



Operations Report and Financial Statements

For the six months to 30 September 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting Period: 6 months to 30 September 2016
Previous Reporting Period: 6 months to 30 September 2015

Consolidated	Amount (\$000s)	Percentage Change
Revenue	3,839	Increased 41%
Net surplus before tax & finance costs (interest)	428	Surplus Increased by \$833k
Finance Costs	-	No change
Net surplus	428	Surplus Increased by \$833k
Interim Dividend- Ordinary shares	-	No change
Please read Operations Report for explanation of the above disclosure summary		

OVERVIEW

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

The company reports a Net Income Before Tax (NIBT) of \$428k on revenue of \$3,839k for the six months to September 30, 2016. Revenue increased 41% from the \$2,732k reported in the previous corresponding period. The NIBT of \$428k represents an improvement from a \$405k deficit in the corresponding prior period.

The company remains on target to deliver on the market guidance previously communicated to the market of in excess of \$8 million in revenue and in excess of \$700k in NIBT.

Key Highlights for the Period Include:

- 41% revenue growth over the corresponding prior period
- A NIBT of \$428k compared with a net deficit in the corresponding prior period
- Appointment of new key staff in Marketing, Business Development and Technical Sales support.
- Re-launch of HoneyBlis in NZ and launch in Australia
- New finished goods initiatives in Japan and Europe
- Two Otago-Southland awards in the Deloitte Fast 50 (Fastest growing exporter and mature business), and inclusion in the National Fast 50 group

Key challenges for the period:

- Balancing market growth with pipeline enhancement activity
- The strong NZ dollar
- Growth placing pressures on supply and customer service

FINANCIAL

The Company reports a consolidated net income for the six months to 30 September of \$428k (Sept 2015: \$405k deficit) before tax and finance costs. This includes interest income of \$3k received for the period (\$24k for Sept 2015).

The financial result reflects the strong customer base that has been established across the key markets of North America, Europe, Australasia and Asia. Revenue has grown such that the contribution margin now covers the cost base of the business. Blis continues to make good progress in broadening the scope of the business from the supply of healthcare ingredients to include the manufacture of part-finished goods and finished consumer products.

Whilst revenue from ingredients, part-finished goods, and finished consumer products are all higher than for the corresponding period last year, nutritional sales are down as the company focuses its resources towards core business. Total expenses of \$3,411k are \$274k higher than the corresponding prior period. Much of the increase is due to investment in business development and improving internal capability. The prior period included a one-off provision of \$350k for product replacement costs. The company continues to invest in initiatives to open new markets and increase brand awareness as it steadily moves toward providing a BLIS branded consumer product range in concert with its international partners. This will provide the company with longer term value and a higher share of profit margins as we get closer to our ultimate customer.

No tax was payable and no dividend will be paid.

Net consolidated cash increase from operating activities was \$690k (Sept 2015: \$751k outflow).

Investment in the period totalled \$152k (Sept 2015: \$195k) reflecting further investment in finished goods manufacturing and capitalisation of patent costs.

As at 30 September 2016 the company held a net working capital position of \$2,510k (Sept 2015: \$2,192k) which the directors believe is sufficient to support its current business.

BUSINESS DEVELOPMENT STRATEGY PROGRESS

Blis Technologies was formed to commercialise advanced probiotics that have bacteriocin activity (that is, good bacteria with the ability to produce small proteins that are inhibitory against other bacterial species). We have achieved and seek to maintain leadership in the commercial applications of these microbes.

The board and management are focused on 3 core areas to ensure long-term sustainable profitable growth: Positioning, Supply Chain and Product Pipeline.

Positioning:

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. This is based on our increased understanding of the customer value proposition and supported by credible clinical data. At the same time branded ingredient sales will be actively managed recognising this important revenue stream. New initiatives include.

- HoneyBlis™ in NZ and Australia
- Co-Branding initiative in Japan
- New launch activity in Europe
- Revised agreement with our NZ distributor

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. Quality control is a focus to ensure delivery of a safe and efficacious product. We see the company as the core source of knowledge about our BLIS™ products. To support this capability build, we have employed a new Business Manager and a Technical Manager and continue to focus on future capacity needs to meet market demand.

Product Pipeline:

Utilising our scientific knowledge to develop new product opportunities is the third area of focus. The science and technology base (from research and development through clinical studies to the end-product) is at the core of the business and our science and clinical base underpin our brand. To accelerate both new strain development and new product development we are investing in both capability and collaboration initiatives.

STAFF

Key recruitment within the first half year includes appointment of a Chief Marketing Officer, Business Development Manager and Technical Manager. These key marketing, sales and technical support roles reflect the focus on building capability to support market access and growth.

REGULATORY

New initiatives to improve market access and regulatory status have been confirmed in Australia, USA and South Korea.

CLINICAL TRIALS

The company continues to support and monitor clinical trials to enhance the evidence base of our products.

During the first half of the year a further trial has been published confirming the benefit of taking BLIS K12 to help provide a sustained and improved breath odour over conventional oral hygiene techniques alone.

OUTLOOK

Based on the half-year results, updated forecasts and planned product releases the company expects to achieve FY2017 guidance of trading revenues in excess of \$8 million and net income before tax in excess of \$0.7 million. The increase in the NZ dollar has impacted revenue recorded in US dollars and Euro, but this impact has currently been offset in strong sales performance.

The focus of management this financial year is on establishing a strong base for sustainable profitable growth while delivering on market guidance. Good progress has been made in building capability and capacity that is in line with the demands of rapid growth, and the financial performance remains in line with our full year guidance.



Peter Fennessy
Chairman
18th day of November 2016



Brian Watson
Chief Executive Officer

BLIS TECHNOLOGIES LIMITED

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT

For the 6 Months Ended 30 September, 2016

	Notes	6 mths 30 Sep 16 (Unaudited) \$'000s	6 mths 30 Sep 15 (Unaudited) \$'000s	12 mths 31 Mar 16 (Audited) \$'000s
REVENUES				
Trading revenue	6.3	3,836	2,708	5,628
Interest received		3	24	33
		<u>3,839</u>	<u>2,732</u>	<u>5,661</u>
LESS				
Distribution expenses		23	4	48
Marketing expenses		31	25	50
Occupancy expenses		85	79	159
Operating expenses		3,065	2,479	5,813
Other expenses		207	200	407
Product replacement provision		-	350	-
		<u>3,411</u>	<u>3,137</u>	<u>6,477</u>
NET SURPLUS / (DEFICIT) BEFORE TAX		428	(405)	(816)
Income tax expense		-	-	-
		<u>428</u>	<u>(405)</u>	<u>(816)</u>
NET SURPLUS / (DEFICIT) FOR THE PERIOD		<u>428</u>	<u>(405)</u>	<u>(816)</u>
Surplus/(deficit) for the period is attributed to:				
Equity holders of the parent		428	(405)	(816)
		<u>428</u>	<u>(405)</u>	<u>(816)</u>
Earnings per Share:				
Basic (cents per ordinary share)		0.04	(0.04)	(0.07)
Diluted (cents per ordinary share)		0.04	(0.04)	(0.07)

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

For the 6 Months Ended 30 September, 2016

	Notes	6 mths 30 Sep 16 (Unaudited) \$'000s	6 mths 30 Sep 15 (Unaudited) \$'000s	12 mths 31 Mar 16 (Audited) \$'000s
Surplus/(Deficit) for the Period		428	(405)	(816)
Other Comprehensive Income		-	-	-
Total Comprehensive Income/(Deficit) for the Period		428	(405)	(816)

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

EQUITY AT BEGINNING OF THE PERIOD		3,987	4,803	4,803
Total Comprehensive Income (Deficit) for the Period		428	(405)	(816)
Issue of Share Capital		164	-	-
EQUITY AT END OF PERIOD		4,579	4,399	3,987

BLIS TECHNOLOGIES LIMITED

CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

As at 30 September, 2016

	Notes	30 Sep 16 (Unaudited) \$'000s	30 Sep 15 (Unaudited) \$'000s	31 Mar 16 (Audited) \$'000s
CURRENT ASSETS				
Cash and short term deposits		1,750	1,234	1,209
Accounts receivable		791	1,435	1,207
Prepayments		43	28	56
Inventory		370	519	328
		<u>2,954</u>	<u>3,216</u>	<u>2,800</u>
LESS CURRENT LIABILITIES				
Accounts Payable		438	674	833
Product replacement provision		-	350	-
Income in advance		6	-	40
		<u>444</u>	<u>1,024</u>	<u>873</u>
WORKING CAPITAL		2,510	2,192	1,927
NON CURRENT ASSETS				
Property, plant and equipment		728	708	717
Finite life intangible assets		1,177	1,499	1,343
Related Party Advance	3	164	-	-
		<u>2,069</u>	<u>2,207</u>	<u>2,060</u>
NET ASSETS		<u>4,579</u>	<u>4,399</u>	<u>3,987</u>
OWNERS' EQUITY				
Share capital	3	37,462	37,298	37,298
Retained earnings/(deficits)		(32,883)	(32,899)	(33,311)
TOTAL EQUITY		<u>4,579</u>	<u>4,399</u>	<u>3,987</u>



Peter Fennessy
Chairman



Brian Watson
Chief Executive Officer

These Financial Statements have been authorised for issue 18th day of November 2016

BLIS TECHNOLOGIES LIMITED

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASHFLOWS

For the 6 Months Ended 30 September, 2016

	Note	6 mths 30 Sep 16 (Unaudited) \$'000s	6 mths 30 Sep 15 (Unaudited) \$'000s	12 mths 31 Mar 16 (Audited) \$'000s
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from (applied to):				
Receipts from customers		4,252	1,739	4,885
Interest received		3	22	33
Payments to suppliers and employees		(3,565)	(2,512)	(5,429)
Net cash inflow/ (outflow) from operating activities	2	690	(751)	(511)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from (applied to):				
Sale of property, plant & equipment		-	-	-
Capitalised patent costs		(41)	(35)	(88)
Purchase of property, plant and equipment		(111)	(160)	(320)
Net cash inflow (outflow) from investing activities		(152)	(195)	(408)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash inflow (outflow) from financing activities		-	-	-
Net increase/ (Decrease) in cash held		538	(946)	(919)
Add cash and short term deposits at start of period		1,209	2,146	2,146
Foreign exchange differences		3	34	(18)
Balance at end of period		<u>1,750</u>	<u>1,234</u>	<u>1,209</u>
COMPRISED OF:				
Cash and short term deposits		1,750	1,234	1,209
Total		<u>1,750</u>	<u>1,234</u>	<u>1,209</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September, 2016

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

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

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

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

The same accounting policies and methods of computation are followed in these interim financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 March 2016.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September, 2016

2. RECONCILIATION OF NET SURPLUS/ (DEFICIT) WITH CASHFLOWS FROM OPERATING ACTIVITIES

	6 mths 30 Sep 16 (Unaudited) \$'000s	6 mths 30 Sep 15 (Unaudited) \$'000s	12 mths 31 Mar 16 (Audited) \$'000s
NET SURPLUS/ (DEFICIT) FOR THE PERIOD	428	(405)	(816)
Adjustments for non-cash items:			
Depreciation	96	69	145
Amortisation of capitalised product development costs	166	165	331
Amortisation of patents	41	35	77
Amortisation of website development	4	4	4
Foreign exchange loss/(gain)	(3)	(34)	18
Product replacement provision	-	350	-
Loss/(Gain) on disposal of fixed asset	-	-	75
	<u>304</u>	<u>589</u>	<u>650</u>
Movement in working capital			
Accounts receivable	416	(971)	(743)
Prepayments	13	45	17
Accounts payable and Income in Advance	(429)	228	427
Inventories	(42)	(237)	(46)
	<u>(42)</u>	<u>(935)</u>	<u>(345)</u>
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	<u><u>690</u></u>	<u><u>(751)</u></u>	<u><u>(511)</u></u>

3 SHARE CAPITAL- ORDINARY SHARES

Balance at beginning of period	37,298	37,298	37,298
Issue of share capital	164	-	-
Balance at end of period	<u><u>37,462</u></u>	<u><u>37,298</u></u>	<u><u>37,298</u></u>

NUMBER OF SHARES ON ISSUE (000'S)

Balance at beginning of period	1,102,153	1,102,153	1,102,153
Issue of shares	5,500	-	-
Balance at end of period	<u><u>1,107,653</u></u>	<u><u>1,102,153</u></u>	<u><u>1,102,153</u></u>

BLIS TECHNOLOGIES LIMITED

NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September, 2016

On June 2nd 2016, the Company advised NZX of a change in issued securities due to issuance of 5,500,000 ordinary shares at issue price of \$0.0299 per share totalling \$164,450. These shares were issued to Mr Brian Watson, Chief Executive of Blis Technologies Limited (Related Party). The shares were issued for cash but payment satisfied in the form of an interest free loan for a term of five years and six months from the Company to the Related Party of \$164,450 with repayment by instalment, the first such instalment due on 1 December 2017.

Net tangible assets	6 mths 30 Sep 16 (Unaudited) \$'000s	6 mths 30 Sep 15 (Unaudited) \$'000s	12 mths 31 Mar 16 (Audited) \$'000s
Total assets	5,023	5,423	4,860
Less intangible assets	(1,177)	(1,499)	(1,343)
Less total liabilities	(444)	(1,024)	(873)
Net tangible assets	3,402	2,900	2,644
Number of shares outstanding ('000)	1,107,653	1,102,153	1,102,153
Net tangible assets per share (cents)	0.31	0.26	0.24

4. CAPITAL COMMITMENTS, CONTINGENT LIABILITIES

The budgeted capital commitments as at 30 September 2016 were \$110,000 (September 2015: \$0)

5. INVESTMENT IN SUBSIDIARY

Subsidiary	Percentage Held		Balance Date	Principal Activity
	2017	2016		
Blis Functional Foods Limited	100%	100%	31 March	Non trading

6. SEGMENTAL REPORTING

6.1 Adoption of NZ IFRS 8 Operating Segments

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

6.2 Revenue from major products and services

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

	6 mths 30 Sep 16 (Unaudited) \$'000s	6 mths 30 Sep 15 (Unaudited) \$'000s	12 mths 31 Mar 16 (Audited) \$'000s
BLIS™ products	3,711	2,490	5,378
Non-core business	128	242	283
Total revenue	3,839	2,732	5,661

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

NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

For the 6 Months Ended 30 September, 2016

6.3 Information about geographical areas

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

	Revenue from external customers			Non-current assets		
	6 mths 30 Sept 2016 (Unaudited) \$'000	6 mths 30 Sept 2015 (Unaudited) \$'000	12 mths 2016 31 Mar 16 (Audited) \$'000	30 Sept 2016 (Unaudited) \$'000	30 Sept 2015 (Unaudited) \$'000	12 mths 2016 31 Mar 16 (Audited)
Trading Revenue						
Australasia	677	704	1,164	2,069	2,207	2,060
North America	1,173	496	1,470	-	-	-
Asia	936	284	753	-	-	-
Europe	986	1,166	2,117	-	-	-
Rest of World	64	58	124	-	-	-
Total Trading Revenue	3,836	2,708	5,628			
Interest received	3	24	33		-	-
Total Revenue	3,839	2,732	5,661	2,069	2,207	2,284

Included in revenue are revenues of \$1,173k, \$974k and \$846k (September 2015: \$1,150k, \$496k and \$316k) which arose from sales to the Group's three largest customers.

Revenues for year ended 31 March 2016, \$2,081k, \$1,470k and \$675k arose from sales to the Groups three largest customers.

7. SUBSEQUENT EVENTS

There were no subsequent events of note post balance date.

8. ADDITIONAL STOCK EXCHANGE INFORMATION

There is no additional stock exchange information.