and extent of any product launch plans. During the year the Company continued to provide technical support in anticipation of sales in the near future. The changing nature of the regulatory landscape in China is adding to what already has been a long market access cycle. There is no doubt that when these issues are resolved the opportunity for sales into China is appealing.

During the year Bluestone Pharma ("BSP"), the European and Middle East distributor for Blis, grew sales by 155%. A significant amount of the growth was from Bactoblis (BLIS K12™), a co-branded finished product format, launched into the pharmacy channel in Europe. Following completion of registration for branded products in other countries within Europe further product launches are planned in the 2017 financial year.

Sales across all other territories including New Zealand, Australia and Japan grew by 107% over last year.

Japan is a market that requires a patient outlook in terms of building in-market relationships and sales. Tradepia, an ingredient distributor for Japan over a number of years, is now providing steady sales. Alongside these sales, Blis has developed relationships in the professional dental channel opening the pathway for the launch of co-branded BLIS™ finished goods during the 2017 financial year.

Australia holds significant potential for finished good sales and the company will be launching our first branded product through selected pharmacies within the 2017 financial year.

In New Zealand sales of branded finished goods through the pharmacy channel are managed by Pharmabroker which has grown sales over last year by 26%. Flagship products include Throat Guard EVERYDAY BLIS K12™, Travel Guard BLIS K12™, Fresh Breath Kit BLIS K12™ and Toddler Protect BLIS K12™ Powder for Toddlers.

Web sales are managed directly by Blis and provide a complementary business to consumer channels for branded finished goods. The web presence is an important contributor around increasing our brand awareness in the future.

Having the internal capability to manufacture quality finished goods in-house is a key element in being able to develop and bring branded finished goods to markets quickly, especially for our local markets.

Overall, branded finished goods accounted for 46% of total revenues, an increase of 74% over last year.

Supply chain

It is important that we are the core source of knowledge about our BLIS™ products and therefore there is a focus on enhancing our internal expertise and our processes throughout our supply chain (from the organism to pilot-scale fermentation to formulation to end-products).

The company has also identified potential partners for the establishment of complementary ingredient manufacturing capabilities within North America and 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-effective basis.

During the year manufacturing of the branded finished goods for Europe was transferred to a European manufacturer managed by Bluestone Pharma, our European partner. This highlights the value of our relationship with Bluestone Pharma and helped overcome the very challenging issues surrounding the quality failures experienced with the product requiring replacement during the year. This has now provided Blis with an alternative manufacturer of finished goods suitable for the European market.

Product pipeline

Our library of defined bacteriocinproducing organisms provides the core resource that underpins future product opportunities. Our product-leadership model involves assessment of new product opportunities that is underpinned by the uniqueness of both the strain of our organisms and of our solution. The approach involves three phases with selection of the bacteriocin producer being the first, followed by two stages of more formal product development. In the initial selection phase, our strains are assessed under three key criteria: the core knowledge around the species, points of difference with respect to other strains (bacteriocin activity, efficacy against target organisms), and market-relevant knowledge (consumer relevance, potential range of IP protection, manufacturing, regulatory, safety).

BLIS K12™ and BLIS M18™ are patented oral probiotics providing advanced protection for ear, nose and throat health, halitosis (bad breath), gums and teeth health and immune support. These special strains of Streptococcus salivarius have been scientifically-proven in oral applications. Continuing to build the regulatory and clinical dossiers and in-house knowhow for these strains is a key component of strengthening the pipeline for future product opportunities.

Strategic investment in protecting our intellectual property position (patent protection, trademarks and trade secrets) 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 activities continue to be some of the most important issues addressed by the company. Significant approvals were attained during the year: the Health Canada approval for substantial and specific label claims on product containing BLIS K12™ and US FDA GRAS Non-Objection Letter for BLIS K12™.

A number of scientific papers have been published by both the company and external researchers on the various aspects of the BLIS K12™ and BLIS M18™ strains in the previous 12 months (1 April 2015 to 31 March 2016).

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

Final results of the New Zealand rheumatic fever trial (Health Research Council, Ministry of Health, Cure Kids and the Heart Foundation) carried out in New Zealand during 2015-2016 are expected during the 2017 financial year. The trial was run independently of Blis; however the company did provide product for the trial.

Internationally, the three clinical trials, using BLIS K12™, carried out by Velleja Research in Italy demonstrated the effectiveness of BLIS K12™ in reducing the frequency of streptococcal sore throats in both adults and children as well as demonstrating the clinical benefits of BLIS K12™ in reducing Otitis Media in children. One clinical trial is now being carried out by Velleja Research examining the benefits of BLIS M18™ in reducing dental caries in children.

Sinopharm also has three clinical trials underway. A further clinical trial of BLIS K12™ to be funded by Stratum Nutrition is due to be carried out within the 2017 financial year.

STAFF

Full-time staff numbers are currently 20 (15 in 2015). In August 2015, Dr Barry Richardson advised his intention to retire during the year and in October 2015 he took over some special projects to assist the board. At this time the operational management passed to Mr Tony Offen as Executive Director for a transition period. Mr Offen's role, assisting our new Chief Executive Mr Watson, will continue through to 31 May.

Meeting the company's growth targets, ensuring quality standards and implementation of internal change to align the company along its new strategic direction involved outsourcing of specialised personnel capabilities until these can be internalised. This includes appointment of a Quality Control Manager, Chief Financial Officer, and a Brand and Marketing Manager.

OUTLOOK

The company is forecasting continued growth in sales to over $8m for the 2017 financial year and expect to record a net profit after tax for the first time. Managing resourcing and supply through a period of accelerated growth is a key challenge ahead for the current year.

Securing additional ingredient supply capacity is particularly important to ensure that we can meet the projected growth targets beyond the 2017 financial year. Provided we continue to meet regulatory requirements, and the pipeline of planned product launches and sales activities develops, then our expectations for a profitable year will be realised and so provide a significant milestone along the company's journey.

Thank you for your ongoing support and interest in the company.

Peter Fennessy
Chairman

Brian Watson
Chief Executive

References – papers published 1 April 2015 to 31 March 2016 relating to K12 and M18 include the following:

1. Probiotics in Periodontal Therapy Scariya, L et al (2015). Int J Pharm Bio Sci 6(1): 242 – 250
2. Oral use of Streptococcus salivarius K12 in children with secretory otitis media: preliminary results of a pilot, uncontrolled study.Di Pierro F, Di Pasquale D, Di Cicco M. Int J Gen Med. 2015 Sep 15;8:303-8
3. Streptococcus salivarius K12 Limits Group B Streptococcus Vaginal Colonization.Patras KA, Wescombe PA, Rösler B, Hale JD, Tagg JR, Doran KS.Infect Immun. 2015 Sep;83(9):3438-44.
4. Cariogram outcome after 90 days of oral treatment with Streptococcus salivarius M18 in children at high risk for dental caries: results of a randomized, controlled study. Di Pierro F, Zanvit A, Nobili P, Risso P, Fornaini C.Clin Cosmet Investig Dent. 2015 Oct 3;7:107-13

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2016

STATEMENT OF AFFAIRS OF THE COMPANY

The results of operations for the year and the financial position of the Company 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 bacteriocins, 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 207T 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 A P Offen disclosed his interests through his role as Director of Edinburgh Securities Ltd. Edinburgh Securities Ltd has been involved in providing executive services to the Company, the terms of which the other directors considered fair and reasonable to the Company and its existing shareholders.

Mr P F Fennessy disclosed his interests in providing professional consulting services to the Company through AbacusBio Limited, the terms of which the other directors considered fair and reasonable to the Company and its existing shareholders.

DIRECTORS' REMUNERATION

Directors' remuneration in their role as a Director was as follows:

	Year Ended 31 March 2016
	$
V M Aris	20,000
G S Boyd	20,000
P F Fennessy	40,000
A J McKenzie	20,000
A P Offen	25,000
B H Wallace	25,000

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 information received in their capacity as directors which would not have been otherwise available to them.

EMPLOYEES' REMUNERATION

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

Remuneration	Year-ended 31 March 2016	Year-ended 31 March 2015
$110,000 – 120,000	-	1
$120,001 – 130,000	1	-
$210,000 – 220,000	-	-
$270,000 – 280,000	-	1
$320,000 – 330,000	1	-

DONATIONS

Donations of products were made by the Group during the year ended 31 March 2016. The retail value of the products donated totalled $8,774 (2015: $8,328).

DIRECTORS

The people holding office as Directors of the Company as at 31 March 2016 are set out below:

P F Fennessy (Chairman)

Peter Fennessy is a consulting partner with AbacusBio Limited, a privately-held Dunedin consultancy and venture development business with its major focus in the agricultural sector. Peter has been a Director of Blis Technologies Limited since 2000 and Chairman since 2006. He is also a director of a number of private companies in the areas of technology and agribusiness. Peter is a Chartered Member of the Institute of Directors.

A P Offen (Deputy Chairman)

Tony Offen has been a Director of Blis Technologies Limited since May 2009 and is the current Deputy Chair. Through his Dunedin-based investment company, Edinburgh Securities Limited, Tony is a director and shareholder of a number of successful private companies, including in the commercial and industrial property sectors, FMCG business sectors nationally and internationally, and investment interests requiring venture and start-up capital. Tony holds professional memberships with the Chartered Accountants Australia and New Zealand and is a Chartered Member of the NZ Institute of Directors. He is an elected member of the National Council for the Neurological Foundation of NZ and is Chairman of its Investment Committee. Tony is also a member of the Governance Board of Brain Research New Zealand, Centre of Research Excellence (CORE) and holds a B.Com (Accounting) and B.A. (Philosophy) from University of Otago.

V M Aris

Veronica Aris has over 17 years of sales and marketing experience with the healthcare industry having held numerous senior roles across many industry sectors, including primary care consumables, pharmaceutical, natural health care supplements and consumer products for companies such as Sanofi-Synthelabo, Pfizer, Abbott Laboratories, EBOS and Brand Developers within the UK, Australia and New Zealand. Veronica has been a director of Blis Technologies Limited since July 2014. She has expertise in the areas of pharma product launches, brand management, marketing, sales and regulatory affairs, as well as social media sales strategies. Originally from the UK, Veronica holds a BSc in Chemistry and French and a DipM in Marketing. She is a Board Member of North Harbour Softball, a Member of the Institute of Directors and holds Chartered Marketer status from the Chartered Institute of Marketers.

G S Boyd

Graeme Boyd joined ICI New Zealand Limited in 1971 and for over 26 years held a variety of positions across the business, including management of the Pharmaceuticals Division, culminating in the role of NZ General Manager from 1990 to 1997. He was appointed CEO of Comvita in 1998 and developed the company from a small privately-owned company to a publicly-listed company centred on marketing natural health products internationally. Graeme left Comvita in 2005 and formed a management consulting business specialising in company turnarounds, growth strategies and international marketing. Graeme has been a director of Blis Technologies Limited since July 2014. He is currently an independent director of Allied Industrial Engineering Limited, Blokart International Limited and Chairman of Phytomed Medicinal Herbs Limited. Graeme is a professional director and a Chartered Member of the Institute of Directors.

A J McKenzie

Alan McKenzie is a Dunedin-based business adviser with over 38 years' experience as a Chartered Accountant working in New Zealand and overseas, in both public practice and industry. Alan has been a director of Blis Technologies Limited since August 2012. He has worked with numerous businesses ranging from new ventures requiring day to day input, to substantial multi-national companies. His focus is advising clients regarding structuring business investment, financing, and related taxation issues. He is a Fellow Chartered Director of the Institute of Directors a Fellow of the Institute of Chartered Secretaries and a director of several client-owned businesses and investment groups operating within New Zealand and internationally. He is a Trustee for several private family groups and local charitable organisations.

B H Wallace (Audit Committee Chairman)

Bevan Wallace joined the Board of Directors at Blis Technologies Limited in 2008. He is a former Chartered Accountant, a Fellow of the Institute of Financial Professionals New Zealand (Inc.), and a member of the Institute of Directors and the Law and Economics Association of New Zealand (Inc.). Bevan is Chairman of Efficient Market Services Limited, operator of the unlisted share trading platform and provides value-based strategic advice though his consultancy, Morgan Wallace Limited. He holds a Master of Commerce with First Class Honours in Economics and Accountancy (University of Canterbury).

SHARE DEALING

During the year the Directors (or associated entities in which the Directors have relevant interests) acquired/(disposed) of the following equity securities in the Group:

B H Wallace	(500,000) ordinary shares
A J McKenzie	500,000 ordinary shares
G S Boyd	800,000 ordinary shares

BLIS FUNCTIONAL FOODS LIMITED

The Company has a wholly-owned subsidiary called Blis Functional Foods Limited which was incorporated on 28 February 2011. The status of the subsidiary since March 2013 is that it is non-trading. The Director of this subsidiary as at 31 March 2016 is Anthony Offen.

DIRECTOR'S RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

The Directors of Blis Technologies Limited are pleased to present to shareholders the financial statements for Blis Technologies Limited Group for the year ended 31 March 2016.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which fairly presents the financial position of the Group as at 31 March 2016 and the results of its operations and cash flows for the year ended on that date.

The Directors consider the financial statements of the 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 Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the 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.

Peter Fennessy	Anthony Offen
Director	Director

23 May 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2016 $'000	2015 $'000
REVENUES			
Trading revenue	2a	5,628	2,523
Interest received		33	108
		5,661	2,631
LESS			
Distribution expenses		48	14
Marketing expenses		50	66
Occupancy expenses		159	149
Operating expenses		5,813	3,322
Other expenses		407	453
		6,477	4,004
SURPLUS/(DEFICIT) BEFORE TAX	2b, 4, 5	**(816)**	**(1,373)**
Income tax expense	3	-	-
SURPLUS/(DEFICIT) FOR THE YEAR		**(816)**	**(1,373)**
Surplus/(Deficit) for the year is attributable to:			
Equity holders of the parent		(816)	(1,373)
		(816)	(1,373)
Earnings (deficit) per share:			
Basic (cents per share)	13	(0.07)	(0.12)
Diluted (cents per share)	13	(0.07)	(0.12)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 $'000	2015 $'000
Surplus/(Deficit) for the year		(816)	(1,373)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/ (DEFICIT) FOR THE YEAR		**(816)**	**(1,373)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Share capital $'000	Retained earnings/(deficit) $'000	Total attributable to Group $'000
OPENING EQUITY – 1 APRIL 2014	**37,298**	**(31,122)**	**6,176**
Surplus/(Deficit) for the year	-	(1,373)	(1,373)
Other comprehensive income	-	-	-
Total comprehensive income	-	(1,373)	(1,373)
CLOSING EQUITY – 31 MARCH 2015	**37,298**	**(32,495)**	**4,803**
Surplus/(Deficit) for the year	-	(816)	(816)
Other comprehensive income	-	-	-
Total comprehensive income	-	(816)	(816)
CLOSING EQUITY – 31 MARCH 2016	**37,298**	**(33,311)**	**3,987**

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
CURRENT ASSETS			
Cash and short-term deposits	6	1,209	2,146
Accounts receivable	7	1,207	464
Prepayments		56	73
Inventory	8	328	282
		2,800	2,965
LESS CURRENT LIABILITIES			
Accounts payable	11	833	446
Income in advance		40	-
		873	446
WORKING CAPITAL		1,927	2,519
NON-CURRENT ASSETS			
Property, plant and equipment	9	717	616
Finite life intangible assets	10	1,343	1,668
		2,060	2,284
NET ASSETS		3,987	4,803
OWNERS' EQUITY			
Share capital	13	37,298	37,298
Retained earnings/(deficits)		(33,311)	(32,495)
TOTAL EQUITY		3,987	4,803

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from/(applied to):			
Receipts from customers		4,885	2,331
Interest received		33	105
Payments to suppliers and employees		(5,429)	(3,531)
Net cash inflow/(outflow) from operating activities	19	(511)	(1,095)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from/(applied to):			
Sale of property, plant and equipment		-	5
Capitalised patent costs		(88)	(83)
Purchase of property, plant and equipment		(320)	(343)
Net cash inflow (outflow) from investing activities		(408)	(421)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from/(applied to):			
Issue of ordinary shares		-	-
Net cash inflow/(outflow) from financing activities		**-**	**-**
Net increase/(decrease) in cash held		(919)	(1,516)
Add cash and short-term deposits at start of year		2,146	3,652
Foreign exchange differences		(18)	10
Balance at end of year		**1,209**	**2,146**
COMPRISED OF:			
Cash and short-term deposits		1,209	2,146
		1,209	2,146

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1. SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Blis Technologies Limited (the "Company") is a profit-oriented entity incorporated and domiciled in New Zealand and is registered under the Companies Act 1993. The principal activity of the Company is developing healthcare products based on strains of bacteria that produce Bacteriocin activity.

The financial statements represented are those for the Blis Technologies Limited Group.

Blis Technologies Limited is a FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013 and its financial statements comply with these Acts. 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").

The Financial Statements were approved by the Board of Directors on 23rd May 2016.

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 10.
- 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 10.
- The Group determines whether finite life intangibles are impaired at least on an annual basis. Where there is an indication of impairment then an estimation of the recoverable amount of the finite life intangible assets is required. Determining the recoverable amounts of intangible assets requires judgement in relation to the effects of uncertain future events at balance date. Assumptions are required with respect to future cash flows and discount rates used. Refer Note 10 for sensitivities and assumptions used.
- Tax losses. The non- ecognition of a deferred tax asset arising from current and prior year tax losses is a function of the Directors estimating that insufficient future taxable amounts will be available against which unused tax losses can

be utilised and upon maintaining at least minimum levels of shareholder continuity from the date the tax loss was incurred to the date of utilisation. If sufficient future taxable amounts are available the Directors could be understating the deferred tax asset and consequently net profit after tax to date may also be understated (refer note 3)

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 reasonable 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 Group focus moves further towards in-market support of its proprietary probiotic strains.

Significant Accounting Policies

The principal accounting policies applied in the preparation and presentation 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. Control is obtained when the Company has power over the investee, is exposed to or has rights to variable returns from its investment, and has the ability to use its power to affect returns. 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.

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	1 - 15 years
Plant and equipment	1 - 12 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.

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 three years, the cost of further website development is expensed as incurred.

Internally-generated intangible assets – capitalised product development expenditure

Expenditure on research activities is 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 eight 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.

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 or receivable.

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.

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, the Euro denominated bank account and the United States Dollar (USD) denominated bank account balances are translated at the exchange rates prevailing at the end of each reporting period as sourced from the Reserve Bank of New Zealand. Exchange differences are recognised in the income statement in the period in which they occur.

Income in advance

Revenue is recognised when all associated obligations have been met. Where income has been received but the associated obligations have not been met, for instance goods have not yet been provided, it will be recognised as Income in advance on the Balance Sheet.

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 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. Cost is determined using average cost. 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 and 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 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.

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.

Provisions 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 cash flow 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. No new Accounting Standards that became effective for the current year were applicable to the Group for the year ended 31 March 2016.

New NZ IFRS Standards and Interpretations Issued but not yet adopted

At the date of authorisation of these financial statements, certain new standards and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all pronouncements will be adopted in the first accounting period beginning on or after the effective date of the new standard. Information on new standards, amendments and interpretations that are expected to be relevant to the Group financial statements is provided below. Other new standards and interpretations issued but not yet effective, that are not expected to have a material impact on the Group's financial statements have not been disclosed

NZ IFRS 9 – Financial instruments (effective date from 1 January 2018)

NZ IFRS 9 Financial Instruments was finalised and issued during the year and replaces NZ IAS 39 Financial Instruments: Recognition and Measurement.

The new standard includes a new classification and measurement regime for financial instruments, amendments to hedge accounting and changes in determining and measuring impairment of financial assets.

Management have yet to fully assess the impact these standards are likely to have on the financial statements of the Group.

NZ IFRS 15 – Revenue from Contracts with Customers (effective date from 1 January 2018)

The new standard establishes principles for reporting about the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers. It prescribes when an entity will recognise revenue, how much revenue to recognise, and what disclosures to make about revenue.

The core principle of the Standard is to recognise revenue for the amount of consideration due to an entity in exchange for the goods and services provided to the customer. This is done following a 5 step process:

Step 1: Identify the contract with the customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of an asset to a customer. This may be at a point in time (typically for goods), or over time (typically for services).

Based on the short-period of the average revenue contract entered into by the Group, the new standard is not expected to have a significant impact on the timing of current revenue recognition. However the Directors are still conducting further analysis of the impact of this new standard.

IFRS 16 – Leases (effective for annual reporting periods beginning on or after 1 January 2019)

NZ IAS 16: Leases removes the distinction between operating and finance leases and requires a lessee to recognise all leases on balance sheet through:

- an asset representing its right to use the leased item for the lease term;
- a liability for its obligation to pay rentals

NZ IFRS 16 contains guidance on identification, recognition, measurement, presentation, and disclosure of leases by lessees and lessors. Management has yet to fully assess the impact on this standard is likely to have on the financial statements of the Group.

2. SURPLUS/(DEFICIT) FROM OPERATIONS

	2016 $'000	2015 $'000
(a) Trading revenue		
Trading revenue consists of the following items:		
Sale of goods – domestic sales	1,128	651
Sale of goods – export sales	4,500	1,872
	5,628	2,523
(b) Surplus/(Deficit) before tax and finance costs		
This includes the following specific expenses:		
Employee benefits	1,671	1,203
Directors' fees	150	145
Cost of goods sold	1,762	935
Business operating expenses	2,068	922
Amortisation of finite life intangible assets (note 10)	412	463
Operating leases – minimum lease payments (i)	12	11
Depreciation of property, plant and equipment (note 9)	144	96

(i) Operating lease rentals include rental streams associated with the laboratory utilised by the development team and administration.

	2016 $'000	2015 $'000

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:

	2016 $'000	2015 $'000
Deficit before tax	(816)	(1,373)
Income tax benefit calculated at 28%	(229)	(384)
Non-deductible items	101	135
Temporary differences excluding tax losses not recognised	(31)	(14)
Tax losses not recognised	159	263
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) Deferred tax balances

The Group has unrecognised deferred income tax assets in relation to temporary differences of $419,189 (2015: $503,609). Furthermore, the Group has unrecognised deferred income tax assets of up to $4,830,401 (2015: $4,795,365) in respect of tax losses amounting to up to $17,251,433 (2015: $17,126,302) 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). The availability of these tax losses to apply against future income is contingent upon maintaining a minimum level of shareholder continuity and is therefore highly uncertain.

4. REMUNERATION OF AUDITORS

	2016 $'000	2015 $'000
Audit of the financial statements	35	33
Audit related and other assurance services	16	2
	51	35

The auditor of Blis Technologies Limited is Deloitte.

Audit related and other assurance services include acting as scrutineer and a cyber systems review.

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:

	2016 $'000	2015 $'000
Short-term employee and contractor benefits	1,082	480
	1,082	480

6. CASH AND SHORT-TERM DEPOSITS

	2016 $'000	2015 $'000
Cash	1,134	720
Short-term deposits (i)	75	1,426
	1,209	2,146

(i) 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.

	2016 $'000	2015 $'000
7. ACCOUNTS RECEIVABLE		
Accounts receivable	1,190	413
Accrued interest	-	3
Goods and Services Tax (GST) receivable	17	48
	1,207	464

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.

	2016 $'000	2015 $'000
8. INVENTORIES		
Raw materials	299	262
Finished goods	29	20
	328	282

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

9. PROPERTY, PLANT & EQUIPMENT

2016

	Cost 1 April 2015	Additions/ Transfers	Disposals	Cost 31 March 2016	Accumulated depreciation 1 April 2016	Depreciation expense	Accumulated depreciation reversed on disposal	Transfer	Accoumulated depreciation 31 March 2016	Book value 31 March 2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$000	$'000	$'000
Leasehold improvements	248	85	15	318	(141)	(37)	-	-	(178)	140
Furniture and fittings	70	14	-	84	(66)	(1)	-	-	(67)	17
Plant and equipment	1,048	221	103	1166	(543)	(106)	43	-	(606)	560
Total property, plant and equipment	1,366	320	118	1,568	(750)	(144)	43	-	(851)	717

2015

	Cost 1 April 2014	Additions/ Transfers	Disposals	Cost 31 March 2015	Accumulated depreciation 1 April 2014	Depreciation expense	Accumulated depreciation reversed on disposal	Transfer	Accoumulated depreciation 31 March 2015	Book value 31 March 2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$000	$'000	$'000
Leasehold improvements	142	111	5	248	(119)	(22)	-	-	(141)	107
Furniture and fittings	71	-	-	70	(66)	-	-	-	(66)	4
Plant and equipment	816	232	-	1,048	(469)	(74)	-	-	(543)	505
Total property, plant and equipment	1,029	343	5	1,366	(654)	(96)	-	-	(750)	616

10. FINITE LIFE INTANGIBLE ASSETS

	Patents $'000	Capitalised Development $'000	Website Development $'000	Total $'000
Gross Carrying Amount				
Balance at 1 April 2015	790	3,115	69	3,974
Additions from patent acquisition costs	87	-	-	87
Balance at 31 March 2016	877	3,115	69	4,061
Accumulated amortisation and impairment				
Balance at 1 April 2015	276	1,964	65	2,306
Amortisation expense	77	330	4	412
Balance at 31 March 2016	353	2,294	69	2,718
Net book value at 31 March 2016	524	819	-	1,343
Gross Carrying Amount				
Balance at 1 April 2014	707	3,115	69	3,891
Additions from patent acquisition costs	83	-	-	83
Balance at 31 March 2015	790	3,115	69	3,974
Accumulated amortisation and impairment				
Balance at 1 April 2014	212	1,575	55	1,843
Amortisation expense	64	389	10	463
Balance at 31 March 2015	276	1,964	65	2,306
Net book value at 31 March 2015	514	1,150	4	1,668

No impairment losses have been recorded in the current year (2015 : Nil).

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

Capitalised product 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 20% to 49% (2015:17% to 49%) contribution margins, pre personnel costs, of 72% to 74% (2015: 52% to 56% after allocation of personnel costs) and post-tax discount rates of 15% (2015: 20%) have been applied to these projections. Cash flows beyond the five year period have been extrapolated using a steady 0% (2015 0%) 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 product development expenditure will be less than the carrying value.

	2016 $'000	2015 $'000

11. ACCOUNTS PAYABLE

	2016 $'000	2015 $'000
Accounts payable	712	338
Employee entitlements	121	108
	833	446

12. INVESTMENT IN SUBSIDIARY

Subsidiary	Percentage Held 2016	Percentage Held 2015	Balance Date	Principal Activity
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.

13. SHARE CAPITAL

	2016 No. of Shares	2016 $'000	2015 No. of Shares	2015 $'000
Balance at the beginning of the year	1,102,153,565	37,298	1,102,153,565	37,298
Balance at the end of the year	1,102,153,565	37,298	1,102,153,565	37,298

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.

	2016 Cents per share	2015 Cents per share
Basic earnings (deficit) per share	(0.07)	(0.12)

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 earnings (deficit)	(816)	(1,373)

	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,102,153,565	1,102,153,565

	Cents per share	Cents per share
Diluted earnings (deficit) per share	(0.07)	(0.12)

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 earnings (deficit)	(816)	(1,373)

	No.	No.
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,102,153,565	1,102,153,565

	2016 Cents per share	2015 Cents per share
Net tangible assets/(liabilities) per share at year end	0.24	0.28

The net tangible assets and number of issued ordinary shares used in the calculation of net tangible assets per share are as follows:

	$'000	$'000
Net tangible assets	2,644	3,135

	No.	No.
Number of ordinary shares held at 31 March 2016	1,102,153,565	1,102,153,565

Net tangible assets

As at 31 March 2016 the net tangible asset per share was 0.24 cents (2015: 0.28 cents).

	2016 $'000	2015 $'000
Total assets	4,860	5,249
Less intangible assets	(1,343)	(1,668)
Less total liabilities	(873)	(446)
Net tangible assets	**2,644**	**3,135**
Number of shares outstanding ('000)	1,102,153	1,102,153
Net tangible assets per share (cents)	**0.24**	**0.28**

14. RELATED PARTY TRANSACTIONS

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

Mr A P Offen provided Executive Director services to the Group through Edinburgh Securities Ltd during the year. Payments for these services amounted to $208,434 (2015: $43,050). There was $25,000 owing at 31 March 2016 (2015: $0).

Mr P F Fennessy provided professional consulting services to the Group through AbacusBio Ltd during the year. Payments for these services amounted to $50,875 (2015: $0). There was $7,763 owing at 31 March 2016 (2015: $0).

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

Associated entity	Director	2016	2015
P F Fennessy	P F Fennessy	$779	$1,636
Edinburgh Securities Ltd	A P Offen	$117	

P F Fennessy owed $134 (2015: $0) as at 31 March 2016 for BLIS™ products.

Lozenges are also made available to the staff and Board members for personal use.

	2016 $'000	2015 $'000

15. COMMITMENTS FOR EXPENDITURE

(a) Capital Expenditure Commitments

As at 31 March 2016 there is $20,000 of capital expenditure commitments (2015: $40,639).

(b) Lease Commitments

Non-cancellable operating lease commitments are as follows:

	2016 $'000	2015 $'000
Less than 1 year	85	92
1 - 5 years	331	319
Longer than 5 years	286	270

16. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or contingent liabilities at 31 March 2016 (2015: $Nil).

17. GOING CONCERN

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

The Group has recorded a net deficit of $816,293 (2015: $1,373,040) for the year ended 31 March 2016.

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 during the period of one year from the date these financials statements are approved.

Specifically, the Group held cash reserves of $1,208,812 as at 31 March 2016 which is considered more than sufficient to meet its budgeted capital expenditure and working capital requirements.

Based on management budgets and plans the Group will be able to meet financial obligations for at least 12 months from the date of approval of the financial statements.

While the Directors believe that there is no material uncertainty in respect of the Group 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 Group can 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 may not be able to continue as a going concern.

If the Group 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 be unable to continue as a going concern.

18. SEGMENTAL REPORTING

18.1 Operating Segments

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

18.2 Revenue from major products and services

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

	2016 $'000	2015 $'000
BLIS™ products	5,378	2,521
Non-core business	283	110
Total revenue	5,661	2,631

Non-core revenues include interest received and contract manufacturing revenue of non-BLIS branded products.

18.3 Information about geographical areas

The Group operates in four 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:

	2016	2015	2016	2015
Trading revenue	**$'000**	**$'000**	**$'000**	**$'000**
	Revenue from external customers			**Non-current assets**
Australasia	1,164	685	2,060	2,284
Asia (incl. China)	753	241	-	-
Europe	2,117	831	-	-
North America	1,470	664	-	-
Rest of the World	124	102	-	-
Total trading revenue	5,628	2,523	2,060	2,284
Interest received	33	108	-	-
Total revenue	5,661	2,631	2,060	2,284

Included in revenue are revenues of $2,080,894, $1,470,281 and $674,969 (2015: $1,212,136, $507,944 and $382,149) which arose from sales to the Group's three largest customers.

19. RECONCILIATION OF NET DEFICIT WITH CASH FLOWS FROM OPERATING ACTIVITIES

	2016	2015
	$'000	**$'000**
Net surplus/(deficit) for the year	(816)	(1,373)
Adjustments for non-cash items:		
Amortisation of capitalised product development costs	331	389
Amortisation of patents	77	64
Amortisation of website development	4	10
Depreciation	145	97
Foreign exchange loss/(gain)	18	(10)
Loss/(Gain) on disposal of fixed asset	75	-
	(166)	(823)
Movements in working capital		
Accounts receivable	(743)	(229)
Prepayments	17	(28)
Inventories	(46)	(176)
Accounts payable and income in advance	427	161
	(345)	(272)
Net cash inflow/ (outflow) from operating activities	(511)	(1,095)

20. 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 2015.

(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.

(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:

	2016	2015
	$'000	$'000
Australian Dollar	-	8
Euro	565	130
United States Dollar	896	441

The table expresses foreign currency amounts in New Zealand dollar equivalents using the exchange rates at 31 March 2016 and 31 March 2015. The rates applied at 31 March 2016 were:

NZ$1:	AU$0.9027 (2015: AU$0.9785)
NZ$1:	EU$0.6101 (2015: EU$0.6918)
NZ$1:	US$0.6913 (2015: US$0.7490)

(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:

	2016	2015
	$'000	$'000
Cash and short-term deposits	1,209	2,146
Accounts receivable	1,190	413
	2,399	2,559

Ageing Receivables Breakdown

Ageing analysis of trade receivables	Gross amounts receivable $'000	Impairment $'000	Net balance $'000
2016			
0 - 30 days (not past due)	1,011	-	1,011
31 - 60 days	120	-	120
61 - 90 days	58	-	58
Greater than 90 days	1	-	1
Total past due	179	-	179
Total of trade debtors	1,190	-	1,190
2015			
0 - 30 days (not past due)	403	-	403
31 - 60 days	1	-	1
61 - 90 days	8	-	8
Greater than 90 days	1	-	1
Total past due	10	-	10
Total of trade debtors	413	-	413

At 31 March 2016, accounts receivable include an amount of $454,240 (2015:$172,771) due from one customer and $436,147 from another customer (2015:$129,983). 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 by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The maturity profiles of the Group's interest bearing investments and borrowings are disclosed later in this note.

Liquidity and Interest Risk Tables

The following tables detail the Group'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 is entitled and intends to repay a liability before its maturity.

	Weighted Average Effective Interest Rate	Less Than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Interest	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000		$'000
31 March 2016									
Financial assets:									
Cash and short-term deposits	1.97	1,209	-	-	-	-	-	-	1,209
Accounts receivable	-	1,190	-	-	-	-	-	-	1,190
Total	-	2,399	-	-	-	-	-	-	2,399
Financial liabilities:									
Accounts payable	-	833	-	-	-	-	-	-	833
Total	-	833	-	-	-	-	-	-	833

	Weighted Average Effective Interest Rate	Less Than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Interest	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000		$'000
31 March 2015									
Financial assets:									
Cash and short-term deposits	2.98	2,146	-	-	-	-	-	-	2,146
Accounts receivable	-	464	-	-	-	-	-	-	464
Total	-	2,610	-	-	-	-	-	-	2,610
Financial liabilities:									
Accounts payable	-	446	-	-	-	-	-	-	446
Total	-	446	-	-	-	-	-	-	446

(i) Sensitivity Analysis

The Group is exposed to foreign currency risk arising from 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, the Euro and the United States Dollar.

Exposures to movements in these foreign currency rates are not considered material at balance date. 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 increased during the year due to an increased proportion of export sales.

Exposure to movement in floating interest rates in respect of cash on deposit 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.

STATEMENT OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 MARCH 2016

The Board and Management of Blis Technologies Limited 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 are based on the nine principles of corporate governance issued by the Financial Markets Authority. 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
- Stakeholder 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 Markets Conduct Act 2013 and Financial Reporting Act 2013.

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;
- Approving the annual and half-year financial statements; and
- Providing the necessary leadership and responsible for the major decisions that influence health and safety, strategic direction, securing and allocating resources, and ensuring the Company has appropriate people, systems and equipment.

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.

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 six Directors, comprising a Chairman, Deputy Chairman and four 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.

Five Directors are non-executive members, one Director is an Executive Director (in a short-term part-time support role), and five Directors are independent members. The independent directors are Mr P F Fennessy, Mr G S Boyd, Ms V Aris, Mr A J McKenzie 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.

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. 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.

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 Bevan Wallace (Independent Chairman) Alan McKenzie (Independent) and Graeme Boyd (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.

ADDITIONAL STOCK EXCHANGE INFORMATION

FOR THE YEAR ENDED 31 MARCH 2016

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

As at 31 March 2016 the total number of issued ordinary shares in the Company was 1,102,153,565.

1.Substantial Product Holders

The following substantial product holder information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. These substantial product holders are shareholders that have a relevant interest in 5% or more of the ordinary shares in the Company. As at 31 March 2016 details of the substantial product holders of the Company and their relevant interests in the ordinary shares of the Company are as follows:

1 Name of substantial product holder	Number of Voting Securities Ordinary Shares as at 31 March 2016
Leveraged Equities Finance Limited	170,778,613
UOB Kay Hian Private Limited	87,483,645
Edinburgh Equity Limited	58,257,388

2 Spread of security holders at 31 March 2016 – ordinary shares

	Number of Security Holders	Percentage of Issued Ordinary Equity
1 – 50,000	529	36.79%
50,001 – 100,000	284	19.75%
100,001 – 150,000	108	7.51%
150,001 – 200,000	103	7.16%
200,001 – 300,000	96	6.68%
300,001 – 500,000	105	7.30%
500,001 – 1,000,000	100	6.95%
1,000,001 – 5,000,000	87	6.05%
5,000,001 and above	26	1.81%
Total number of holders	1,438	100.00%

3 Twenty largest equity security holders

The names of the 20 largest holders of each class of quoted equity security as at 31 March 2016 are listed below.

Top 20 Shareholders	Number of Issued Ordinary Shares	Percentage Issued
Leveraged Equities Finance Limited	170,778,613	15.49%
Uob Kay Hian Private Limited	87,483,645	7.94%
Edinburgh Equity Limited	58,257,388	5.29%
Xu Qi Wu & Yao Hong Shen	52,013,822	4.72%
Mingchun Qiu	44,274,769	4.02%
Asia Pacific Partners Limited	31,500,000	2.86%
Michael Herbert Bird	30,000,000	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	24,094,577	2.19%
New Zealand Central Securities Depository Limited	21,470,912	1.95%
Custodial Services Limited	18,321,821	1.66%
Superlife Trustee Nominees Limited	11,096,008	1.01%
Richard Mark Keenan	10,000,000	0.91%
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	6,000,263	0.54%
Peter Francis Fennessy & Mary Elizabeth Fennessy	5,798,182	0.53%
Kirkland Properties Limited	5,745,377	0.52%
TOTAL	**653,508,230**	**59.31%**

4 Directors' Shareholdings

The following table sets out, for the purposes of the disclosures required under Listing Rule 10.4.5 (c) of the NZX Main Board Listing Rules, the relevant interests of Directors and associated persons of the Directors in equity securities of the Company as at 31 March 2016:

Name of Director			**Number of equity securities in which a relevant interest is held by the Director**
P F Fennessy	Ordinary	5,798,182	(1)
A P Offen	Ordinary	58,257,388	(2)
A J McKenzie	Ordinary	29,789,774	(3)
B H Wallace	Ordinary	13,750,000	(4)
G S Boyd	Ordinary	800,000	(5)

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

1) The number of equity securities in which Mr P F Fennessy holds a relevant interest includes 5,798,182 ordinary shares, in which the trustees of the PF & ME Fennessy Family Trust have a relevant interest.

2) The number of equity securities in which Mr A P Offen holds a relevant interest includes 58,257,388 ordinary shares, held by Edinburgh Equity Limited has a relevant interest. Mr Offen is a director of Edinburgh Equity Limited.

3) The number of equity securities in which Mr A J McKenzie holds a relevant interest includes:
- 1,599,346 ordinary shares, held by A J McKenzie & Co Limited. Mr McKenzie is a director and shareholder of A J McKenzie & Co Limited.
- 5,100,000 ordinary shares held by the trustee of the Pinot Trust. Mr McKenzie is a non-beneficial Trustee of the Pinot Trust.
- 22,928,571 ordinary shares held by Leveraged Equities Finance Limited on nominee account for SIL Long Term Holdings Limited. Mr McKenzie is a non-beneficial Director of SIL Long Term Holdings Limited.
- 161,857 ordinary shares held by Mr McKenzie personally.

4) The number of equity securities in which Mr B H Wallace holds a relevant interest includes:
- 3,250,000 ordinary shares held by the trustees of the Bevan Wallace Family Trust. Mr Wallace is a trustee of the Bevan Wallace Family Trust.
- 2,000,000 ordinary shares held by the Wallace Family Trust. Mr Wallace is a trustee of the Wallace Family Trust.
- 750,000 ordinary shares held by Morgan Wallace Limited. Mr Wallace is a director and shareholder of Morgan Wallace Limited.
- 250,000 ordinary shares held by Lee & Wallace Holdings Limited. Mr Wallace is a director and shareholder of Lee & Wallace Holdings Limited.
- 7,500,000 ordinary shares held by Mr Wallace personally.

5) The number of equity securities in which Mr G S Boyd holds a relevant interest includes 800,000 ordinary shares held by Mr Boyd personally.

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 2015 to 31 March 2016.

7. Diversity Policy

	Current Year		Previous Year	
	Male	**Female**	**Male**	**Female**
Number of Directors	5	1	5	1
Percentage of Directors	83.3%	16.7%	83.3%	16.7%
Number of Officers	6	3	4	0
Percentage of Officers	66.7%	33.3%	100.0%	0%

The Company does not have a Gender Diversity Policy for the Board and Management as at 31 March 2016.

7. Independence of Directors

As at 31 March 2016, the following Directors are considered by the Board to be Independent (as defined by the NZSX Listing Rules): P F Fennessy, Ms V Aris, Mr G S Boyd Mr A J McKenzie and Mr B H Wallace.

As at 31 March 2016, the only Director considered by the Board is Mr A P Offen.

Deloitte.

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Blis Technologies Limited and its subsidiaries ('the Group') on pages 13 to 40, which comprise the consolidated balance sheet as at 31 March 2016, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement 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. 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 Consolidated Financial Statements

The Board of Directors are responsible on behalf of the company for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements.

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

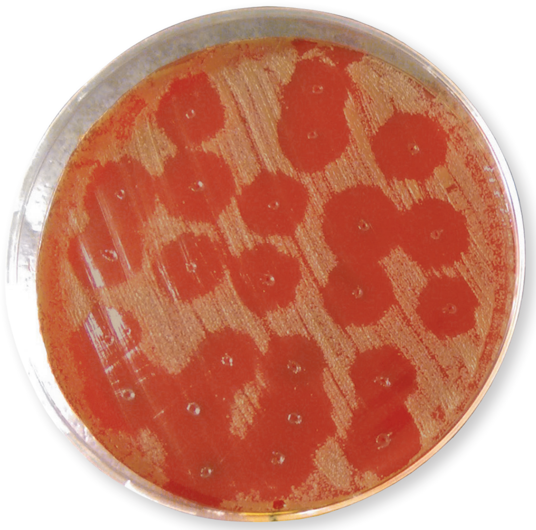
Our firm carries out other assignments for Blis Technologies Limited in the areas of acting as a scrutineer and completing a cyber systems review. These services have not impaired our independence as auditor of the Company and Group. In addition to this, partners and employees of our firm deal with Blis Technologies Limited and its subsidiaries on normal terms within the ordinary course of trading activities of the business of Blis Technologies Limited and its subsidiaries. The firm has no other relationship with, or interest in, Blis Technologies Limited or any of its subsidiaries.

Opinion

In our opinion, the consolidated financial statements on pages 13 to 40 present fairly, in all material respects, the financial position of Blis Technologies Limited and its subsidiaries as at 31 March 2016, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Deloitte

Chartered Accountants
23 May 2016
Dunedin, New Zealand



An example of one of the many tests carried out in the Blis Technologies laboratory where we can demonstrate the competitive advantage of our *Streptococcus salivarius* strains. In this picture, a 'lawn' of an indicator bacteria is established. Colonies of BLIS K12 are stabbed into this 'lawn' of indicator bacteria. The visible zones are due to Blis molecules destroying the indicator bacteria.

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